

State of Washington
Joint Legislative Audit and Review Committee (JLARC)



Targeted Performance Audit of the Washington State Patrol: Cost Allocation Study

Report 05-16

September 26, 2005

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**TARGETED
PERFORMANCE AUDIT
OF THE WASHINGTON
STATE PATROL: COST
ALLOCATION STUDY**

CONDUCTED FOR THE
JOINT TRANSPORTATION
COMMITTEE

REPORT 05-16



REPORT DIGEST

SEPTEMBER 26, 2005

STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
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Overview

This is a targeted performance audit, which is focused on studying the cost allocation practices in place at the Washington State Patrol. The specific objective of the study is to determine which costs for services provided by the State Patrol should be borne by the Transportation Budget, and which should be borne by the Operating Budget. The study was conducted for the Legislative Transportation Committee and was authorized in the 2003-05 Biennial Transportation Budget.

Background

The 18th Amendment of the Washington State Constitution restricts the use of revenues collected from motor vehicle registration fees and vehicle fuel taxes to “highway purposes,” and denotes that this purpose includes “policing by the state of public highways.”

While a large portion of the State Patrol’s responsibility relates to traffic safety enforcement on the state highways, the Patrol is also involved in supporting a variety of other policing and public safety functions. These other services include investigative assistance for non-traffic crimes; operation of forensic laboratories; management of statewide criminal records; security and protection for state officials and the state capitol campus; inspections, regulation, and training to support fire safety; and operation of an emergency communication system.

The State Patrol receives nearly three-quarters of its funding in the Transportation Budget, and the balance is funded in the Omnibus (often referred to as Operating) Budget. Two separate legislative acts are passed to fund the State Patrol’s services, requiring coordination between multiple legislative committees. Developing the budget assumptions for the State Patrol involves identifying which services or portions of services should appropriately be funded in the two budget acts, based on the 18th Amendment.

Distinguishing Costs Not Simple

A number of issues complicate distinguishing services between transportation functions and non-transportation functions.

First, many State Patrol services are primarily related to transportation, or vice versa. For example, troopers primarily perform work on the highways related to traffic safety, but they also occasionally respond to other emergencies or crimes. Identifying the small portion of a service that is not transportation related may not be obvious. And while these may be small portions of certain services, they can still account for millions of dollars.

Second, there is not a detailed working definition of “transportation” expenses or services to assist the State Patrol or the Legislature.

Third, the financial systems used by the State Patrol do not provide sophisticated allocation tools.

JLARC Used Cost Accounting Principles to Analyze Services

Cost accounting, an established financial discipline used in private and public sectors, provides principles helpful for analyzing ambiguous costs. While cost accounting cannot specify the exact level of costs with complete certainty, it offers estimating methods to improve precision. JLARC's accounting consultant used a four-step process to distinguish Patrol costs, based on cost accounting principles.

First, the costs for existing organizational units were classified according to the category and primary objective of services provided by each unit. Second, organizational units that provide only transportation or only non-transportation functions were separated from units that serve both functions in a pooled manner. Third, the consultant established assessment criteria for evaluating cost accounting methods to allocate pooled costs. Fourth, alternate methods for allocating pooled costs were scored using the consultant's cost accounting criteria.

After recommending the best methods for allocating the costs of various organizational units, JLARC's consultant collected data to simulate the fiscal impact of these methods.

JLARC's Cost Allocation Analysis Shifts Funding Source for Several Items

JLARC's analysis shifts \$11.6 million from the 2003-05 Operating Budget to Transportation, and \$11.2 million from Transportation to Operating. These shifts, comprised of several individual items, essentially offset each other, resulting in a net change that increases the Transportation Budget's share of costs by \$0.4 million. The largest shift in costs occurs in the Technical Support program, with \$7.2 million in emergency communications costs accounting for the greatest single impact.

Currently, only 15 of the 68 organizational units within the Patrol allocate costs, whereas the JLARC analysis identifies that 31 of the 68 organizational units should have a cost allocation method applied.

A survey of other jurisdictions indicates that states with organizational and funding constraints comparable to Washington's face similar cost allocation challenges. However, the survey did not identify methods more sophisticated than those proposed in the JLARC analysis, and JLARC's methods appear to offer the best promise for improving the precision of cost allocation.

Despite Fund Source Shift, Organizational Units are Aligned with Programs

JLARC also analyzed different ways that the State Patrol organizes its cost information. While there is some confusion resulting from ways information is labeled and displayed in accounting reports, JLARC did not find problems with how this information is tracked in the financial system.

JLARC was able to identify valid explanations for examples of organizational costs that appear misaligned with budget programs. In fact, the organizational structure looks different from budget programs since it has evolved to keep pace with the changing role of services, while the program structure has remained static.

Costs by activity, a third view for organizing fiscal information, is the most useful view for understanding State Patrol services, but has limitations. Activity costs reflect planned but not actual expenditures, and this information is not fully linked to performance outcomes data at this time.

Recommendations to Improve State Patrol Cost Allocation

Recommendation 1: The State Patrol, Office of Financial Management, and the Legislature should update allocation methods used for budgeting and accounting, using the approaches outlined in JLARC's study.

Recommendation 2: The State Patrol should refresh cost allocation statistics annually.

Recommendation 3: The State Patrol should modify certain management data tracking elements to further improve future cost allocation.

Recommendation 4: Staff from the Legislature, OFM, and the State Patrol should collaborate to develop a common definition for "transportation-related" services to ensure all three groups treat ongoing and future costs consistently.

Recommendation 5: The State Patrol should develop formal policies and procedures for implementing new cost allocation practices.

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CHAPTER ONE – OVERVIEW

INTRODUCTION

This report documents the results of a targeted performance audit of the Washington State Patrol. The audit was conducted to study the cost allocation practices in place at the State Patrol. Specifically, the main objective is to determine which costs for State Patrol services should be borne by funds in the Transportation Budget, and which should be borne by funds appropriated in the Omnibus Budget (often referred to as the Operating Budget).

As part of this study, JLARC also reviewed the linkages between the State Patrol's budget programs, organizational structure, activities and outcomes.

A copy of the full scope and objectives for this targeted performance audit is included in Appendix 1 of this report.

To assist with the study, JLARC contracted with Merina and Company, a consulting firm with cost accounting experience. The consultant conducted the detailed cost allocation analysis, completed a survey of other state practices, developed an allocation modeling tool, and provided information to JLARC on the current financial procedures used by the State Patrol. The consultant report served as the evidentiary basis for many of the findings in this JLARC study and is included in Appendix 3 of this report.

STUDY MANDATE

The Joint Legislative Transportation Committee (JTC) is a joint committee of the Legislature, with an executive committee comprised of the chairs and ranking minority members of the House and Senate Transportation Committees. The executive committee can appoint additional members from the House and Senate Transportation Committees to serve on the joint committee. The purpose of the Committee is to review and research transportation programs and issues to better inform state and local government policymakers, including legislators. JTC's statutory authority is established in RCW 44.40.

A different committee, the Legislative Transportation Committee (LTC), was originally authorized to pursue this study under statutory language included in the 2003-05 Biennial Transportation Budget (ESHB 1163, Section 205(2) (b), 2003 Regular Legislative Session). The LTC subsequently elected to have JLARC conduct the study on its behalf, and the committee contracted with JLARC for that purpose. The LTC was dissolved during the 2005 Legislative Session, and the JTC subsequently assumed oversight of the JLARC study.

CHAPTER TWO – BACKGROUND

WASHINGTON STATE CONSTITUTION LIMITS USE OF TRANSPORTATION FUNDS

The 18th Amendment of the Washington State Constitution (Article II, Section 40) was approved in 1944, and limits the use of revenues collected from motor vehicle registration fees and motor vehicle fuel taxes. This provision requires that these funds can only be used for “highway purposes.”

This section in the Constitution lists several items that are to be construed as highway purposes, including “policing by the state of public highways.”¹ Consequently, the enforcement of traffic safety on the state highway system, the largest service provided by the Washington State Patrol, is eligible for funding from vehicle registration fees and fuel taxes.

