

STATE OF NEVADA
STATEWIDE COST ALLOCATION PLAN
SECTION II
BILLED SERVICES

FY 2004 Fixed Cost Allocation Plan

Based on Actual Costs for the Fiscal Year Ending June 30, 2003

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The State of Nevada direct bills agencies for the following centrally provided services through the use of general accepted accounting principles related to internal service funds:

- Employee Fringe Benefits (Self Insurance Fund)
- Real Property Maintenance and Lease Administration (Building and Grounds Fund)
- Vehicle Rentals (Motor Pool Fund)
- Mail Services (Communications Fund)
- Department of Administration, Administrative Services (Administrative Services Fund)
- Department of Personnel, Personnel Administration and Payroll Services (Personnel Fund)
- Acquisition of Goods and Services (Purchasing Fund)
- Printing Services (Printing Fund)
- Insurance Services (Insurance Premiums Fund):
 - Tort Liability Coverage
 - Property and Automotive Coverage
 - Workers Compensation Coverage
- Department of Information Technology Information Services
 - Application Design and Development
 - Planning
 - Department Administration
 - Computer Facilities
 - Data Communication and Technical Support
 - Telecommunications
 - Mobile and Microwave Communications

In addition, the State has implemented a procedure for direct billing for Attorney General civil attorney services that provide legal assistance and litigation support to all State departments and agencies. This billing process is based on actual hours of legal services provided to agencies. The State has not elected to use an internal service fund structure to account for these services, since significant Attorney General costs are not related to agency support and are supported by State general funds. As such, the billing method reimburses the general fund for legal services benefiting other funding sources, include federal programs, fee-based agencies, and regulatory boards and commissions.

Following is a schedule of all transfers shown on the internal service fund schedules included in the State of Nevada Comprehensive Annual Financial Report for the fiscal year ending June 30, 2002. Note that the State has fully implemented Accounting changes in generally accepted accounting principles per GASB Statement 34, including consolidating what was formerly called retained earnings and contributed capital into the

new reporting category, Net Assets. One consequence is that items treated in the past as transfers that were actually repayments of capital advances from the general fund and bond obligation funds are now treated differently. They are treated as reductions of long-term liabilities rather than transfers.

Next, we present a schedule of average daily cash balances that are used to impute interest to those internal service funds that are not credited directly. Note that, per the State's implementation of GASB 34, contributed capital has merged with net assets for financial reporting. The item shown as contributed capital on this schedule is the net remaining portion of A-87 excess balances after the federal portion of the excess balance was refunded to the US government. The average rate of return for State cash funds during the fiscal year ending June 30, 2002, as provided by the State Treasurer, was 3.7088%

STATE OF NEVADA
SECTION II BILLED SERVICES REPORTS
SCHEDULES OF SERVICES, BILLING METHODS AND RATES

STATE OF NEVADA

DEPARTMENT OF ADMINISTRATION, ADMINISTRATIVE SERVICES FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

Employees within this fund provide administrative support to various divisions of the Department of Administration, including accounting and billing services for all of the Department's internal service funds.

CAFR Adjustments:

Expenses during FY 2002 included \$85,036 in payment to the General Fund for estimated central service support costs. The FY 2002 Actual SWCAP allocation for these services was \$244,082, so the budgeted central service costs were deleted and the actual SWCAP costs added back as an adjustment to the A-87 net asset balance.

This fund does not received interest income from the Treasurer's common cash fund, so based on month end average cash balances during FY 2002, imputed interest income was added to the A-87 net asset balance in the amount \$9,095.

Billing Method: Assessment

Costs are allocated among the Department of Administration divisions (the internal service funds identified herein) on a fixed basis for each fiscal year, based on the number of accounting transactions processed for each agency in the preceding fiscal year.

STATE OF NEVADA

DEPARTMENT OF ADMINISTRATION, MOTOR POOL DIVISION FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

This fund is used to provide vehicles for State agencies from a centralized motor pool.

CAFR Adjustments:

Expenses during FY 2002 did not include a payment to the General Fund for estimated central service support costs. The FY 2002 Actual SWCAP allocation for these services was \$44,168, so the actual SWCAP costs added back as an adjustment to the A-87 net asset balance.

This fund does not received interest income from the Treasurer's common cash fund, so based on month end average cash balances during FY 2002, imputed interest income was added to the A-87 net asset balance in the amount \$52,890.

Billing Method: Rates

Vehicles are used by an agency and billed either at a daily rate or, for customers with assigned vehicles, at a monthly rate. The rate consists of a base charge (intended to recover fixed capital costs) and a mileage rate (covering maintenance and operating costs). Anticipated costs for each upcoming biennium are separated among various vehicle classes as listed below, and further distinguished between base costs and mileage-related costs. Daily use vehicles have the base daily charge determined based on average number of days used by such vehicles in the preceding years, whereas assigned vehicles have a monthly charge set at one-twelfth of the anticipated annual base cost. Mileage rates for each class are the ratio of estimated maintenance and operations costs to the estimated miles to be driven.

Billing Rates:

	<u>Daily Rental</u>	<u>Monthly Rental</u>
Compact sedan and compact truck	\$19 per day plus \$0.135 per mile driven	\$213 per month plus \$0.135 per mile driven
Intermediate sedan, station wagon, compact 2WD extra cab pickup	\$20 per day plus \$0.165 per mile driven	\$228 per month plus \$0.165 per mile driven
Full size sedan, full size 2WD truck, minivan, ¾ ton cargo van, compact 4WD trucks	\$22 per day plus \$0.185 per mile driven	\$243 per month plus \$0.185 per mile driven

All sport utility vehicles, 4WD minivans, 15
passenger vans, full size 4WD trucks

\$23 per day plus
\$0.215 per mile
driven

\$258 per month
plus \$0.215 per
mile driven

STATE OF NEVADA

DEPARTMENT OF ADMINISTRATION, PURCHASING DIVISION FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

This fund includes the expenses and revenues for the Purchasing Division, which provides centralized commodity contracts, individual purchase orders, bids and contracts for services and supplies, and other procurement support to State agencies.

In July of 1996, the State reimbursed the Federal Government \$105,967 for the Federal Share of a Purchasing Fund excess balance. The State share of this excess balance was \$423,866, which is treated as contributed capital for calculation of imputed interest earnings.

CAFR Adjustments:

Expenses during FY 2002 included \$1,368 in payment to the General Fund for estimated central service support costs. The FY 2002 Actual SWCAP allocation for these services was \$45,720 so the budgeted central service costs were deleted and the actual SWCAP costs added back as an adjustment to the A-87 net asset balance.

This fund does not received interest income from the Treasurer's common cash fund, but the average of month end cash balances during FY 2002 was negative and imputed interest income was not added.

Billing Method: Administrative Charges

Purchasing recovers costs through an assessment for commodity procurement, an add-on administrative charge for services procurements, and an administrative charge added to acquisition costs for orders from Purchasing Division's central warehouse. Operating and staff costs within the division are determined for each of the three service areas, and division administrative charges are then prorated to the three service cost pools in proportion to the personnel costs within these areas.

The services procurement administrative charge is based on the ratio of annual costs for this activity to the total dollar value of contracts expected to be issued by purchasing staff, adjusted for a maximum charge on any one contract of \$4,000. These charges are billed to user agencies at the time of contract award.

The warehouse administrative charge is determined by dividing the estimated annual cost of warehouse operations by the estimated annual dollar purchase price paid by the division for commodities distributed from the warehouse. The administrative charge is added to interdepartmental billings for materials drawn from the warehouse, e.g. bulk copy paper.

Billing Method: Assessment

Costs for commodity procurement activity are divided in half, and a fixed annual assessment to each agency is calculated with half the costs allocated on each agency's number of purchase orders issued, and half the costs allocated on the total dollar value of Purchasing Division activity for each agency. Charges are assessed through a quarterly billing.

