



# STATE OF IOWA

CHESTER J. CULVER, GOVERNOR  
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES  
CHARLES J. KROGMEIER, DIRECTOR

July 31, 2009

## GENERAL LETTER NO. 23-C(1)-6

ISSUED BY: Bureau of Purchasing, Payments, and Receipts,  
Division of Fiscal Management

SUBJECT: Management Manual, Title 23, Chapter C(1), **LOCAL OFFICE  
ADMINISTRATIVE EXPENSE**, pages 6 and 7, revised.

### Summary

This chapter is revised to add general guidelines for estimating useful life of buildings.

### Effective Date

Immediately.

### Material Superseded

Remove the following pages from Management Manual, Title 23, Chapter C(1), and destroy them:

| <u>Page</u> | <u>Date</u>      |
|-------------|------------------|
| 6, 7        | February 9, 2007 |

### Additional Information

Refer questions about this general letter to your area income maintenance administrator, your service area manager, or your regional collections administrator.

### **Office Space in a Privately Owned Building**

Funds disbursed by the county for space occupied by the local office in the form of rent of a privately owned building are allowable for reimbursement, to the extent that the costs do not exceed costs for a comparable space.

Funds disbursed by the county for space occupied by the local office, whether operating costs or rent, that exceed costs for comparable space in the locality are **not** allowable without the Department's approval.

If rent is claimed on form 470-0033, *Report of Local Administrative Expense*, the local office shall cooperate with the County Auditor to secure rental estimates from three sources to ensure that operating costs or rent are not excessive. The county shall submit rental estimates on form 470-4285, *Rental Estimate*.

These estimates shall consider cost of utilities and maintenance services, as applicable. Care should be taken to be sure that services such as heat, water, power, and janitor services, to the extent they are included in the rent, are considered in all three rental estimates to allow a fair comparison to be made.

The Bureau of Purchasing, Payments, and Receipts will notify the county of the allowable rental expense amount and send a copy of the notice to the service area manager.

### **Office Space in Public Building**

Operating costs of a public building, such as necessary repairs, may be claimed in addition to either depreciation or building use allowance.

A county may claim only operating expenses, operating expenses plus depreciation, or operating expenses plus use allowance. Whatever is claimed for space cost should be evaluated by comparison in total to three rental estimates.

- ◆ Reimbursement of operating expense incurred by the county for maintenance of office space for the local office in a county-owned building in lieu of rent is allowable. Examples of allowable expenses are heat, light, power, water, janitor services, insurance, maintenance, repairs, and maintenance of lawn, sidewalk and parking lot.

Operating expenses must be documented with form 470-0037, *Administrative Expenses of the Public-owned Local Office*, and form 470-0038, *Public-owned Local Office Expenses*. Both forms must be submitted to the Bureau of Purchasing, Payments and Receipts annually between July 1 and August 31.

- ◆ Depreciation to buildings and fixtures may be claimed. To document the depreciation charge, the local office shall maintain schedules by class of asset that show cost, expected life, date of purchase, and book value.
  - Initial costs plus costs of remodeling of a county-owned building purchased or constructed to provide space for the local office may be depreciated.
  - A building use allowance may be claimed in lieu of depreciation. An annual limit of 2% of cost is imposed to control use allowance. A quarterly charge of 25% of the annual limit is allowable.
- ◆ Depreciation or building use charges must be documented by schedules maintained in the county auditor's office. A 2% annual limit is imposed for use allowances.

The following expenses are **not** allowable:

- ◆ Value of land may not be claimed as depreciation or building use allowance.
- ◆ Major remodeling or renovation projects may not be claimed as operating costs.

A "major" remodeling project means an expenditure made beyond the regular, normal upkeep of physical properties (land, buildings, and equipment), for the repair or replacement of failed or building components as necessary to:

- ◆ Return a facility to its currently intended use,
- ◆ Prevent further damage, or
- ◆ Make a facility compliant with changes in laws, regulations, codes or standards.

Major remodeling or renovation projects that **materially** increase a facility's value or useful life are unallowable as a direct cost. These expenses should be claimed on the building depreciation or use allowance schedules.

Documentation shall be maintained in the County Auditor's office to show cost, acquisition date, and book value of each asset by class whether depreciation, or use allowance, is claimed. No claim may be made for assets that would be determined to be fully depreciated. Cost of land must be excluded.

The following general guidelines have been used for estimated useful life:

|               |          |
|---------------|----------|
| New buildings | 30 years |
| Old Buildings | 20 years |
| Remodeling    | 10 years |