The Legislature created the Motor Vehicle Fund as the overall repository for revenues collected for highway purposes. Additionally, the Legislature established several separate accounts within the Motor Vehicle Fund, into which specific types or portions of these revenues are deposited.

State government agencies receive authority from the Legislature to spend funds from these accounts for the various highway purposes indicated in the Constitution. Spending authority is authorized by an act of the Legislature. These acts provide appropriations, which are specific spending limits from individual accounts. Appropriations Acts typically expire at the conclusion of each biennium.

The State Patrol specifically receives spending authority for highway purposes from the State Patrol Highway Account. The State Patrol Highway Account is appropriated in a legislative act typically referred to as the Transportation Budget, which originates in either one of the Transportation Committees of the House or Senate. For purposes of this report, we will refer to State Patrol funding for 18th Amendment purposes as Transportation funding.²

State Patrol Provides Services not Eligible for 18th Amendment Funding

The State Patrol also has responsibility for several other services in addition to enforcing traffic safety on the highways. These other State Patrol services include activities such as:

¹ See Appendix 4 for the complete text of the 18th Amendment of the Washington State Constitution.

² The Transportation Budget also includes funds supported by several other transportation-related revenue sources, such as driver licensing exam fees or car rental taxes. These revenues are deposited in the Multimodal Transportation Fund and are not restricted to the uses specified in the 18th Amendment. They have traditionally been used for other transportation-related functions, such as licensing drivers, public transportation, etc. Appropriations from the Multimodal Transportation Fund are also provided to agencies in the Transportation Budget. The State Patrol has not traditionally received appropriations from this fund, though an appropriation of \$5.2 million was provided in the 2003 Supplemental Budget.

- Providing investigative services for non-traffic crimes, such as drug crimes, child abductions, or assistance requested by local law enforcement with crimes under local jurisdictions.
- Operating the state crime laboratory and the state toxicology laboratory.
- Managing the statewide database of criminal records, which serves as a repository of information on all types of crimes, both highway related as well as crimes enforced by other law enforcement jurisdictions.
- Providing security for the Governor, other state officials, and protection for staff and the public on the capital campus grounds.
- Providing fire protection services, through building inspections, fire code regulation and training for fire safety professionals.
- Operating the emergency communication system accessible for a variety of law enforcement and public safety purposes.

Funding for these services, in whole or in part, is provided by appropriations from funds other than the State Patrol Highway Account, such as the State General Fund. These funds are supported by a variety of revenue sources other than vehicle registrations and fuel taxes, such as general sales taxes or fees dedicated by law for specific programs. These appropriations are provided by a separate legislative act, the Omnibus Budget Act, commonly referred to as the Operating Budget. The Operating Budget originates from either the House Appropriations or Senate Ways and Means Committees.

Since the State Patrol's budget is funded through two separate pieces of legislation, some additional coordination is required between various committees to ensure a common understanding of various budget scenarios.

Also, these budget proposals require common assumptions regarding which services or portion of services should be funded as 18th Amendment eligible Transportation Budget items, and which should be funded as Operating Budget items. The State Patrol has been authorized to spend \$259.4 million in the 2003-05 Biennium from the Transportation Budget, and \$95.2 million from the Operating Budget, for a total of \$354.6 million.³ Each of these budgets includes multiple accounts, which are listed in the following table.

³ These figures are based on the State Patrol's 2003-05 allotment plan. The allotments include appropriations directly to the agency from the 2004 Supplemental Transportation and Operating Budgets, allocations from the Office of Financial Management for special appropriations such as compensation adjustments, estimated spending for accounts that do not require legislative approval (such as certain seizure accounts), and costs for unanticipated receipts of additional federal funds provided to the agency. Figures do not include \$2.2 million appropriated to the State Patrol from the Transportation Budget for capital construction in 2003-05, and \$22.4 million appropriated in a separate legislative act for the Capital Budget.

Figure 1: 2003-05 Budget - Transportation and Operating (with 2004 Supplemental, including non-appropriated accounts and unanticipated receipts)	
Budget	Amount
State Patrol Highway Account - State	\$246,253,300
State Patrol Highway Account - Federal	\$11,265,499
State Patrol Highway Account - Local	<u>\$1,873,500</u>
Transportation Budget Total (2003-05)	\$259,392,299
General Fund - State	\$39,280,100
General Fund - Federal	\$4,948,532
General Fund - Local	\$1,465,600
Public Safety and Education Account	\$22,140,400
Fire Service Training Account	\$6,177,600
Fingerprint Identification Account	\$5,335,400
Death Investigations Account	\$4,520,100
Disaster Response Account	\$4,000,000
County Criminal Justice Assistance Account	\$2,677,200
Fire Protection Contractor License Account*	\$1,121,000
Municipal Criminal Justice Assistance Account	\$1,095,400
State Seizure Account*	\$700,000
Enhanced 911 Account	\$612,000
State Toxics Control Account	\$440,700
Federal Seizure Account*	\$300,000
Violence Reduction and Drug Enforcement Account	\$286,900
Fire Service Trust Account	<u>\$128,800</u>
Operating Budget Total (2003-05)	\$95,229,732
Grand Total Transportation and Operating (2003-05)	\$354,622,031

* Nonappropriated account

CHAPTER THREE – COST ALLOCATION ANALYSIS

DISTINGUISHING COSTS IS NOT SIMPLE

While the State Patrol provides services that are clearly eligible for funding from the Transportation Budget, determining the specific amount of costs that should be funded in the Transportation Budget versus the Operating Budget is not a simple task. Three items contribute to the complexity of distinguishing the exact amount of costs attributable to either budget:

First, many organizational units at the State Patrol provide benefits primarily to a transportation function or primarily to a non-transportation function. The amount of support provided to the other non-primary functions may be significant, but for some organizational units it is inefficient to establish complex accounting systems to directly quantify those costs.

The State Patrol provides a number of services through organizational units that are primarily related to a transportation function, such as the Field Operations Bureau which includes the front-line highway troopers. However, these troopers occasionally respond to other emergencies or crimes, such as being called upon to assist with a drug-related crime. Similarly, the Toxicology Laboratory primarily assists with forensic analysis on non-transportation crimes. However, the Toxicology Laboratory also does work analyzing blood alcohol levels for impaired drivers arrested by troopers on the state highways.

For these types of organizational units, the State Patrol does not directly identify portions of costs that provide benefit to non-transportation functions, and vice versa. This is a common and understandable practice in large organizations. Separating out all of these costs as they are incurred would be inefficient, and it could impose constraints that would limit the flexibility of the State Patrol to respond effectively. This practice does imply, though, a need to estimate a level of costs attributable to transportation versus non-transportation functions. Even a small percentage of costs in some of these organizational units can amount to millions of dollars.

There are assumptions currently applied to split the cost of the State Patrol's overhead functions between transportation and non-transportation functions. But the rationale for these assumptions is not well documented, and they have not been updated to reflect current practices.

Second, while the 18th Amendment specifies that “policing by the state of public highways” is a transportation function, there is not a detailed working definition to assist the State Patrol or the Legislature with distinguishing costs.

For examining costs at a detailed level, such as examining specific day-to-day activities of troopers in the field, the 18th Amendment by itself does not provide sufficient guidance.

Third, the financial systems used by the State Patrol do not provide sophisticated analysis tools for distinguishing costs.

The current appropriations process has not incorporated a complex analysis to distinguish costs. Consequently there has not been a need for sophisticated analytical tools in order to comply with the intent of legislative appropriations. The State Patrol uses existing budgeting and accounting systems effectively to comply with the appropriations decisions made by the Legislature, but it does not possess tools that would help it analyze the existing assumptions and propose changes when needed.

JLARC Used Cost Accounting Principles to Analyze Services

JLARC concluded that currently both the State Patrol and the Legislature use consistent methods for distinguishing costs between transportation and non-transportation functions. But the way costs are currently distinguished can clearly be improved for the purposes of consistency with the 18th Amendment.