Billing Rates:

Administrative Charge

Services Procurement Administrative Charge

2% of dollar value of contract, not to exceed \$4,000 per contract

Warehouse Order Administrative Charge

15% of Purchasing Division cost for items issued from warehouse, or 5% if shipped directly from vendor, added to item cost

STATE OF NEVADA

DEPARTMENT OF ADMINISTRATION, COMMUNICATIONS FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

This fund supports mail services provided to most state agencies in the Carson City, Reno, and Las Vegas areas. This includes handling all incoming and outgoing mail, UPS, and express parcels. It includes interoffice mail pickup and distribution in the Reno/Carson City area and in the Las Vegas area. Folding and inserting services are provided upon request. Mail handling technology in Carson City includes bar coding, encoding, bulk rates, addressing and pressure sealing.

CAFR Adjustments:

Expenses during FY 2002 did not include a payment to the General Fund for estimated central service support costs. The FY 2002 Actual SWCAP allocation for these services was \$22,262, so the actual SWCAP costs added back as an adjustment to the A-87 net asset balance.

This fund does not received interest income from the Treasurer's common cash fund, so based on month end average cash balances during FY 2002, imputed interest income was added to the A-87 net asset balance in the amount \$5,996.

Billing Method: Administrative Charges

All costs are recovered through a single administrative charge.

Rates:

Administrative Charge

Mail Services

20% administrative and handling charge added to actual metered postage for each user

STATE OF NEVADA

DEPARTMENT OF ADMINISTRATION, PRINTING DIVISION FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

This fund supports printing services provided by the Division to State agencies upon request. The Printing Division offers a full range of services to meet the specific needs of agencies, from bulk plain paper copies to elaborately printed and illustrated items issued to the public.

CAFR Adjustments:

Expenses during FY 2002 did not include a payment to the General Fund for estimated central service support costs. The FY 2002 Actual SWCAP allocation for these services was \$38,328, so the actual SWCAP costs added back as an adjustment to the A-87 net asset balance.

This fund does not received interest income from the Treasurer's common cash fund, so based on month end average cash balances during FY 2002, imputed interest income was added to the A-87 net asset balance in the amount \$75,187.

Billing Method: Labor and Equipment Rates

All costs are recovered through a large price sheet specific to each type of printing order, based on factors such as quality, quantity, process, binding type, equipment used, etc. The charges are based on labor costs and equipment costs related to the equipment utilized in each type of order. Labor rates are based on the annual budget, including salaries, benefits, and other personnel related costs. The equipment use rates are based on the following factors:

1. Total square footage of space used by each piece of equipment
2. Annual productive hours on each piece of equipment
3. Variable operating costs for each piece of equipment
4. Fixed expenses for each piece of equipment

Each piece of equipment is assigned a building use percentage based on square footage. This percentage is multiplies by the total legislatively approved budget, less direct supplies, to obtain a total cost for each piece of equipment. This is then divided by the projected annual billable hours to obtain an hourly rate for each piece of equipment.

Rates:

Billing Rates

Printing Services

Various rates for Material, Labor and Overhead based on equipment and

personnel utilized.

STATE OF NEVADA

DEPARTMENT OF ADMINISTRATION, BUILDING AND GROUNDS DIVISION FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

This fund includes the expenses and revenues for the Building and Grounds Division, which provides building space and related services to State agencies. This includes space in state owned buildings, administration of leases of space in buildings not owned by the State, remodeling and minor construction to accommodate the needs of occupants, and special janitorial or security needs of occupants.

The total budget for the division is distributed among the related cost categories to determine rates:

1. Operating costs for state owned buildings administered by Buildings and Grounds Division, including utilities, janitorial, security, and grounds
2. Costs for providing special services (e.g. contractual security) and for negotiating and administering leases on behalf of State agencies
3. Costs for providing remodeling and minor construction services, including internal tradesmen and outside contractors, with related supervisory and contract administration activities

CAFR Adjustments:

Expenses during FY 2002 included \$77,579 in payment to the General Fund for estimated central service support costs. The FY 2002 Actual SWCAP allocation for these services was \$102,325, so the budgeted central service costs were deleted and the actual SWCAP costs added back as an adjustment to the A-87 net asset balance.

This fund does not received interest income from the Treasurer's common cash fund, so based on month end average cash balances during FY 2002, imputed interest income was added to the A-87 net asset balance in the amount \$148,817.

Billing Method: Rental Rates

A single rental rate is used state wide for all building administered by Building and Grounds. Annual operating costs are divided by total square footage of rental space, adjusted for vacancies, and weighting non-office square footage to reflect a lower level of costs. Note that rental rates do not include depreciation on buildings, and that the buildings are not treated as assets of the Building and Grounds Fund.

Rental Rates

State owned building, offices	\$1.05 per square foot per month
State owned building, storage space	\$0.87 per square foot per month

Capitol police coverage is added \$0.87 per square foot per month for those facilities that receive this coverage.

Billing Method: Administrative Charges

An administrative charge is assessed against all special service (e.g. contractual security) provided for tenants by Building and Grounds, based on the annual contractual cost of the service, subject to a maximum of \$300 on each contract. In addition, an administrative charge is assessed on each lease administered by Building and Grounds, based on the annual rental cost.

Construction and remodeling services are billed at actual hours for Building and Grounds staff time or per payments to contractors, plus an administrative fee applied to the actual cost of materials used during the project.

Administrative Charge

Special Services, contractual	Actual costs plus 5% administrative charge, up to a maximum of \$300
Special Services, lease administration	½% of the annual lease cost
Extra Services	Direct material and labor costs, plus a 10% administrative fee added to the actual cost of materials

STATE OF NEVADA

DEPARTMENT OF PERSONNEL FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

The Nevada Department of Personnel administers the State's classified employment system. Responsibilities include ensuring an efficient, comprehensive and competitive system that provides all persons a equal opportunity for employment and promotion in State service. Under the direction of the State Personnel Commission, the department offers the following services:

- ◆ The Technical Services Division performs occupational studies, individual classification studies, compensation studies, and constructs employment examinations.
- ◆ The Administrative Services Division operates the statewide employee training program and the payroll and records systems, in addition to providing administrative support for the other divisions.
- ◆ The Field Services Division is responsible for recruitment, examination and certification of persons eligible for employment. Division staff classifies positions within the existing classification plans and rules interpretations.

CAFR Adjustments:

Expenses during FY 2002 included \$54,849 in payment to the General Fund for estimated central service support costs. The FY 2002 Actual SWCAP allocation for these services was \$163,724 for general support costs, so the budgeted central service costs were deleted and the actual SWCAP costs added back as an adjustment to the A-87 net asset balance. The SWCAP included an additional allocation to Personnel for general fund paid operating expenses of the State's integrated administrative and financial system, which includes the payroll and personnel systems, in the amount \$1,199,765. In subsequent biennia these costs will be included in the Personnel budget and expenses, but for FY 2002 these costs have been added as an adjustment to CAFR expenses in determining A-87 net assets.

This fund does not received interest income from the Treasurer's common cash fund, so based on month end average cash balances during FY 2002, imputed interest income was added to the A-87 net asset balance in the amount \$159,048.

In addition to the operating costs for the personnel and payroll system included in the SWCAP IFS assessment, the Personnel Fund paid a transfer of \$466,667 to the general fund for the acquisition cost of this system. This transfer was deleted, and replaced by a net system depreciation expense. The depreciation expense for FY 2002 is a cumulative amount, calculating the actual depreciation expense from the initial system implementation dates until June 30, 2003, and subtracting prior year transfers (\$466,667 annually) of the estimated acquisition costs from the accumulated depreciation. The net of depreciation less prior general fund transfers was \$1,318,316.

