

TO: ALL COUNTY PERSONNEL
FROM: VERDENIA C. BAKER
COUNTY ADMINISTRATOR
PREPARED BY: OFFICE OF FINANCIAL MANAGEMENT AND BUDGET (OFMB)
SUBJECT: INTERDEPARTMENTAL BILLINGS
PPM#: CW-F-044

ISSUE DATE
October 19, 2021

EFFECTIVE DATE
October 19, 2021

PURPOSE:

To provide guidelines and direction to County departments, divisions and agencies on the preparation, processing, and rate establishment of interdepartmental billings for goods and services.

UPDATES:

Future updates to this PPM will be the responsibility of the Director of OFMB.

AUTHORITY:

- Palm Beach County Administrative Code, Section 306.02.

DEFINITIONS:

Billing Rate - The price of a unit of service over a unit of time (e.g., a labor rate of \$25 per hour), or the cost of a selected unit of a good (e.g., \$50 per box).

Cost - An expenditure or outlay of cash, other property, or services, or the incurring of a liability therefore, identified with goods or services acquired.

Departmental Charge - A charge additional to the direct cost of a particular production or operation, directly or indirectly applicable to a department, such as departmental overhead or a portion of general overhead.

Direct Cost - The cost of any good or service that contributes to and is readily ascribable to product or service output. Direct costs can be identified with units to be cost at the time the cost is incurred (e.g., an hour of labor, a quantity of material, an hour of machine time, etc.).

Final Product - Any good on which all contributory operations have been completed, or any

service that has been fully rendered.

Full Cost - The full cost includes the direct cost of a good or service plus the departmental charge.

Good - Any item of merchandise, raw materials, or finished goods.

Invoice - A document detailing the description, quantity, price, terms, nature of delivery, and other particulars of goods sold or of services rendered.

Overhead (also known as "Indirect Cost") - A generic name for costs of materials and services not readily identifiable with the product or service that constitute the main output of an operation. Where applicable, overhead should include space allocation costs. Overhead is sometimes referred to as "indirect cost."

Overhead Rate - A standard rate at which overhead is allocated.

Service - Work done or duty performed to meet a need or satisfy a requirement.

POLICY:

I. Applicability of PPM

This PPM will apply to all County departments, divisions or agencies for which it has been determined that costs for goods and services are to be recovered.

II. Billing Rates

All Departments, which provide goods or services to other County departments, will be responsible for developing **written procedures** that specify how billing rates for these goods or services are established. These procedures, and any updates, must be submitted to OFMB.

In general, billing rates must be established and adjusted to recover the full cost of providing the good or the service. In the event the full cost method is not used to develop rates, the Department must include the rationale for the recovery method used. Billing rates established by these procedures will be updated annually, as appropriate. Rates will be reviewed as part of the annual budget process.

III. Cost Estimates

Upon request, all Departments, which provide goods or services to other County departments, will provide written estimates of the cost of the goods or services to be provided. Written estimates **will be required** when the estimated cost of the good or service exceeds \$1,000 and the duration of the service period exceeds one (1) month.

IV. Encumbering of Cost Estimates

All written estimates will be encumbered in the County's accounting system (Advantage). The provider department may elect to encumber all estimates. Responsibility for encumbering or unencumbering these cost estimates will reside with the provider department.

PROCEDURES:

I. Departmental PPM's

A. Development and Approval

Each department providing goods and services to other departments or capital projects will develop procedures specifying how billing rates, including applicable overhead rates, will be established.

These procedures must be submitted to OFMB for review and approval prior to inclusion in a department PPM.

B. Updating of Billing Rates

Billing rates established by these procedures will be updated **annually**, as appropriate. These rates must be submitted annually to OFMB with the Department's budget submission. OFMB will review these calculations for reasonableness.

C. Cost Components of Billing Rates

Unless provided for in the Department procedure, all billing rates, at a minimum, will recover the **full cost** of providing the good or the service. The full cost will include the direct cost of a good or service plus the appropriate departmental charge.

Where the use of materials is essential to the provision of a good or service, a separate rate will be developed for labor and materials.

II. Request Initiation and Billing Process

A. Requests for Goods and Services

The department requesting goods or services will do so **in writing** using such forms as may be required by the provider department.

B. Cost Estimates

The provider department will review the request for goods or services and provide a written estimate of the cost if requested or required by this PPM. The estimate will indicate whether billings will be provided periodically (e.g., monthly) or at delivery of the final product.

No services will be provided or goods furnished until the requesting department has accepted the estimated costs as authorized by the signature of the requesting department.

The provider department will **not** bill the requesting department for the cost of preparing the estimate.

C. Funding Availability

It will be the responsibility of the Department **requesting** the good or service to ensure that sufficient funding exists in the proper account to fund the request.

D. Encumbrances of Cost Estimates

When the cost estimate has been accepted, an encumbrance will be established in the Advantage accounting system for that cost **if required by this PPM.**

The provider department will maintain records of approved cost estimates, which have been encumbered in Advantage. Encumbrances may not be changed without the approval of the requesting department.

E. Billing

The provider department will invoice the requesting department **based on actual costs incurred** (i.e., labor, materials, and applicable overhead costs).

The provider department will be responsible for notifying the requesting department if total actual costs are expected **to exceed** the total cost estimate. This notification should be made **within sufficient time** so as to facilitate the prior approval of any necessary budget transfers or permit the modification of project scope.

It is the provider department's responsibility to ensure that revenue was collected by the requesting department.

The requesting department must approve in writing any requested increase by the provider department and that increase will be encumbered as specified in **"D"** above.

F. Invoice Processing and Recording

Invoices will be processed through Advantage by the provider department. The amounts invoiced by the provider department will be recorded in conformance with **PPM # CW-F-043** (Accounting Policies for Interfund, Intrafund and External Transactions).



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Supersession History:

1. PPM # CW-F-044, issued 12/06/94
2. PPM# CW-F-044, issued 9/1/95, effective 8/1/97
3. PPM# CW-F-044, effective 12/1/07
4. PPM# CW-F-044, effective 10/21/10
5. PPM# CW-F-044, effective 11/08/10
6. PPM# CW-F-044, effective 8/18/11
7. PPM# CW-F-044, effective 7/15/16