As a result of these limits and challenges described above, a sophisticated method for distinguishing costs does not exist. Consequently, JLARC took the approach of creating its own analytical method.

JLARC hired an accounting consultant, Merina and Company, to conduct the cost allocation analysis of State Patrol services. The method used by the consultant relies on principles employed in the practice of cost accounting. Cost accounting is an established financial discipline used in both public and private sector settings. This discipline is helpful for analyzing ambiguous cost questions, such as those encountered in this study.

The basic relevant concepts underlying cost accounting for this study are simple, and can be illustrated with the following example:

Cost Accounting Theoretical Concepts

Putting Concepts into Practice

Aggregate costs are typically identified distinctly for certain organizational units.



A total budget is established for the Field Force, which includes highway troopers.

Estimating how to break down sub-components of costs for organizational units can be difficult.



How much of troopers' time is spent on traffic stops, vs. how much is spent responding to other crimes or emergencies?

Non-financial measures may often provide reasonably accurate statistics for estimating components.



Details tracked by troopers in their timekeeping system about traffic stops versus other events can approximate portion of Field Force costs for transportation vs. non-transportation.

While cost accounting is an established discipline, it is an art as much as a science. Specific cost accounting methods must be adapted to the unique circumstances and objectives at hand.

Important cost accounting principles which came into play in this study include the following:

- Directly accounting for costs, when practical, is the most accurate method for identifying costs. Charging costs to a specific objective (such as “transportation related”) at the time they are incurred is always preferable when trying to maximize accuracy. However, as JLARC found in this study, the practicality of this may pose significant challenges.

- The practice of cost accounting is not completely objective. Rather than a wrong or right approach, there is always a spectrum of approaches, some of which may work better than others.
- There are often diminishing returns with an investment in cost accounting precision. It may be possible to use a new accounting method which increases accuracy more than a current method. But the closer the accuracy is to 100 percent, the more expensive and complicated it is to implement that new approach.
- It is often difficult to determine how much more precision was gained by implementing a new method until after that method is employed. So, there is often an element of risk involved in deciding to pursue a more accurate cost accounting process.

In order to ensure the cost allocation analysis was practical and could be repeated in the future, JLARC’s consultant based its assessment on the existing organizational units, or cost centers, tracked by the State Patrol in its financial system for internal budget management purposes.

Cost Allocation Methodology

The consultant utilized a four-step process for analyzing State Patrol costs, based on cost accounting principles:

Step 1: In the absence of a formal working definition of a “transportation” cost, JLARC and its consultant developed a method for classifying the nature of services provided by each of 68 individual cost centers. For each cost center, the consultant determined if that unit provided services with a highway safety/operation objective, and whether or not there are policing services involved.

As shown in Figure 2a, services were classified into one of the following quadrants:

Figure 2a – Service Classification

		Category of Service	
		Policing Services	Other Than Policing Services
Primary Service Objective	Highway Safety and Operation	1	2
	Other Than Highway Safety and Operation	3	4a – Indirect Overhead 4b – Other Services

Step 2: Based on this service classification, the consultant had a descriptive assessment of each cost center’s services and was able to more precisely indicate if the services involved transportation functions, non-transportation functions, or both.

For example, a cost center with services classified this way involves transportation functions only:

Figure 2b – Example: Transportation Services

		Category of Service	
		Policing Services	Other Than Policing Services
Primary Service Objective	Highway Safety and Operation	1	2
	Other Than Highway Safety and Operation	3	4a – Indirect Overhead 4b – Other Services

Whereas, a cost center with services classified this way involves both transportation and non-transportation functions:

Figure 2c – Example: Both Transportation & Non-Transportation Services

		Category of Service	
		Policing Services	Other Than Policing Services
Primary Service Objective	Highway Safety and Operation	1	2
	Other Than Highway Safety and Operation	3	4a – Indirect Overhead 4b – Other Services

Step 3: For any cost centers that only provided transportation functions or only provided non-transportation functions, the analysis was complete. Assessment criteria were developed for cost centers that had services related to both functions. These criteria were rooted in cost accounting theory, and were developed to identify whether a cost allocation approach reflects a cause-and-effect relationship, whether it reflects the benefits received by a program, whether the method is easily understood, and whether the method is based on accurate and available data.

The criteria included demonstrating how well a given method addressed the following:

- Method represents a **cause and effect** relationship between statistics used for estimation and the actual costs
- Method provides an indication of the **benefits received** by either the transportation or non-transportation programs involved
- Method is **readily understandable** to a variety of audiences
- Method is based on **valid and accessible data**

Step 4: Finally, the consultant identified a handful of alternative cost allocation methods for the cost centers with both transportation and non-transportation functions. These alternatives were scored against the assessment criteria from Step 3, and a recommended alternative was identified for each cost center.

Figure 3 – Example: Analysis of Alternatives

Aviation Org. 120		Cost Allocation Criteria				Recommendation
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall
1	TAS Time Data by Activity Code	High	High	High	High	Recommended
2	Flight Logs – Flight Hours by Purpose	High	Moderate	High	High	Good
3	Passenger/Freight Counts by Source	High	High	High	Low	Adequate
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended

At the conclusion of this four step analysis, the consultant worked with the State Patrol to collect data required for the recommended alternatives, and calculated the fiscal impact compared to current budget assumptions.⁴

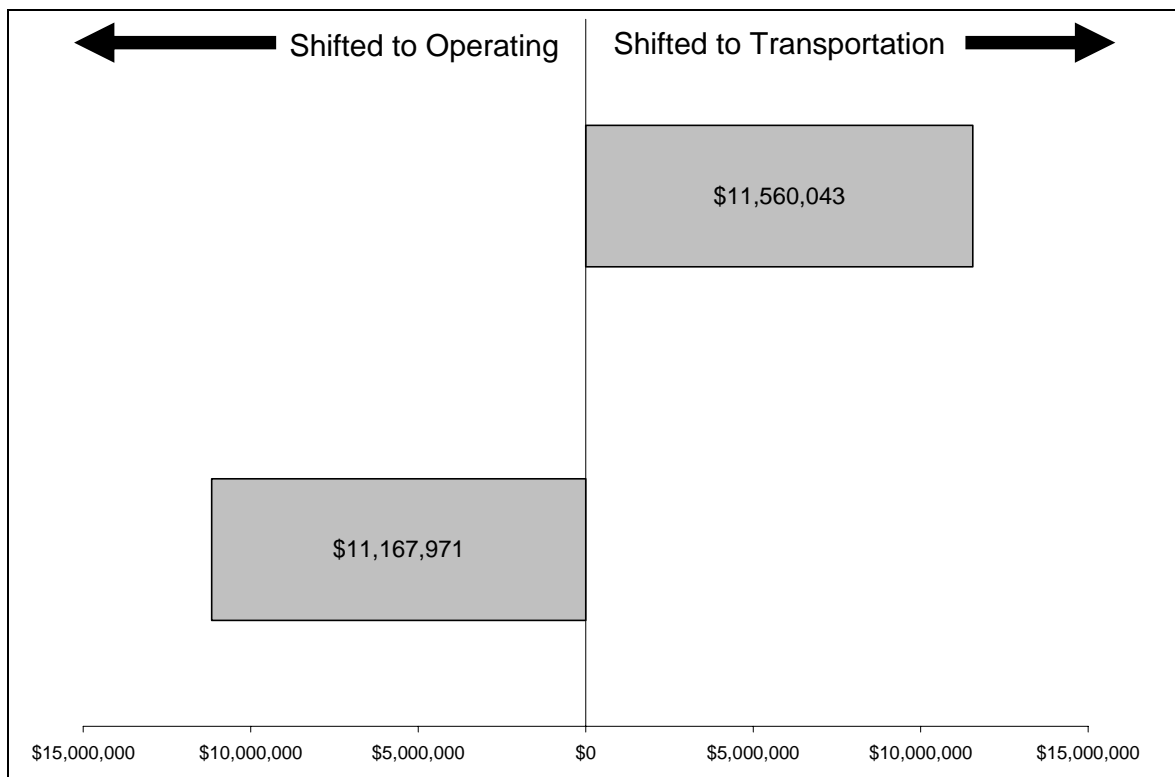
The full details of Merina and Company’s cost allocation analysis methodology, including specific recommended allocation methods for each cost center, are attached as Appendix 3.