The following table presents the capitalized value of the payroll and personnel system included within the IFS project:

	<u>Fiscal Year of Expenditure</u>	<u>Cost</u>	<u>Life</u>	<u>Annual Depreciation</u>
Phase I Implementation	1998	2,162,454.04		
	1999	<u>4,582,820.82</u>		
Operational 7-1-1999		<u>6,745,274.86</u>	10	674,527.49
Phase II Data Warehouse	2000	3,335,702.55		
	2001	<u>3,100,377.67</u>		
Operation 7-1-2001		<u>6,436,080.22</u>	10	643,608.02
Phase III Rollout	2002	<u>1,236,715.71</u>	10	123,671.57

The following table presents the annual depreciation cost of the payroll personnel system:

<u>Fiscal Year</u>	<u>Annual Depreciation</u>
1998	-
1999	-
2000	674,527.49
2001	674,527.49
2002	1,318,135.51
2003	1,318,135.51
2004	1,441,807.08
2005	1,441,807.08
2006	1,441,807.08
2007	1,441,807.08
2008	1,441,807.08
2009	1,441,807.08
2010	767,279.59
2011	767,279.59
2012	123,671.57
2013	<u>123,671.57</u>
Total	14,418,070.79

Billing Method: Assessment

State agencies are assessed for payroll services and for general personnel services. Anticipated annual costs related to payroll processing, including personnel and materials costs and system charges are distributed as a percentage of payroll, determined by dividing anticipated costs by budgeted total payrolls for those agencies served by the central payroll/personnel system. Each agencies assessment is determined during the budget cycle and is fixed base on budget numbers.

The balance of the department's costs related to operating the State's classified personnel system are assess to State agencies as well. Anticipated annual department costs, less the costs related to payroll as described above, are divided by the total classified compensation budget, and the resulting ratio is billed as a percent of classified

salaries to all agencies. Each agencies assessment is determined during the budget cycle and is fixed base on budget numbers.

Annual Assessment

Payroll Services	0.25% of total salaries and wage budget, agencies served by central payroll
Personnel Services	0.90% of total classified salaries and wage budgets

STATE OF NEVADA

SELF INSURANCE (EMPLOYEE BENEFITS) FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

This fund supports the employee benefits program of the State of Nevada. The State is self-insured for employee health benefits. All costs for employee benefits are paid by this fund, and the fund bills each agency through payroll system transactions based on monthly premiums.

Billing Rate:

The fund periodically is reviewed by an actuary. Generally charges are equal to premiums paid for non-health charges, with a 10% administrative charge added to cover administrative costs. Cobra participants are assessed a 2% administrative charge on health premiums. The actual rates charged in FY 2002 were \$357.50 per month for active employees and \$18.11 per month for retired employees.

STATE OF NEVADA

INSURANCE PREMIUMS (PROPERTY AND CASUALTY) FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

The State of Nevada is self insured for general liability and automobile physical damage exposures and claims. The State uses a periodic actuarial review to assist in setting rates for this coverage. In addition, this fund includes costs and premiums paid by State agencies for workers' compensation expenses.

General tort liability services are included within this fund. This program is administered by Nevada's Office of the Attorney General. The State has an actuarial assessment performed annually to establish the appropriate level of reserves, although frequently the full reserve amounts are not achieved. Rates are based on the funding requirements established by the actuaries, subject to selecting lower reserve levels than are actuarially desirable.

Property and casualty insurance is administered by the Risk Management Division of the Department of Administration. The State as a commercial excess limits policy to cover losses exceeding \$250,000. Estimated losses for each year are based on the average loss over the preceding five years. By adding the premium for excess limits, the estimated losses, and a share of risk management administrative costs, and dividing by the total dollar value of State property covered, the State arrives at the property insurance rate, expressed in dollar premium per \$1000 of property value. The State does not use actuaries for this coverage, since the claims volume is low.

Included with property and casualty coverage is automobile self insurance. There is no excess limits policy in place, so estimated rates are the ratio of projected claims and administrative costs, divided by the number of insured vehicles. The estimate of claims is based on prior history, adjusted for inflationary changes in vehicle repair and replacement and for changes in fleet size.

Workers' compensation insurance coverage is provided by EICON, the private sector successor to SIIS, once a State agency. The state's rate to EICON is experienced based, so that future payments to EICON are subsequently adjusted through rate changes to apply the differences between estimated claims and actual claims. Premiums plus state administrative costs are distributed to State agencies at a cost per \$100 of payroll costs, through an automated charge included in payroll distribution biweekly.

Rates:

For FY 2002, the workers' compensation rate assessed to agencies was \$1.29 per \$100 of salary and wage costs.

STATE OF NEVADA

INFORMATION TECHNOLOGY FUND

NATURE OF SERVICES, BILLING METHODS AND RATES

Services:

The Nevada Department of Information Technology (DoIT) provides centralized data processing, data communications, and telecommunications systems and services. These services are used by multiple State agencies, other governmental organizations, and private sector organizations. DoIT operates as an internal service fund under NRS 242.211, and its sole source of revenue is billings to customers. As a consequence, DoIT's financial statements report expenses and revenues in the same format as if it were a private business, e.g. with depreciation as an expense rather than equipment purchases, and with profits or losses reported annually.

Revenues that support DoIT arise from billings to customers for each of the many services provided by DoIT. As part of budget development, DoIT develops rates to be billed to customers in the upcoming biennium. Following is a recapitulation of the principles, procedures, assumptions and results arising from this rate development effort for fiscal years ending June 30, 2002, and thereafter.

A major consideration in developing DoIT rates for DOIT services is the use of these rates to bill federal programs administered by State agencies. Examples include NOMADS, UNITY, and the various applications used by DETR. In order for these billings to be allowable costs on federal programs, the State must comply with federal cost allocation procedures set forth in OMB Circular A-87, which includes federal approval of DoIT billing rates and compliance with federal cost standards.

Reconciliation Schedules:

It should be noted that DoIT agreed to refund the federal share of excess net assets at June 30, 2001, accumulated in the computing facility and telecommunications units. The mutually agreed upon federal excesses that were the basis for these refunds were transferred on the reconciliation sheets from A-87 net assets to State only net assets, so that the FY 2002 net asset balances would exclude the effects of this resolved over-collection. When payment is recorded, the payment will be taken as a reduction in State net assets. The amount of excess net assets shown as an adjustment is as follows:

	<u>Excess Net Assets</u>
Computing Facility, 1385	\$2,059,435
Telecommunications, 1387	1,202,436

In FY 2000, the State recognized an error in billing practices that affected the retained earnings of the Application Design and Development and the Facility budgets. The State had begun in FY 1999 a practice of billing AD&D customers that used the computed facility on billings that passed through AD&D, where the AD&D staff charges

were added to facility charges and delivered as a consolidated bill to customers. Other facility customers – those not using AD&D programming services – were billed directly by the facility. The accounting for this procedure was faulty, in that a portion of the facility charges were retained by AD&D and not forwarded to the facility. The State performed an analysis of the billings, and determined that AD&D retained \$1,795,852 during FY 1999 and FY 2000 in revenues that properly belonged to the computing facility. In the spring of FY 2000, an appropriation transfer was accepted by the legislature, transferring this amount from AD&D to the computing facility, thereby rectifying the billing error. This transfer does not show on the CAFR because it is intrafund among budget accounts, and was not reflected in the FY 2000 or FY 2001 CAFR reconciliation schedules. To align the Section II reconciliations to the correct net asset balances, we have incorporated an adjustment moving \$1,795,852 in net assets (prior year revenues) from the AD&D balance (budget 1365) to the computing facility balance (budget 1385).

Rate Setting Principles:

DoIT rates must allow for continuing financing for operations.

- The rate setting process must recover DoIT operating and capital costs from customers to meet the requirement that the Information Technology Fund be self sustaining.
- Rates and utilization data must be projected as accurately as possible during the budget preparation cycle so that customers may request adequate appropriations to cover those DoIT services they need.
- The budgetary process must ensure that customer appropriations for DoIT services, in total, meet the level of revenues required for DoIT's spending authority.
- Service rates must recover the actual costs of providing service, which includes annual operating expenditures, and depreciation on existing assets.
- Rates should be relatively stable from year to year to minimize budget fluctuations.
- Rates should be set so that there is neither an excessive accumulation of profits or deficits over the long term; this is achieved by developing rates that take into account prior year gains or losses in the Information Technology Fund.