⁴ While it is unconstitutional to use the State Patrol Highway Account for non-highway purposes, there is no limitation on using several other Operating Budget accounts for highway purposes. However, the fiscal analysis in this report assumes that 18th Amendment eligible items would be paid solely by the State Patrol Highway Account.

Cost Allocation Analysis Shifts a Number of Costs, but Net Result is Minimal

As shown in the consultant report in Appendix 3, the analysis in this study suggests shifting a variety of costs between the Transportation and Operating Budgets. The analysis, based on a change from the current funding assumptions in the 2003-05 budget, would shift \$11.2 million in cost items from the Transportation Budget to the Operating Budget. This would be more than offset by a shift of \$11.6 million in other costs from the Operating Budget to the Transportation Budget (see Figure 4). While there are many shifts recommended by the consultant in Appendix 3, the overall change to the two budgets is minimal, resulting in a cost increase of \$0.4 million for the Transportation Budget and a corresponding decrease to the Operating Budget.

Figure 4 – Total Cost Shift



Source: JLARC Analysis.

The State Patrol’s legislatively approved budget is grouped into three main programs:

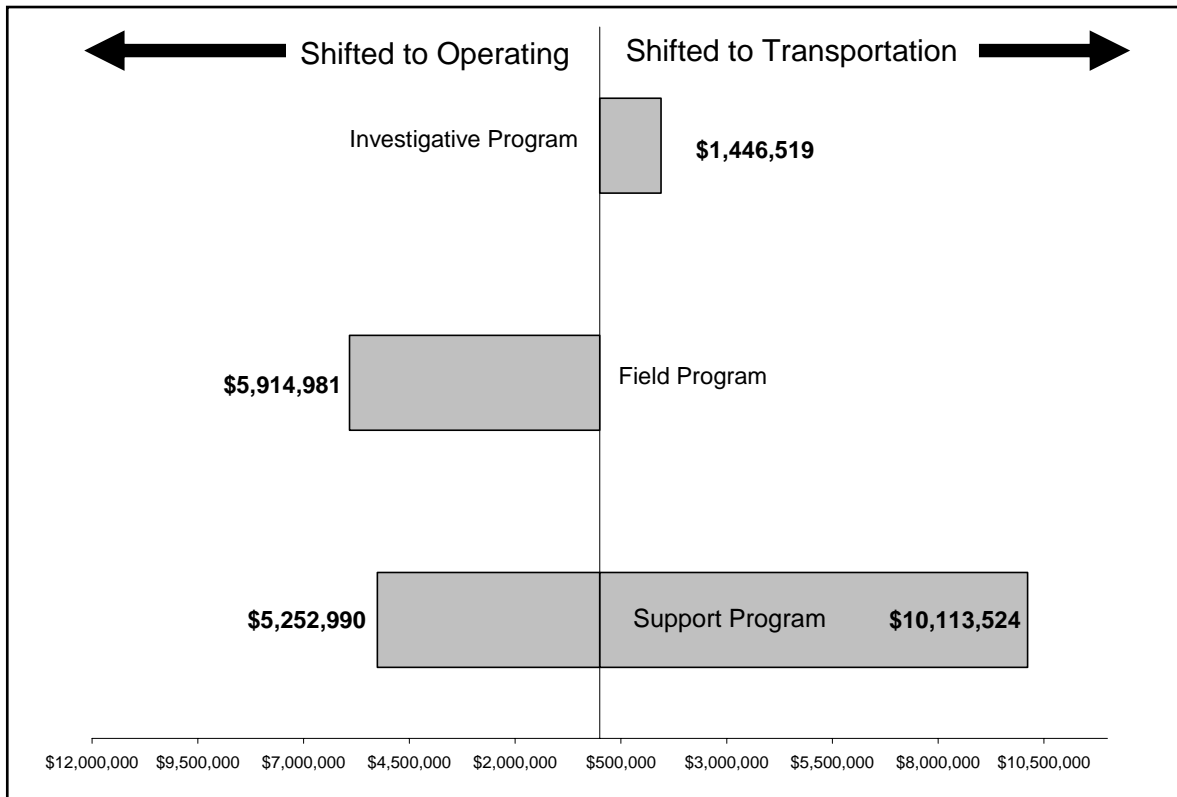
- Field Operations (historically funded by the Transportation Budget)
- Investigative Services (historically funded by the Operating Budget)
- Support Services (historically split between both Transportation and Operating Budgets)

As evidenced in Figure 5 on the following page, the net cost shift in this report is based on some substantial shifts across and within the three programs, with the largest adjustments happening in the Support Services Program.

A shift of \$7.2 million from the Operating Budget to the Transportation Budget for the emergency communication system accounted for the largest single impact, though as shown in Figure 6 on the following page, there were about six other specific cost items that involved a shift of approximately \$1 million to \$3 million.

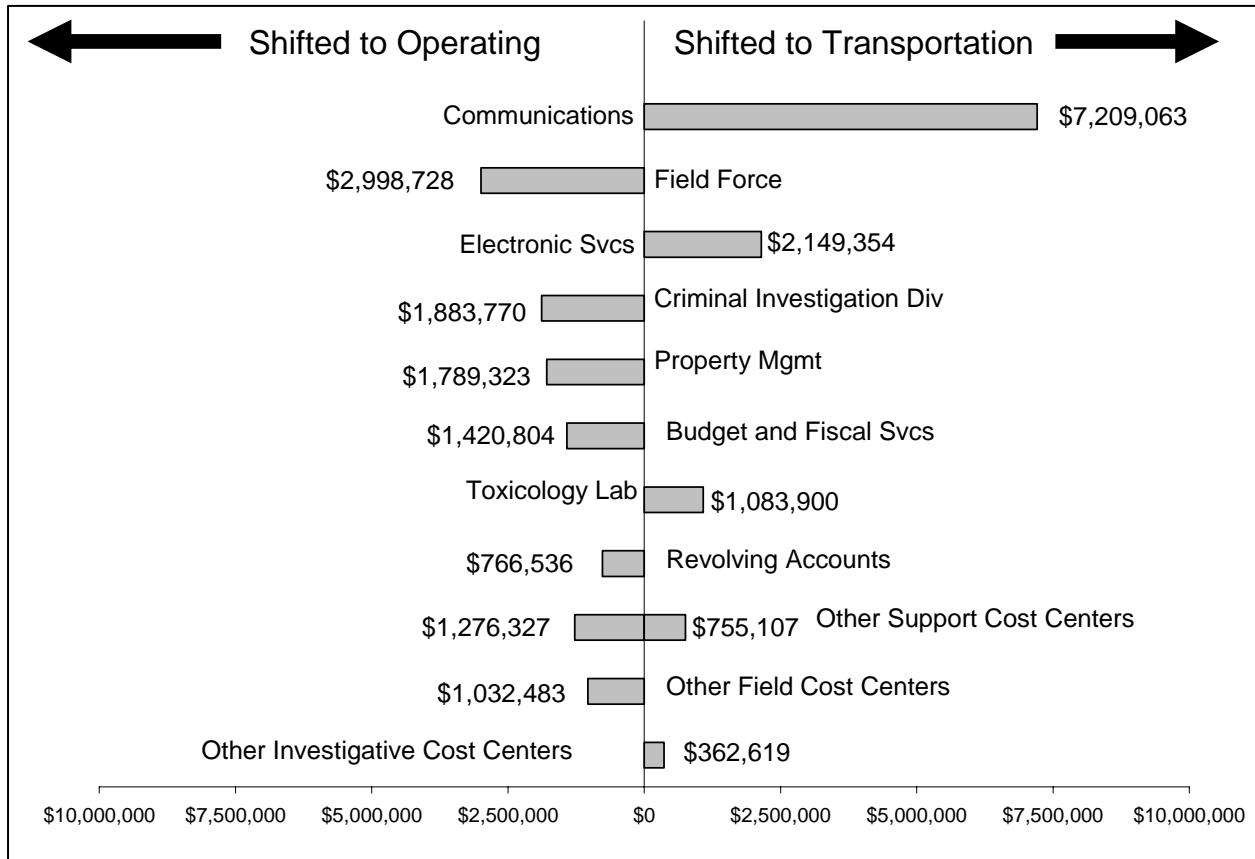
Our analysis not only implies a rearrangement of funding for various items, but also that allocation methods should be applied to a greater number of areas than current budget assumptions indicate. Currently, only 15 of the 68 cost centers have costs allocated between Transportation and Operating Budgets, most of which are in the Support Services Program (which houses the overhead functions such as Accounting, IT, etc.). The analysis by Merina and Company indicates that 31 of the State Patrol’s current cost centers have a mixture of transportation and non-transportation services which require some level of cost allocation between the two budgets.

Figure 5 – Cost Shift by Program



Source: JLARC Analysis.

Figure 6 – Cost Shift by Cost Center



Source: JLARC Analysis.

OTHER STATES FACE SIMILAR COST ALLOCATION CHALLENGES

Merina and Company surveyed four other states that have public safety organizations similar to Washington’s and operate under analogous funding constraints. These organizations included the Arizona Department of Public Safety, the Colorado State Patrol, the Missouri State Highway Patrol, and the Pennsylvania State Police.

Based on this survey, and other research, JLARC observed that the cost allocation challenge encountered by the State Patrol is very similar to the highway patrol function in many other states. A common theme the survey identified involved instances when legislative bodies make budget decisions that conflict with other statutory restrictions on the use of gasoline taxes.

The analysis conducted by Merina and Company appears to provide a more rigorous method than that used in other locations. Their survey did not reveal other cost allocation practices that would offer significant additional precision or other benefits beyond methods included in this study. Additional information about the surveyed states is included in the Merina and Company report in Appendix 3.

CHAPTER FOUR – LINKAGES BETWEEN VARIOUS COST AND OUTCOME INFORMATION

THREE VIEWS OF STATE PATROL COSTS

The State Patrol organizes its costs around three different dimensions:

1. Appropriations — This view reflects the fact that the Legislature appropriates funds to the State Patrol by Program⁵ and by Account. There are three State Patrol Programs:
 - a. Field Operations (historically funded from the Transportation Budget)
 - b. Investigative Services (historically funded from the Operating Budget)
 - c. Support Services (historically split between the Transportation and Operating Budgets)

Figure 1, on page 5 lists the various accounts appropriated in each budget (such as the State Patrol Highway Account and the State General Fund). There are three accounts that support the programs in the Transportation Budget and 17 accounts supporting the programs in the Operating Budget.

2. Organizational Responsibility — This view reflects the State Patrol’s bureaus, divisions, and other units established within the State Patrol for assigning managerial responsibility for services, staff and programs. There are six bureaus within the State Patrol, each of which includes different divisions, offices or other organizational units:
 - a. Field Operations Bureau
 - b. Fire Protection Bureau
 - c. Forensic Lab Services Bureau
 - d. Investigative Services Bureau
 - e. Technical Services Bureau
 - f. Management Services Bureau
3. Activities — This view reflects the Priorities of Government (POG) approach to budget decision-making, first initiated for the 2003-05 budget by Governor Locke. The POG budget process emphasized the Governor’s 11 statewide priorities for government

⁵ Appropriations are made in the Transportation Budget to the Field Program and the Support Program. The Operating Budget traditionally funds the Investigative Program and a share of the Support Program, but provides an overall legal appropriation by account reflecting the total of both programs. Regardless of the specific appropriations approach in each of the two budgets, the State Patrol tracks actual spending by account within each program.

services, and it required state agencies to identify which functional activities they provide that support achieving results for these priorities. The activities identified by each agency became a key element for displaying and quantifying the budget priorities for the Governor’s cabinet agencies. The 2003-05 State Patrol activities include:⁶

- Aerial Highway Traffic Enforcement
- Agency Administration
- Collision Records
- Commercial Vehicle Safety Enforcement
- Crime Laboratory
- Criminal Records Management
- Executive Protection
- Fire Protection Services
- Highway Traffic Enforcement and Emergency Operations
- Implied Consent
- Investigative Assistance for Drug Enforcement
- Missing Children Recovery
- Specialized Outreach Fire Services
- Toxicology Laboratory
- Traffic and Auto Theft Investigation
- Vehicle Identification Number Inspection

JLARC analyzed the State Patrol’s budget information to identify how the “organizational” and “activity” views of the budget relate to the “program” view more commonly used by the Legislature. JLARC was specifically assessing the alignment between the State Patrol’s organizational structure and the program structure used for establishing legislative budgets.

BUDGETS IN BUREAUS SPAN ACROSS PROGRAMS

The State Patrol maintains records within their chart of accounts, identifying how costs classified by 68 unique organizational units relate back to specific legislatively-funded programs. Using this information, JLARC was able to cross reference the three programs with the six bureaus at the State Patrol (see Figure 7 on the next page). As seen on this figure, several of the bureaus have titles that are similar in wording to titles for the programs.

⁶ This activity list excludes one additional activity related to delivering capital construction programs.

Figure 7 – State Patrol 2003-05 Budget by Bureau and Program
(with 2004 Supplemental, non-appropriated accounts, unanticipated receipts)

	Field Program	Investigative Program	Technical Support Program	
Organizational Bureaus				
Field Operations Bureau	138,681,459	-	E 3,387,700	142,069,159
Fire Protection Bureau	A 246,660	16,237,674		16,484,334
Forensic Lab Services Bureau	B 2,782,100	26,920,671		29,702,771
Investigative Services Bureau	C 45,168,995	12,360,252	F 2,103,625	59,632,872
Technical Services Bureau		D 15,049,030	46,961,189	62,010,219
Management Services Bureau			44,722,676	44,722,676
	\$186,879,214	\$70,567,627	\$97,175,190	\$354,622,031
	TOTALS BY BUDGET PROGRAM			
	TOTALS BY BUREAU			

Source: JLARC analysis of State Patrol allotments.

This exercise revealed that the bureaus provide a more detailed perspective on services than the programs, and they reflect a structure that has kept pace with the evolving role and services of the State Patrol. The bureaus are organized around assigning resources to staff with appropriate functional and business expertise for the related service delivery.

In contrast, to maintain a consistent view of State Patrol costs over time, the programs have remained static. They reflect a funding perspective of costs, whereby the Field Operations Program is essentially Transportation-funded, the Investigative Services Program is essentially Operating-related, and the Support Services Program is split between Transportation and Operating Budgets. This funding-based view is different than the functional-based view of the bureaus.

BUDGETS LOGICALLY ALIGNED WITH PROGRAMS AND BUREAUS

As a result of these different purposes and confusingly similar titles, the JLARC analysis highlights certain costs that, on the surface, appear misaligned (see shaded items in Figure 7). But in fact, these different views demonstrate that the State Patrol is maintaining consistency with the program’s historical funding view of the “primary” budget (Transportation or Operating), while also assigning management responsibility to bureaus with appropriate functional service expertise.

JLARC concluded that the six items highlighted in Figure 7 are appropriately assigned to both the funding and functional objectives of the program and bureaus. The six items include:

- A. Hazardous Material Response Training: Provides training to troopers for highway safety purposes, but is managed by the staff in the fire protection bureau.