The rate process includes not only issues related to initial development, but also ongoing management and review of results.

- The rate development methodology must be able to absorb variations in agency usage estimates without disrupting DoIT's financial plans for the biennium.
- Actual revenues and expenditures must be reviewed between budget cycles to note anticipated shortfalls or surpluses, and to take corrective actions if shortfalls or surpluses are large.

- If significant and unanticipated changes in cost or in billing units of service occur, rates may need to be adjusted between budget cycles.

Since DoIT billings are assessed against and recovered from federal programs, these rates must comply with the requirements of OMB Circular A-87. This circular establishes cost principles and practices with which state and local governments must comply in order to receive federal reimbursement. The primary impact of A-87 compliance on DoIT's rate setting process includes the following:

- The fundamental requirement for allocation of costs (i.e. the effects results from DoIT's billing process) is that costs must be allocated DoIT to customers in proportion to the benefit each receives. That is, DoIT billings to customers must pass along the cost of each service to exactly and only the users of that service.
- All users must be billed in a consistent manner. That is, DoIT must charge all users of each service they provide using the same billing rates and including all units of service delivered. Special arrangements for any customer that results in inconsistent billings are not allowable.
- The USDHHS Division of Cost Allocation (DCA) must approve DoIT's rates, which are submitted as part of the Statewide Cost Allocation Plan, on an annual basis. If this approval is not received, DoIT billings are not allowable costs on federal programs, and any billings to NOMADS, UNITY, or other federal programs are subject to demand for a refund. Similarly, if DoIT billing practices do not comply with any of the requirements of OMB Circular A-87, then despite any prior approval or negotiation DoIT charges would not be allowable costs against federally financed programs.
- DoIT must account for each service separately, and must determine the net between billings and actual costs for each service.
- The federal government will not reimburse the State in excess of actual costs, for each service billed to federal programs. If the State bills for any service in excess of actual costs, the federal government may demand a refund of the difference between billed and actual paid by federal programs.
- During the process of reviewing DoIT's proposed rates, DCA will review the State's annual financial statement on DoIT and verify that DoIT is not generating excess profits. Further, the State must report financial data at a service area level rather than just a fund level, and validate that excess profits are not accruing for any of the individual service areas.
- The billing mechanism must, over the long term, charge customers for actual costs. Complying with this requirement within the context of Nevada's biennial budget cycle involves the following procedure:

A comprehensive cost allocation plan and rate calculations based on this cost plan and on estimated service units will be prepared in two routine cycles each fiscal year:

A "Forecast Plan" will be prepared in advance of each fiscal year, and will be based on the Legislatively Approved budget and forecasted service utilization for that year. (These generally are prepared for the upcoming biennium in coordination with budget development and approval.)

An "Actual Cost Plan" will be prepared at the close of each fiscal year and compared to the budget-based plan in effect for that year. This plan will be based on actual cost and usage data. Actual costs for each service will be compared with actual revenue for each service, and either an over- or under-recovery amount determined for each service. The actual cost plan will be completed on or before November 1 of each year.

Any over or under recovery will be used to adjust each service cost pool in the third subsequent fiscal year.

- The units of service that are the basis for billings (e.g. CPU minutes, programmer hours, etc.) are part of the DCA negotiation and approval process. The units used in the cost allocation plans that are the basis for FY 2002 and FY 2003 rates are those that DCA typically expects a state government data center to use. New services for which there is no past pattern, e.g. Web Services, will have to be accepted by DCA before they will be recognized as allowable costs on federal programs.
- New services developed and offered after rates have been calculated for a period will be charged for that period of time based on DoIT's best estimate of the cost to provide the service; this rate will remain in effect until the next rate review. However, if these rates do not have prior federal approval, any billings and recoveries from federal programs will be contingent on a successful DCA negotiation.

DoIT Rate Setting Procedures:

The goal of all internal service funds is to recover actual costs through equitable and consistent charges for services rendered. Best business practices, and federal cost standards, require that DoIT develop rate processes that are applied consistently for all services and customers, and that accurately reflect DoIT's current cost and level of production.

The procedures for preparing rates for a given year are as follows (FY 2003 is used as an illustration):

1. DoIT will prepare a final cost allocation plan for FY 2000, calculating the actual cost for each service that is billed for that year. The cost allocation plan will include the actual amount collected from all customers for each service during FY 2000, and subtract the collections from the cost. The resulting balance is an over-recovery (if collections exceed costs) or an under recovery (if costs exceed collections). To match costs and revenues exactly, when usage and costs are projected years into the future, is nearly impossible. The actual cost allocation plan is the procedure that meets the federal requirement to bill for actual costs.

2. Based on the Governor's recommended budget for FY 2003, DoIT will prepare a budget cost allocation plan distributing anticipated costs for FY 2003 over the various services provided. Depending on the accumulated results from prior years and the status of DCA negotiations on rates, under-recovery for FY 2000 will be added to the FY 2003 estimated costs, and over-recovery subtracted, for each service, to determine the dollars to be recovered during FY 2003 for each service.
3. DoIT will prepare estimates of the number of units of service each customer will expect to receive during FY 2000. Typically this will be based on a prior 12 month period, adjusted to reflect additional services anticipated or services that will be dropped. Generally DoIT will develop estimates of customer service needs through internal assessments in addition to meetings with users.
4. For each service, the cost from step 2. is divided by the number of units to be provided as determined in step 3. The result is the rate for FY 2003 for this service.
5. DoIT will prepare a final schedule showing, for each customer, the amount of service anticipated during FY 2003, the cost of that service (per the rates determined in step 4.) and the total estimated DoIT billing for the customer adding together the billings for all services. This information is then included in customer budget requests.
6. After the Legislature has determined and adopted the final FY 2003 DoIT budget, the cost allocation plan in step 2. will be adjusted to match any revisions. If the changes are significant, then rates may require adjustment to reflect the change in anticipated costs. If the changes are minor, then rates may not require adjustment, because at the end of FY 2003 an actual plan for the year will be calculated, and any minor adjustment could carry forward to FY 2006 rates.

In addition to the rate preparation tasks that precede the biennium, DoIT will engage in ongoing monitoring of costs, revenues, usage and rates.

7. On a periodic basis, DoIT will compare anticipated results with actual year to date results. If major swings (e.g. greater than 30%) in either costs or usage occur, it may be necessary to adjust rates to avoid large over- or under-recoveries. Generally significant variance in usage is more likely than cost variance. Rate changes arising from usage variances may not affect most customer budgets. Significant impact on customer budgets will occur mainly when major programs are added that were not budgeted or major programs were dropped and usage declines dramatically.

Following is a discussion of the procedures used in preparing the FY 2002 and FY 2003 plans, and the procedures which will be followed to develop futures plans:

- Plan Organization – The plan is organized based on of DoIT's budgetary structure, which closely mirrors the Department's organizational units. Costs for each budget are allocated over the various services provided within that budget.
- Services – For each plan section (corresponding to each budget unit), the plan identifies each service provided within the budget unit. The next section of this

document presents the definitions of each service identified in the cost allocation plan. Most of these services are those for which customers are billed, e.g. Batch/TSO CPU minutes in 1385 Computing Unit, Programmer hours in 1365 Application Design and Development, T1 dedicated line connections to the Silvernet WAN in 1386.

Other services that are included in the plan are those that support DoIT internal operations, e.g. the DoIT PC/LAN Tech Service in 1386 Data Communications and Technical Services. This service includes the costs of computer technicians who supporting DoIT's internal networks and personal computers, similar to the service provided to other agencies. Costs of the DoIT PC/LAN technical service support is allocated to the other operations within DoIT based on the number of employees in each of the other units such as 1388 Telecommunications, 1385 Computing Unit, etc.