- B. Breath Test Equipment: Provides the equipment and related services for troopers to test impaired drivers on the highways, but due to the scientific nature of the equipment these items are procured, set up and maintained by staff from the forensics labs.
- C. Commercial Vehicle Enforcement & Criminal/Traffic Investigations: Provides vehicle safety testing and inspections, and provides investigations of traffic crimes. These services are related to the funding objective of transportation, but since they are investigative in nature they have been assigned to units that manage investigations instead of the Field Operations Bureau that manages front-line troopers.
- D. Criminal Records: Provides maintenance of the statewide criminal records database. This is primarily accessed for background and fingerprint checks for non-highway crimes, but the information technology focus of the service has lead the State Patrol to manage this from the Technical Services Bureau.
- E. Executive Protection: Provides protection for the safety of state officials and the capital campus. This function has been historically funded in the Technical Program, but protection is provided by commissioned officers with training requirements similar to the troopers managed in the Field Operations Bureau.
- F. Professional Standards & Records and Evidence: Provides the administrative processes for internal investigations and disciplinary hearings, and for managing records and evidence. Since these services are administrative in nature, it has been split – funded within the Technical Program, but services are managed by staff with expertise in investigative programs.

ACTIVITY VIEW PROVIDES VALUABLE INFORMATION BUT HAS LIMITATIONS

Of the three views of the budget, the “activity” view is focused on specific services and provides the most valuable descriptive information to external audiences. In addition to budget levels, the State Patrol has also identified some output and outcome measures that are related to the costs of activities. For example, the State Patrol has identified collisions caused by speeding drivers, and motorist assists by troopers, as performance measures related to the activity of *Highway Traffic Enforcement and Emergency Operations*.

JLARC reviewed the financial analysis method the State Patrol utilized for determining the activity budgets. The method represents a reasonable approach for aligning total budgets with the various activities. The process is less sophisticated than the cost allocation analysis conducted for this study, but utilizes some similar principles.

The “activity” view is primarily an executive initiative spawned by the Priorities of Government (POG) budget process. As such, it is not necessarily driven by underlying legislative definitions or requirements. However, since it has been provided to the legislative branch as part of the Governor’s budget request, JLARC identified some limitations with the

information. These limitations are underscored to caution consumers of the information, and to assist with improving the development of activity inventories in future biennia.

First, the State Patrol does not currently have the infrastructure to easily or accurately track actual expenses by activity. A desktop computer spreadsheet analysis is used to distribute a snapshot view of the budget in activity format. While the process could be used to retrospectively distribute costs at the close of a fiscal year, it is not something the State Patrol could easily monitor for the purpose of ongoing budget management.

Second, while the method used by the State Patrol appears materially accurate at the aggregate level, the funding source is inaccurate by activity. The information detailing activity levels by account (i.e., State Patrol Highway Account, State General Fund) is misaligned with the 18th Amendment, due to the simplified way indirect costs are treated in the State Patrol's costing method (see Figure 8 on the following page, which summarizes the activities by accounts associated with Transportation and Operating Budgets). Since the "activity" view does not represent actual costs in the general ledger system, this misalignment does not result in a lack of compliance with the 18th Amendment. But use of account detail in the activity information for decision making should be limited. The analysis in Appendix 3 offers methods that could possibly be applied to activities to improve the State Patrol's account detail in future activity inventories.

Finally, the performance measures associated with activities are limited. While they do provide useful information about certain outputs, it would be difficult to draw conclusions from them about the cause and effect relationship between State Patrol costs and desirable outcomes, such as the cost to decrease injury collisions or increase seat belt compliance. This challenge is not unique to the State Patrol, and information such as this can take significant time and effort to confirm, analyze, and track in a reliable manner.

The State Patrol has created some internal workload costing estimates it uses for budget planning and rate setting purposes, such as the cost for an individual criminal background check or the cost per transmission to use the communication system. These can help with predicting changes in costs to accomplish different output levels for portions of some activities, but they don't offer a complete picture of all activity costs.

Washington State Patrol Cost Allocation Study

Figure 8 – State Patrol 2003-05 Budget by Activity and Program

Activities (Priorities of Government)	Field Operations Program			Investigative Services Program			Support Services Program			Total by Activity		
	Transp	Non-Transp	Total	Transp	Non-Transp	Total	Transp	Non-Transp	Total	Transp	Non-Transp	Total
<i>Aerial Highway Traffic Enforcement</i>	3,214,930	320,000	3,534,930				470,778	172,797	643,576	3,685,708	492,797	4,178,506
<i>Agency Administration</i>	420,400		420,400		945,200	945,200	5,169,234	624,406	5,793,640	5,589,634	1,569,606	7,159,240
<i>Collision Records</i>							1,455,600		1,455,600	1,455,600		1,455,600
<i>Commercial Vehicle Safety Enforcement</i>	32,439,985		32,439,985				7,660,423	2,444,918	10,105,341	40,100,408	2,444,918	42,545,326
<i>Crime Laboratory</i>					22,152,471	22,152,471	2,738,767	843,460	3,582,227	2,738,767	22,995,931	25,734,698
<i>Criminal Records Management</i>					14,939,630	14,939,630	2,083,661	560,108	2,643,769	2,083,661	15,499,738	17,583,399
<i>Executive Protection</i>							1,141,187	3,955,442	5,096,629	1,141,187	3,955,442	5,096,629
<i>Fire Protection Services</i>					7,842,332	7,842,332	507,179	188,789	695,968	507,179	8,031,121	8,538,300
<i>Highway Traffic Enforcement and Emergency Operations</i>	134,711,129	389,000	135,100,129				45,536,947	11,733,899	57,270,846	180,248,076	12,122,899	192,370,975
<i>Implied Consent</i>	2,782,100		2,782,100				597,271	222,437	819,708	3,379,371	222,437	3,601,808
<i>Investigative Assistance for Drug Enforcement</i>					11,104,652	11,104,652	2,124,992	940,606	3,065,599	2,124,992	12,045,258	14,170,251
<i>Missing Children Recovery</i>					1,054,000	1,054,000	114,115	148,977	263,093	114,115	1,202,977	1,317,093
<i>Specialized Outreach Fire Services</i>	246,660		246,660		8,084,542	8,084,542	714,277	224,578	938,855	960,937	8,309,120	9,270,057
<i>Toxicology Laboratory</i>					4,444,800	4,444,800	414,196	111,178	525,374	414,196	4,555,978	4,970,174
<i>Traffic and Auto Theft Investigation</i>	9,580,910	649,200	10,230,110				2,691,119	1,027,132	3,718,252	12,272,029	1,676,332	13,948,362
<i>Vehicle Identification Number Inspection</i>	<u>2,124,900</u>		<u>2,124,900</u>				<u>451,536</u>	<u>105,178</u>	<u>556,714</u>	<u>2,576,436</u>	<u>105,178</u>	<u>2,681,614</u>
Total by Program	185,521,014	1,358,200	186,879,214		70,567,627	70,567,627	73,871,285	23,303,905	97,175,190	259,392,299	95,229,732	354,622,031

Source: JLARC analysis of State Patrol allotments.

CHAPTER FIVE – CONCLUSIONS AND RECOMMENDATIONS

OVERALL CONCLUSIONS

- Current cost allocation practices generally reflect the 18th Amendment, but some additional precision in methods should be pursued to further improve consistency with Constitutional intent.
- The majority of improvements to precision for distinguishing transportation costs from non-transportation costs can be implemented in short order, with fairly minimal effort.
- The impact of JLARC’s recommended cost allocation improvements will shift costs around within the State Patrol, but the net impact on distributing current costs between the Transportation and Operating Budgets is minimal.
- The allocation of some costs can be further improved in the future, but this will require the State Patrol to begin tracking additional details on certain internal management data. Specific data elements are identified in Appendix 3, and include items such as identifying codes in the timekeeping system to distinguish types of lab cases and clarifying the source and type of requests for criminal history information.
- To ensure cost allocation results are current, cost allocation factors need to be periodically refreshed. Changing factors more frequently than once a year is not recommended, however, since it will increase the administrative burden on the State Patrol and reduce predictability for the agency and the Legislature.
- The Patrol has reasonable procedures in place to implement current approaches to cost allocation and staff are knowledgeable in this area. Changes to current practices will require additional internal policies.
- There are linkages between programs and organizational structure at the State Patrol, though existing reports and titles used in the accounting system contribute to some confusion.
- There are also linkages between cost information and information on activities and outcomes, but these linkages are not as well developed as those between programs and organizational structure.
- Each additional view of budget information imposes challenges to the State Patrol’s ability to keep financial information consistent with budgeting, accounting and management practices. Existing financial management tools used by the State Patrol provide limited assistance.

RECOMMENDATIONS

Recommendation 1

The Washington State Patrol, Office of Financial Management, and the Legislature should update the allocation methods used for budgeting and accounting at the State Patrol, using the approaches outlined in this report.

Legislation Required:	None
Fiscal Impact:	There is a zero net fiscal impact for this recommendation. JLARC estimates a biennial increase of approximately \$400,000 to accounts in the Transportation Budget and a biennial decrease of \$400,000 to accounts in the Operating Budget. Estimates for budget proposals in future biennia may vary.
Completion Date:	June 2005
Benefits:	Improves consistency with the 18 th Amendment of the Washington State Constitution. Improves information for budget analysis and decision-making. Provides additional costing tools for internal financial management at the State Patrol.

Recommendation 2

The Washington State Patrol should refresh cost allocation statistics annually.

Legislation Required:	None
Fiscal Impact:	JLARC assumes this can be accomplished within existing resources.
Completion Date:	Ongoing
Benefits:	Maintains consistency with the 18 th Amendment of the Washington State Constitution. Ensures alignment of budgeting assumptions with accounting practices.

Recommendation 3

The Washington State Patrol should modify certain management data tracking elements to further improve future cost allocation precision.

- This recommendation would use the long-term methods indicated by Merina and Company in Appendix 3. This data, when available, will improve cost allocation for Crime Lab, Toxicology Lab, Identification and Criminal History, Collision Records, Evidence and Records, Information Technology and Electronic Services cost centers. New data tracking should clearly distinguish between transportation and non-transportation.

Legislation Required:	None
Fiscal Impact:	JLARC assumes this can be accomplished within existing resources.

Completion Date: June 2005 (new elements into place for tracking FY06)
Benefits: Improves consistency with the 18th Amendment of the Washington State Constitution. Improves information for budget analysis and decision-making. Provides additional costing tools for internal financial management at the State Patrol.

Recommendation 4

Staff from the Legislature, Office of Financial Management, and Washington State Patrol should collaborate on developing a common definition for “transportation-related” services to ensure all three groups treat ongoing and future costs consistently.

Legislation Required: None
Fiscal Impact: JLARC assumes this can be accomplished within existing resources.
Completion Date: June 2005
Benefits: Ensures consistent interpretation of the 18th Amendment across executive and legislative branches.

Recommendation 5

The State Patrol should develop formal policies and procedures for implementing new cost allocation practices.

- These policies and procedures should address maintenance of the cost allocation model developed by Merina and Company, a change control process for updates to allocation factors and assumptions, and a communication process for informing legislative staff about any proposed changes to practices.

Legislation Required: None
Fiscal Impact: JLARC assumes this can be accomplished within existing resources.
Completion Date: June 2005
Benefits: Ensures appropriate controls are in place to maintain consistency with the State Patrol practices, the 18th Amendment, and legislative budget assumptions.

AGENCY RESPONSES

We have shared the report with the Washington State Patrol (WSP) and the Office of Financial Management (OFM) and provided them an opportunity to submit written comments. Their written responses are included as Appendix 2.

ACKNOWLEDGEMENTS

We would like to thank the Bob Maki, Jim Anderson, and Angie Peterson at the Washington State Patrol for the helpful assistance they provided throughout this study. We would also like to thank the many other staff who provided information to our consultants about State Patrol services. Their efforts provided important insights on a number of issues. Further, we appreciate the advice and guidance provided by several legislative staff, including Chelsea Buchanan, Bernard Dean, Jerry Long, and Janice Baumgardt.

Finally, JLARC is appreciative of the work done by Merina and Company in support of our study. This study was conducted by Keenan Konopaski of the JLARC staff, with Cindi Yates serving as project supervisor.

Ruta Fanning
Legislative Auditor

On September 26, 2005, this report was approved for distribution by the Joint Transportation Committee.

Senator Mary Margaret Haugen
Chair

APPENDIX 1 – SCOPE AND OBJECTIVES

Targeted Performance Audit of the Washington State Patrol: Cost Allocation Study

Conducted for and Funded
By The Legislative
Transportation Committee

SCOPE AND OBJECTIVES

JULY 9, 2004



STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM

Keenan Konopaski

LEGISLATIVE AUDITOR

CINDI YATES

Joint Legislative Audit & Review
Committee
506 16th Avenue SE
Olympia, WA 98501-2323
(360) 786-5171
(360) 786-5180 Fax

Website:

<http://jlarc.leg.wa.gov>

e-mail: neff.barbara@leg.wa.gov

MANDATE

The 2003-05 Biennial Transportation Budget authorizes the LTC to contract with JLARC to conduct a targeted performance audit of the Washington State Patrol (WSP). The focus of the targeted audit is the Patrol's organizational and financial structures: do these structures provide for appropriate distinctions between transportation and non-transportation duties and expenditures?

BACKGROUND

WSP receives funding from all three of the state's budgets: Operating, Transportation, and Capital. Appropriations to the Patrol for the 2003-05 Biennium include: \$90 million from the Operating Budget, \$255 million from the Transportation Budget, and \$22 million from the Capital Budget. Of the Patrol's FTEs, most — 1,794 — are funded through the Transportation Budget, with an additional 525 funded through the Operating Budget.

WSP provides public safety services across Washington State. This includes troopers patrolling highways, forensic scientists working in the crime lab, and special drug enforcement forces. The basic distinction between whether those services are to be funded through the Transportation Budget or through the Operating Budget is reflected in the difference between the highway trooper and the drug task force: while patrolling the highways the trooper is considered to be conducting transportation-related policing services, with the task force member conducting general policing services. With some functions, however, the distinction in duties is not as clear.

STUDY SCOPE

This targeted performance audit will focus on the distinction between transportation/highway policing and general policing. The Patrol's organizational structure will be analyzed, as will its financial and accounting systems, to determine the Patrol's ability to appropriately manage to and account for this distinction.

STUDY OBJECTIVES

As directed in the 2003-05 Transportation Budget proviso, the study will focus on the following areas:

- (1) An assessment of the types and categories of services, including a contrast of public highway policing and general policing services provided by WSP.
- (2) The organizational structures used to deliver the Patrol's services.
- (3) An evaluation of the Patrol's fiscal policies and procedures, with a focus on the differentiation between transportation and general fund expenditures.
- (4) An evaluation of the linkages among expenditures, organizational structures, service delivery, accountability, and outcomes.

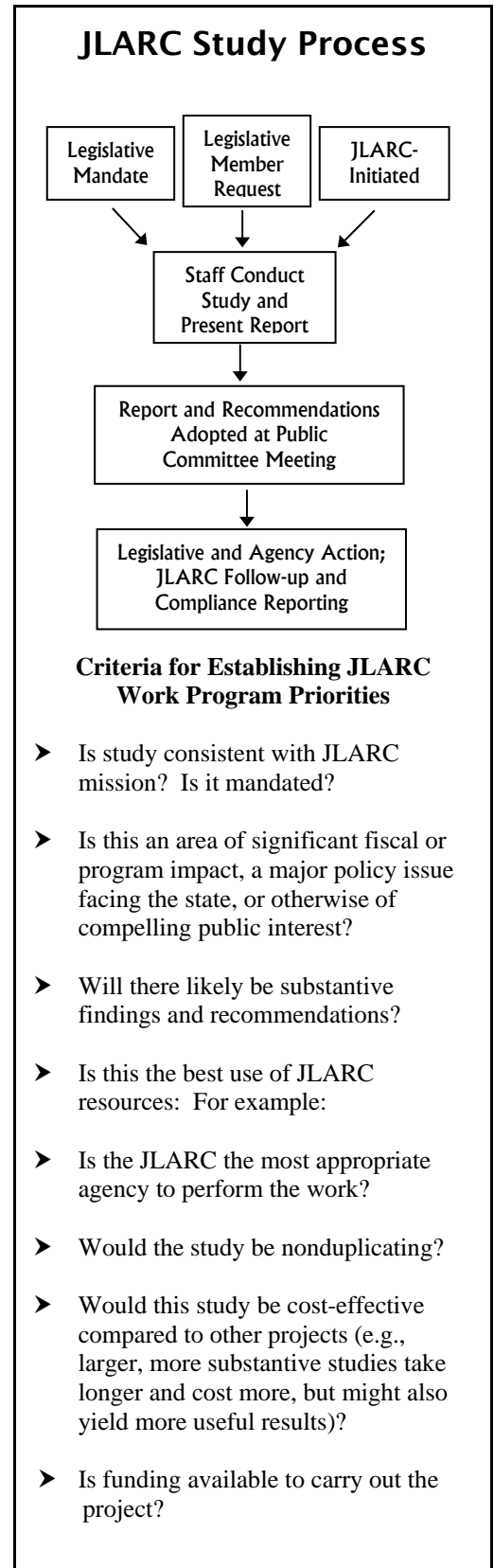
It is anticipated that JLARC will work with both the State Auditor in analyzing the Patrol's financial and accounting structure as well as outside consultants to determine if organizational structure and practice leads to an accurate differentiation between transportation and general policing duties.