- Budgeted expenditures – Within each plan section (corresponding to each budget unit) the plan lists the appropriations proposed for each category, and in some cases by object code within category. Excluding capital costs, these costs must be assigned to each of the services provided within the budget unit. The process for assigning costs is as follows:
 - Category 1 labor costs - A roster of positions for each budget unit was prepared. This roster listed the total Category 1 cost for the position, the position number, and incumbent's name. Each employee on the roster was assigned as a percentage of their total time to each service in which they participated. In many cases an employee works in a single service area, e.g. in 1365 Application Design and Development most of the programming staff were assigned 100% to the programming service. Other employees participate in multiple services, and their percentage of time in each is noted.
Ideally employees whose time is split between multiple functions would have kept time records that allow the actual split percentage to be determined (this is the requirement of OMB Circular A-87). DoIT implemented a time accounting system in 2000 that would provide the necessary data to calculate these splits in the future. For the biennium ending June 30, 2003, historical data of this type was not complete, and DoIT managers assigned the percentage of time by service area for employees based on their best estimates.

Based on the percentage of time spent by each employee, labor costs for each employee for each service are calculated. Adding up the labor from each employee yields the total labor costs for each employee.

Note that the procedure would be the same whether the labor percentages were estimates or actual results per the time reporting system.

- Administrative costs – A service which occurs in all budget units is the general and administrative activities of managing the unit and its employees. Labor costs – generally for clerical support and line managers – will be assigned to this service area. Other operating costs, particularly those that typically are associated with managerial or support activities, may be included in the general administrative pool as well. These costs are distributed within the plan over all of the services supervised or supported, based on the expenditures of each service.

- Operating costs, including travel, operating supplies, and other costs – Most of the general operating costs within each budget unit are associated with the activities of personnel within the budget unit. These include general office supplies, office telephone expense, training, travel, and space-related costs. Budgets for these costs are assigned to functions in proportion to the labor costs associated with each function, based on the assumption that these costs are supporting the employees assigned to each function.

Operating costs such as hardware maintenance, software maintenance, supplies related to a specific function such as paper for the facility printers, magnetic tape purchases, and others must be analyzed to determine the specific functions to which they are assigned. Particularly within the facility, equipment and software maintenance costs must be analyzed to determine for which particular function the expense are incurred.

For example, software maintenance payments must be examined on a product by product basis, to determine whether the product supports the DB2 CPU service, the ADATABASE service, CICS service, tape storage service, DASD input/output service, etc. The fiscal unit at DOIT maintains a log of all payments for IBM software maintenance (and also hardware maintenance) which serves as a useful basis for determining these costs. Discussions with facility staff may be necessary to determine which function a particular piece of software (or hardware) supports. This is a detailed analysis that may also require reviewing contracts and other purchase documents to determine costs for future years. Software that will be dropped must be treated by deleting the related maintenance costs from the estimates.

Analysis of operating costs should be performed by staff who have a detailed understanding of department operations. Input from operations people is necessary to complete this analysis.

- Capital Outlays - The plan does not allocate capital outlays (including payments to principle on lease agreements) due to OMB A-87 and GAAP requirements to base cost allocation and rate plans on the accrual basis of accounting. Depreciation of assets expense is incorporated in lieu of capital outlays. Equipment purchases that cost over \$5,000 are depreciated. Equipment purchases that cost less than \$5,000 are included as part of the annual operating expense. Further, general fund paybacks for public works board projects are not included in the rates; rather, depreciation on the assets acquired through the public works board is included.

The equipment listing for FY 2000 (the last completed fiscal year prior to preparation of the FY 2002 and FY 2003 rates) is provided by the Office of the Controller CAFR accounting staff in an Excel spreadsheet. Their schedules should be reconciled to the fixed asset and depreciation balance reported in the FY 2000 CAFR. Based on the remaining useful life of these assets, depreciation for FY 2002 and FY 2003 is calculated, taking care not that accumulated depreciation on each asset does not exceed acquisition cost. Assets acquired (or expected to be acquired) in FY 2001 are added (buildings, building improvements, hardware and software), and generally a full year depreciation for these assets is shown for both FY 2002 and FY 2003. Assets included in the Governor's recommended budget for FY 2002 are listed, and

partial year depreciation for FY 2002 is listed together with a full year depreciation for FY 2003. Finally the assets recommended by the Governor for FY 2003 acquisition will have a partial year depreciation noted for FY 2003.

The fixed asset records from the Controller's office note the budget from which the asset was acquired. However, due to various reorganizations, these do not necessarily match current usage of the assets. For each asset, the particular DoIT service that uses the asset must be noted, and then the total depreciation for each service accumulated for each year. Note that inserting a column in the spreadsheet to identify the service, and then sorting on this column, allows a reasonable method of determining the depreciation costs associated with each service.

Depreciation costs are added to each budget unit and each service within each budget unit based on the amounts derived above. The cost allocation plan show depreciation as a "departmental cost adjustment" in addition to budgetary items. For examples, see detail page 6 of the Fiscal 2003 cost allocation plan, where the total depreciation associated with budget unit 1385 (Computer Operations) is listed, and the amount of this depreciation associated with each service is also shown.

- Director's Allocation – The budget allocates department administration costs (within budget 1373) to operational areas based on an FTE (full time equivalent) count within the operational area. These costs are included within the appropriation for each budget unit, and are allocated based on the labor costs associated with each of the services provided within the budget unit.
- State Wide Allocations (e.g. purchasing assessment, attorney general assessment, state wide cost allocation plan assessment) – The budget for each DoIT unit includes these assessments. These costs are distributed over services based on the labor costs associated with each service.

The cost allocation plan includes schedules that display costs that are assigned to the various services within each budget unit on schedules numbered "X.003." Costs for each service are allocated to a cost pool which generally corresponds to a billing rate. For example, costs of the service "Batch/TSO CPU" in 1385 Computer Operations are allocated in the plan 100% to a Cost Pool of the same name, representing the same service. In the same budget, the service "General CPU" is not a billed service. Costs for "General CPU" are allocated to various other CPU costs in proportion to total CPU minutes annually; schedule 1.004 of the FY 2003 cost allocation plan shows this result. The Cost Pool "Batch/TSO CPU", corresponding to the service of that name, includes all costs from the service "Batch/TSO CPU" plus 29.833% of the costs of the service "General CPU". The total in a cost pool, when divided by the annual usage, will yield the rate for that service.

This allocation process is described further below:

- Allocation Steps – The plan utilizes three primary steps in the allocation process:
 - First, budgeted costs are distributed to the services identified within each DoIT budget (organizational) unit. Costs are generally distributed to services based on the discussions provided above.

- Second, the total costs of each service are allocated to detailed cost pools based on statistics relevant to each function. Many times these allocations are direct assignments – meaning that all of a function’s costs are allocated to one specific cost pool. In other cases, services are allocated to multiple cost pools, as described above for “General CPU”.
- Third, some are allocated from one budget unit to another budget and service. (For example, a portion of the microwave communication capacity is used to support backbone operations.) These allocated costs are identified as “Allocated Additions” or “Additions” on the cost schedules “XX.003.”

Allocated additions are made to functions and cost pools in multiple “passes”. These passes allow costs from one budget and service to be allocated to budget and service, and eventually to cost pools reflecting billable services. The purpose of this is to recognize that various DoIT units support not only billable services, but also other DoIT units.

- Over/Under Recoveries - The plan then adjusts income and losses resulting from over/under recovery based on a three-year cycle. (For example, over/under recovery in FY99 would be incorporated in the rates for FY02.) This adjustment must take into account the current financial position of each service area per the DCA negotiations. Some level of accumulated profit is allowed by DCA (generally one-sixth of the budget excluding capital expenditures) to provide working capital. That is, the federal government recognizes that some cash must remain within the budget account to cover the time gap between paying employees and collecting from customers. For FY 2002 and 2003, based on the working capital allowance, no over- or under-recovery adjustment was necessary except for the computer facility (budget 1385). In this case, the state decided that the working capital provision allowed by DCA is inadequate, and intends to build the working capital balance to a higher level and refund any federal share of the surplus accordingly.

At the end of the process, the total costs allocated to support each cost pool are divided by usage to compute rates.

Usage projections for each service are derived initially from historical billing information maintained by DoIT and updated based on customer agency expectations of future needs for that service. For computer services, mainframe usage is based on the Capacity Planning/Forecasting model utilized by DoIT and is updated quarterly.

Definition of Services and Cost Pools for Information Technology Services:

Budget Account 1365, Application Design and Development

Programming Services: The Application Design & Development Unit provides a variety of software programming services including maintenance of existing computer software applications, development of new software information systems, software testing and product support, and technical documentation of software. Programming Service is a *per hour charge*, and is billed monthly as incurred. Programming Service utilization data is retained and annualized for the purposes of rate setting and individual

agency budget projections, along with capacity planning based on regular customer input and industry trends.

The programming cost pool includes documentation librarians and quality assurance staff who support the activities of programming staff.

Quality Assurance Services: The Quality Assurance Unit provides project oversight and information to management on IT projects within the State. Services include monitoring, evaluation and measurement of major IT projects. Quality Assurance Service is a *per hour charge*, and is billed monthly as incurred. Quality Assurance Service utilization data is retained and annualized for the purposes of rate setting and individual agency budget projections, along with capacity planning based on regular customer input and industry trends.

Budget Account 1370, Planning

Planning Assessment: The Planning and Research Unit provides strategic planning for the state, information security and disaster recovery planning for state agencies, and assists agencies in developing their information technology plans. The Planning Assessment is a *fixed annual assessment based upon FTE* and is assessed to each budget account, with the exemption of Public Safety accounts of DMV & PS. The funding model allows availability of planning services to all State agencies (exc. Public Safety) on a prioritized, as-needed basis regardless of agency size or budget status. While utilization data is collected and used for purposes of quality assurance and project management, it is not used for individual agency budget projection.

Agency Project Planning/Project Management: The Planning & Research Unit also provides a variety of software project planning and project management services including requirements definitions and feasibility studies; cost benefit analyses; business process analyses; and project management and oversight. Project Planning and Project Management Services are a *per hour charge*, and are billed monthly as incurred. Project Planning and Project Management Service utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection on a roll-forward basis.

Budget 1373, Director's Office

Contract Administration Assessment: The Contract Administration Unit provides contract administration services, including development, evaluation and monitoring of IT contracts and RFPs. The Contract Administration Assessment is a *fixed annual assessment based upon FTE* and is assessed to each budget account. The funding model allows availability of contract administration services to all State agencies on a prioritized, as-needed basis regardless of agency size or budget status. Utilization data is collected and used for purposes of estimation comparisons and future planning.

Budget Account 1385, Computing Unit Services

Batch CPU: Batch is a CPU (Central Processing Unit) *per minute charge*, for accumulated minutes, for any job in a JCL (Job Control Language) format and run under the MVS (Mutual Virtual Systems) operating system. The accumulated CPU Batch units do not include the CPU time for ADABAS (Adaptable Data Base System) or DB2

processing that may occur in a submitted job. Batch is billed monthly as incurred. Batch utilization data is retained and annualized for the purposes of rate setting and individual agency budget projections, along with capacity planning based on regular customer input and industry trends.

TSO CPU (Time Sharing Option): TSO allows users at remote terminals to develop, execute, store, and modify programs. TSO is a CPU *per minute charge*, for accumulated minutes, for the interactive timesharing system that operates in MVS in conjunction with other MVS system products. TSO is billed monthly as incurred. TSO utilization data is retained and annualized for the purposes of rate setting and individual agency budget projections, along with capacity planning based on regular customer input and industry trends.

CICS CPU (Customer Information Control System): CICS is a general purpose program used for building, using, and maintaining interactive production computer applications. It operates a functional set of applications for a customer to control multiple on-line terminals that, in turn, interact with the applications. CICS provides the customer control for database management or file control programs written in other supported programming languages. CICS is a CPU *per minute charge*, for accumulated minutes, and is billed monthly as incurred. CICS utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

DATABASE DB2 and ORACLE CPU Processing: Database management systems provide physical input/output services for logical programmed functions. This includes DB2 and ORACLE processing. DATABASE Processing is a CPU *per minute charge* for use of the set of interface programs that manage data, and is billed monthly as incurred. DATABASE Processing utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

DATABASE ADATABASE CPU Processing: Database management systems provide physical input/output services for logical programmed functions. This service covers ADATABASE processing. ADATABASE Processing is a CPU *per minute charge* for use of the set of interface programs that manage data, and is billed monthly as incurred. ADATABASE Processing utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

DASD IO (Direct Access Storage Devices Input-Output): DASD IO is an input/output action to read or write data to disk storage. DASD IO is a *per 1,000 physical reads/writes charge*, and is billed monthly as incurred. DASD IO utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

DASD Storage (Direct Access Storage Devices): Data stored on a random access media, generally disks. DASD is available to the mainframe computer at all times with no operator intervention. DASD is a *per MB/day charge*, and is billed monthly as incurred. DASD utilization data is retained and annualized for the purposes of rate

setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Internet E-mail Services: Internet e-mail accounts are provided and maintained for agency employees as requested. Internet E-mail Services are a *per address/per month charge* for individual accounts. Internet E-mail Services utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Tape IO (Input-Output): Tape IO is an input/output action to read or write data to magnetic tape cartridges. Tape IO is a *per 1,000 physical reads/writes charge*, and Tape Storage is a *per tape/day charge*. Both are billed monthly as incurred. Tape IO utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Tape Mount/Storage: Large amounts of customer data is stored on magnetic tape cartridges. A computer operator (or an automated tape-loading robot) is required to mount a tape on a tape drive when a job requires the data the tape contains. Tape Mounts are a *per event charge*, billed monthly as incurred. Tape Mount utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Printing Services: Printing Services provides hard-copy printout of information. Printing Services are a *per line and per page charge*, and is billed monthly as incurred. Printing Services utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Per page charges include the cost of paper used in printing.

Server Support: DoIT provides environmental support for agency-owned servers. This service includes air conditioning, cooling equipment for the CPU's, Halon fire protection, electrical and backup emergency electrical service, raised flooring and racking to accommodate cabling, and security. Server Support is a *per server/per year charge*, and is billed monthly as incurred. Server Support utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

DBA (Data Base Administration) Services: A database administrator performs a variety of database and technical information management services including administration and tuning of database management programs and systems, database support for new computer applications and designs, specialized data file management and support for database planning. DBA Service is a *per hour charge* for database administrators assigned full-time to a specific project and is billed monthly as incurred. DBA Services utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Help Desk Services: Help Desk Service provides problem resolution and technical support services for system users. Help Desk Service is a *per hour charge* for technicians assigned full-time to a specific project and is billed monthly as incurred. Utilization data is retained and summarized annually for the purposes of rate setting and individual agency budget projections.

Web Services: The Web Services Unit provides a variety of technical services including web site hosting, e-mail hosting, web browsing portal services, security, and web site development and support. Web Service is billed by the following factors as they apply to an agency web site:

Domain Name: A domain name is a registered URL (universal resource locator), or address for a web site, for example www.state.nv.us.

Storage Volume: Storage volume is the amount of hard drive disk space used by a domain.

Session Counts: One session represents one visit, and occurs when one person logs on to a web site and stays on long enough to use the web site resources, and later logs off. One session may include a few or many 'hits'. Session Counts are the number of visits to a specific Domain Name, or web site.

Web service is a *per month charge* and is billed monthly as incurred. Web services utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends. The Domain Name base line charge includes one domain name, 10 MB of storage volume, and 100 session counts. For usage beyond this base line, a flat rate has been calculated for each additional Domain Name, and a rate table based upon utilization ranges has been calculated for additional Storage Volume and Session Counts. The utilization ranges are as follows:

Storage Volume ranges
10 to 50 MB storage
51 – 500 MB storage
501 MB – 2GB storage

Session Count ranges
100 – 1000 sessions
1001-5000 sessions
5001-20000 sessions
20001-50000 sessions

Other Allocated Services: Within the Computing Unit, services were identified for allocation to multiple direct service cost pools. These are General CPU, Operations Staff, Production Services, Host Communications, and Computing Unit Administration. Costs incurred within the Computing Unit in support of SNA telecommunications users were allocated 100% to the SNA cost pool.

Budget Account 1386, Data Communications and Technical Support

PC/LAN/WAN Services: The Technical Services Unit provides technical service and support for personal computers, non-intelligent workstations, LANs (local area networks), and related hardware and software. The Network Engineering Unit assists agencies with network analysis for WANS (Wide Area Networks). PC/LAN/WAN Service is a *per hour charge*, and is billed monthly as incurred. PC/LAN/WAN Service utilization data is retained and annualized for the purposes of rate setting and individual agency budget projections, along with capacity planning based on regular customer input and industry trends.

Help Desk Services: Help Desk Service provides problem resolution and technical support services for system users. Help Desk Service is a *per hour charge* for technicians assigned full-time to a specific project and is billed monthly as incurred. Utilization data is retained and summarized annually for the purposes of rate setting and individual agency budget projections.

Silvernet Wide Area Network (WAN) Services - The Silvernet is the state's Wide Area Network (WAN), used by agencies for connection between agency PCs and LANs, host computers and state application programs, and outside access to the Internet. As a WAN, Silvernet is a consolidated data network supporting voice, video, and data services. Silvernet charges are structured as follows:

- ◆ **Silvernet Dialup Access:** Dialup access is achieved using a modem in the user's PC to establish a connection via a standard telephone company phone line into the Silvernet. The entry portal into the Silvernet is secured with authentication servers to ensure valid connections and security. Typical use would be for a single user to access the intranet (inside Silvernet) or Internet (outside through Silvernet) or to establish a connection through Silvernet to access shared applications such as IFS, NEBS, the mainframe, or an agency terminal server. Dialup Access is a *per circuit/per month charge*, and is billed monthly as incurred. Dialup Access utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.
- ◆ **Silvernet 56KB:** Backbone 56KB is a digital connection (leased-line circuit) capable of carrying 56,000 bits-per-second. 56KB service is suitable for low throughput requirements and typically services very small offices to provide service for Internet, email and Silvernet. This service is not recommended for database applications, imaging or large file transfer environments. Backbone 56KB is a *per circuit/per month charge*, (from DoIT) plus a monthly telephone company line charge (DoIT pass-through billing or agency direct payment), and is billed monthly as incurred. Backbone 56KB utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.
- ◆ **Silvernet ISDN:** ISDN (Integrated Services Digital Network) in Nevada is only supported in metropolitan areas. It can provide speeds of roughly 128,000 bits-per-second (128Kbps) over regular phone lines. ISDN service is suitable for low throughput requirements and typically services a small office for Internet, email and general Silvernet access. This service is not recommended for frequent database applications, imaging, large file transfer environments. Backbone ISDN is a *per*

circuit/per month charge (from DoIT) plus a monthly telephone company line charge (DoIT pass-through billing or agency direct payment), and is billed monthly as incurred. Backbone ISDN utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

- ◆ **Silvernet T-1:** A T-1 is a leased-line connection capable of carrying data at a rate of 1.5 Mbps. T-1 service can support larger sites with multiple application needs such as Internet, all database, imaging and most Silvernet applications. This is the most common service used for connection of non-central agency locations. Backbone T-1 is a *per circuit/per month charge* (from DoIT) plus a monthly telephone company line charge (DoIT pass-through billing or agency direct payment), and is billed monthly as incurred. Backbone-T-1 utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.
- ◆ **Silvernet Campus Area Network:** This is the high speed service for large buildings and groups of users. It is based on fiber optic transmission medium and ethernet port connections. Ethernet port connections will support data rates of 10,000,000 bits-per-second (10 Mbps) to 100 Mbps and is typically used to connect agency LANs into the Silvernet WAN. The service can support very large user locations and is suitable for desktop video, imaging systems, database intensive applications, large file transfers and high-speed Internet access. This service is presently available only in the Carson City Capitol Complex and the Sawyer and Bradley office buildings in Las Vegas. Campus Area Network service is a *per address/per month charge*, and is billed monthly as incurred. Campus Area Network utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.
- ◆ **Silvernet SNA:** SNA (Systems Network Architecture) is an older, legacy-based data connection, typically used for IBM 3270 controllers, printers and terminals. SNA connections have been superseded by newer services offering cost savings and superior access. While DoIT will continue to support existing SNA connections, no new requests for this type of service will be accepted. SNA is a *per circuit/per month charge*, and is billed monthly as incurred. SNA utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input.

Other Allocated Services: The DoIT PC/LAN technician service included in this budget unit is allocated to all other units within DoIT on the basis of the number of employees in each. This service represents technical support to DoIT's internal networks and personal computers. Administrative services that were allocated to operating units in the plan include Communications Division Administration, PC/LAN technicians group administration, and data communications group administration. Administrative units are allocated over services supervised in proportion to labor costs included in each service.

Budget Account 1387, Telecommunication Services

Local Voice Service: Local voice service is a *per line/per month charge* for lines used for telephone, fax or modem within the State PBX telephone system. It is billed monthly as incurred. Local Voice Service utilization data is retained and annualized for the

purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Voice Mail Service: Voice mail service is a *per box/per month charge* for each voice mailbox within the State PBX telephone system. It is billed monthly as incurred. Voice Mail Service utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Voice Long Distance Toll Service: Long distance toll service is a *aggregated per minute charge*. This service covers both inter- and intra-state long distance phone calls made through a commercial service provider. It is billed monthly as incurred. Long Distance Toll Service utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

800 Telephone Toll Service: 800 telephone service is a *aggregated per minute charge* for all inbound calling to a designated 800 telephone number. It is billed monthly as incurred. 800 Telephone Toll Service utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Phone Credit Card Service: Phone credit card service is an *aggregated per minute charge* for all calling made using a telephone company credit card issued to individual agency employees by the State of Nevada. It is billed monthly as incurred. Phone Credit Card Service utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Work Order Service Charge: This is a service charge attached to work performed by a commercial telecommunications contractor for work coordination, supervision, inspection as necessary and contract administration. The work order service charge is a *percentage-based charge* added to the contractor invoice.

Budget Account 1388, Mobile Communications Services

Microwave Channel Rent: Channel rent service provides a dedicated circuit or channel designed specifically for the using agency, and is used primarily for emergency voice circuits, radio control and remote site services. A standard or basic channel may be used to transmit voice (analog) or data communications (digital). All channels use at least two channel ends, however some channels use more. Channel rent is a *per channel end/per year charge*, and is billed annually. Channel Rent utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

Site Space Rent: Site space is used to house and support agency owned communications equipment at remote sites. Site space is defined as the occupied space within an enclosed, environmentally controlled facility with a physical dimension of 2 feet in width, 2 feet in depth and 7 feet in height and includes the provision for one standard vertical antenna per standard space, and 100 watts power usage. Site Space

Rent is a *per rack/per year charge*, and is billed annually. Site Space Rent utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

DS-3 Large Capacity Rent: DS-3 rent service provides a dedicated circuit of very large capacity specifically for the using agency, and is used to aggregate many services and data connections into one large trunk. DS-3 Large Capacity Rent is a *per channel/per year charge*, and is billed annually. DS-3 Rent utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends. DS-3 Large Capacity Rent utilization data is retained and annualized for the purposes of rate setting and individual agency budget projection, along with capacity planning based on regular customer input and industry trends.

In reality, the DoIT did not have any customers who opted for the DS-3 service during fiscal 2002. Instead, the DS-3 was partitioned into DS-1 service components (smaller bandwidth), and an estimated DS-1 rate was charged based on a percentage of the DS-3 charge.

Billing Rates:

Following are the rates in effect during the fiscal year ending June 30, 2002

<u>Services Provided:</u>	<u>Cost of Services</u>	<u>Quantity</u>	<u>Service Units</u>	<u>Unit Cost</u>	<u>Rate</u>
Help Desk	\$315,793	8,000.0	per hour	\$39.47	\$39.50
CPU Batch/TSO	2,672,635	353,285.7	per CPU minute	7.57	7.57
CPU CICS	1,684,958	228,470.8	per CPU minute	7.37	7.37
CPU DB2 Processing	4,727,205	664,161.5	per CPU minute	7.12	7.12
CPU Adabase Processing	494,451	40,169.1	per CPU minute	12.31	12.31
Tape Input/Output	425,982	1,956,197.1	per 1000	0.2178	0.2178
Tape Storage	110,306	13,157,317.5	per tape	0.0084	0.0084
Tape Mounts	23,526	365,481.8	per tape	0.06	0.06
Disk Input/Output	238,340	157,078,042.4	per 1000	0.0015	0.0015
Disk Storage	681,334	361,178,638.1	per megabyte	0.0019	0.0019
Page Print	133,827	12,060,307.3	per page	0.0111	0.0111
Line Print	324,405	760,072.2	per 1000 lines	0.4268	0.4268
Server Support	79,477	7.0	per year	11,353.86	11,354.00
Web Page Services	985,616			Web site rate table	
DBA Services	458,308	7,416.0	per hour	61.80	61.80
Internet E-Mail	270,231	65,028.0	per user per month	4.16	4.25
Quality Assurance	192,146	2,640.0	per hour	72.78	73.00
Programmer/Developer	4,696,921	70,196.0	per hour	66.91	67.00
Agency Project Support	219,832	2,900.0	per hour	75.80	75.80
Contract Management	208,281	15,186.2	Assessment	13.72	13.72
Statewide IT Planning	1,472,312	13,834.5	Assessment	106.42	106.42
PC/LAN Technicians	1,526,874	27,544.0	per hour	55.43	55.50
Tail Circuit	7,108			Pass Through	
Silvernet WAN	996,019	5,976.0	per circuit per month	166.67	
56K			per circuit per month	166.67	167.00
ISDN			per circuit per month	333.34	334.00
T1			per user per month	666.68	668.00
Dial Up Access	136,593	6,540.0	per circuit per month	20.89	21.00
SNA Services	481,567	816.0	per user per month	590.16	590.00
Campus Area Network	692,425		per line per month	11.08	11.25
		62,520.0			
Local PBX Voice Service	869,166	48,792.0	per minute	17.81	17.80
Long Distance Tolls	825,002	6,562,481.1	per minute	0.126	0.12
800 Service Tolls	645,996	5,939,367.4	per minute	0.109	0.11
Credit Card Tolls	62,204	265,589.1	added to work order	0.234	0.23
Work Order Service Charge	102,274	826,608.0	per box per month	12.37%	12%
Voice Mail Service	117,567	28,596.0	per line per month	4.11	4.10
Voice System Administration	15,600	1,152.0	per rack	13.54	13.55
Microwave Rack Rent	469,295	247.0	per circuit per month	1,899.98	1,900.00
Microwave DS3	116,207	12.0	per channel	9,683.92	9,684.00
Microwave Channel	1,118,392	680.0	per circuit per month	1,644.69	1,645.00

STATE OF NEVADA

OFFICE OF THE ATTORNEY GENERAL

NATURE OF SERVICES, BILLING METHODS AND RATES

Unlike most of the billed services administered by the State of Nevada, the Office of the Attorney General (OAG) is supported by the general fund, and an internal service fund is not used. The procedures implemented for billings thus are based on an allocation and rollforward model: distributing estimated costs to agencies based on estimated hours and costs, determining actual hours and costs, and adjusting subsequent billing for over- or under-recovery based on the difference between estimated and actual cost.

Services:

The Attorney General of the State of Nevada is legal counsel for state government. Many of the Office's activities are general governmental in nature and not allowable on federal programs nor allocable to other state agencies, including:

- ◆ Criminal prosecutions and appeals
- ◆ Providing legal counsel to the Governor and the Legislature
- ◆ Representing the State in litigation with the Federal government or other governmental agencies.

The OAG does provide legal services to state agencies, including those receiving federal funds. In some cases, these services are directly financed by federal programs, such as Medicaid fraud detection and prosecution. In most cases, the services are general support for ongoing contracting and other administrative activities of State departments.

Billing Procedures:

The OAG's staff attorneys maintain time records documenting their hours spent in all activities performed within the office, including both allowable and non-allowable activities. Hours are identified by all deputy attorneys general to customer agency and programs. The annual summary of hours is the basis of billings to customer agencies for legal services.

During the biennial budget cycle, the State prepares an estimate of costs for the upcoming two years based on the adopted budget of the OAG. These costs are equal to the general budget account of the OAG, and include related legal and administrative costs. Costs are distributed over the following cost pools:

- ◆ Legal services, including all deputy and chief deputy AG's, legal researchers and secretaries, and related operating costs
- ◆ Department administrative costs, including personnel, finance, purchasing, etc.
- ◆ Investigations staff, which is not allocated
- ◆ Investigations division supervision

- ◆ The Attorney General, whose costs are not allowable and are not allocable.

The OAG has additional operating budgets for special programs not included in the general budget account, including consumer protection, Medicaid fraud, and others. Department administrative costs are distributed over all operations, including the general budget and the special program budgets, based on salary costs in each. Investigations supervision is allocated based on the number of investigators in each budget account. The net legal services cost pool, including an appropriate share of department administration, is the basis for charging costs to customer agencies.

The State also prepares an estimate of hours in support of each State agency, based on the immediate preceding year. Hours of attorneys paid from the special budget accounts are excluded from these estimated hours, as their work is dedicated to the funded activity such as Medicaid fraud, and their costs are not in the legal services cost pool described above. Many of the legal hours are general government, and are not allocated to any agency. For each budget year, then, the estimated legal services costs for the year are allocated based on estimated hours, and a charge to each State agency determined for each year.

To comply with OMB A-87's requirement that billings reflect actual costs, the State adjusts these budgetary billings with a rollforward correction based on a three year lag that arises from the budget timing. For example, the last complete fiscal year for estimating legal service hours in FY 2002 and FY 2003 budgets was FY 2000, since the FY 2002-03 budget is prepared before FY 2001 has ended. A FY 2000 rollforward plan allocated actual legal service costs for FY 2000 to departments based on actual hours for FY 2000. These allocations had the budgeted charges for FY 2000 subtracted, to calculate a rollforward adjustment for FY 2000 that was added (or subtracted) to the FY 2003 plan. A similar actual plan for FY 1999 led to 1999 rollforwards added as an adjustment to the FY 2002 plan.

Enclosed herein is the FY 2002 rollforward plan, showing the billable charges based on FY 2002 actual costs and hours, and subtracting the FY 2002 billings that were based on estimated costs and hours. The amounts shown on the FY 2002 rollforward plan will be added or subtracted to allocations in FY 2005.

STATE OF NEVADA

SECTION II BILLED SERVICES REPORTS

**RECONCILIATIONS OF CAFR NET ASSET BALANCES TO
FEDERAL GUIDELINES**

STATE OF NEVADA

SECTION II BILLED SERVICES REPORTS

ATTORNEY GENERAL COST ALLOCATION PLAN

**Based on Actual Costs and Attorney Hours for the
Fiscal Year Ending June 30, 2002**

**Presenting Roll Forward Amounts for the Difference
Between Actual and Billed Costs for the
Fiscal Year Ending June 30, 2002**

**Roll Forward Amounts to be Included as Adjustments
To Billings for the Fiscal Year Ending June 30, 2005**