Timeframe for the Study

Preliminary report due in February 2005, with a final in March 2005.

JLARC Staff Contact for the Study

Keenan Konopaski Phone: (360) 786-5187
 Email: konopaski.keenan@leg.wa.gov



APPENDIX 2 – AGENCY RESPONSES

- Washington State Patrol
- Office of Financial Management



STATE OF WASHINGTON
WASHINGTON STATE PATROL

General Administration Building, PO Box 42600 • Olympia, WA 98504-2600 • (360) 753-6540

March 23, 2005

RECEIVED

MAR 24 2005

JLARC

Ms. Cindi Yates
 Legislative Auditor
 Joint Legislative and Audit Review Committee
 506 16th Avenue SE
 Olympia WA 98501-2323

Dear Ms. Yates:

Thank you for providing a copy of the Joint Legislative Audit and Review Committee's (JLARC) preliminary report on the *Targeted Performance Audit of the Washington State Patrol: Cost Allocation Study*. We appreciate the valuable information this study provides in helping determine which portion of the Washington State Patrol's costs should be borne by the Transportation and Omnibus Budgets.

Following is the agency's formal response to each of the five recommendations from the report:

RECOMMENDATION	AGENCY POSITION	COMMENTS
<u>Recommendation 1</u> The State Patrol, Office of Financial Management (OFM), and the Legislature should update allocation methods used for budgeting and accounting, using approaches outlined in the JLARC study.	Concur	The State Patrol assumes that any realignment of budgeted funding sources would not occur until the 2005-07 biennium and would not result in a net change of appropriation authority.
<u>Recommendation 2</u> The Washington State Patrol should refresh cost allocation statistics annually.	Concur	The State Patrol has not yet had the opportunity to work with the cost allocation model that was to be developed as part of this study. The model, which will simulate the impacts of different cost allocation options or scenarios, is supposed to be easy to manipulate and maintain.

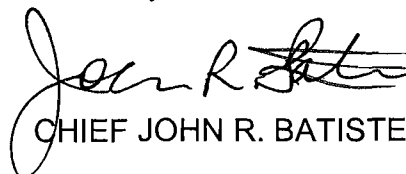


<u>Recommendation 3</u> The Washington State Patrol should modify certain management data tracking elements to further improve future cost allocation precision.	Partially Concur	There may be some data tracking elements recommended in the Merina report that would not be appropriate, cost effective, or efficient to obtain. The agency will work with OFM and Legislative staff to agree on which allocation bases will be used.
<u>Recommendation 4</u> Staff from the Legislature, OFM, and Washington State Patrol should collaborate on developing a common definition for "transportation-related" services to ensure all three groups treat ongoing and future costs consistently.	Concur	Given the workload associated with legislative session and adopting a biennial budget, the June 2005 date identified for completing this recommendation may not be possible.
<u>Recommendation 5</u> The State Patrol should develop formal policies and procedures for implementing new cost allocation practices.	Concur	The agency will share these policies with OFM and Legislative staff after they are developed.

Currently, Transportation funding is appropriated to the State Patrol in two separate programs. If Transportation funding were appropriated into one program (combined) at the agency level, it would make implementing the proposed annual adjustments between funds much simpler.

We appreciate the quality analysis and work done by your staff and the consulting firm in developing this study. If you have comments or questions about this response, please contact Ms. Diane Perry at (360) 753-5141 or diane.perry@wsp.wa.gov.

Sincerely,



CHIEF JOHN R. BATISTE

JRB:jn

cc: Mr. Garry Austin, Office of Financial Management
Mr. Nate Naismith, Legislative Transportation Committee
Mr. Robert L. Maki, Budget and Fiscal Services



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

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MAR 28 2005
JLARC

March 23, 2005

TO: Cindi Yates, Legislative Auditor
Joint Legislative Audit and Review Committee

FROM: Victor Moore
Director

**SUBJECT: WASHINGTON STATE PATROL COST ALLOCATION STUDY-
PRELIMINARY REPORT**

Thank you for the opportunity to review the Joint Legislative Audit and Review Committee's preliminary report of the *Targeted Performance Audit of the Washington State Patrol: Cost Allocation Study*.

The Office of Financial Management concurs with the five specific recommendations presented in this report.

We look forward to working with the Patrol and Legislative staff to implement these findings.



APPENDIX 3 – MERINA AND COMPANY REPORT

Targeted Performance Audit of the



Cost Allocation Study

February 2005

Performed by:

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

5499 AMY STREET • WEST LINN, OR 97068
PHONE: (503) 723-0300 • FAX: (503) 723-9946 • WWW.MERINACPAS.COM

February 23, 2005

Cyndi Yates
Legislative Auditor
Joint Legislative Audit
And Review Committee
506 16th Avenue SE
Olympia WA 98501-2323

Transmittal Letter

Dear Ms. Yates:

This report contains the results of our Targeted Performance Audit of cost allocation at the Washington State Patrol. Our audit was performed under contract with the Joint Legislative Audit Committee.

The primary objective of the audit was to assess the State Patrol's organizational and financial structures and systems for distinguishing between highway-transportation policing expenditures and general policing expenditures. The distinction is critical in assessing the State Patrol's compliance with the 18th Amendment of the Washington State Constitution which prescribes uses for Transportation funds.

The State Patrol provides an example for other organizations to follow in terms of its management leadership, its focus on top performance at all levels, and its commitment to be accountable to external and internal stakeholders. We found the State Patrol was operating in compliance with Legislative directives concerning the expenditure of Transportation Budget funds. However, the effect of its adherence to Legislative directives, and its use of long standing budgeting assumptions, has resulted in a marginal degree of inconsistency with 18th Amendment requirements.

Based on cost accounting principles, our analysis indicates that a small net portion of State Patrol expenditures – under one percent - could have been paid for from the Transportation Budget but was paid for from the Operating Budget. We estimate that the net effect of making the changes recommended in this report would have, for the 2003–2005 Biennium, resulted in approximately \$400,000 more being paid from the Transportation Budget, and a similar decrease in the total paid from other funding sources.

To attain a greater measure of compliance with 18th Amendment requirements for all State Patrol cost centers, the audit recommends minor changes in cost accounting practices and recordkeeping. The State Patrol could accomplish the changes with existing resources.

We appreciate the cooperation and assistance provided by the Washington State Patrol.

Sincerely,

John Merina, CPA
Managing Partner

Merina & Company, LLP
Certified Public Accountants and Consultants

EXECUTIVE SUMMARY

Executive Summary

The primary objective of the audit was to assess the State Patrol's organizational and financial structures and systems for distinguishing between highway-transportation policing expenditures and general policing expenditures. The distinction is critical in assessing the State Patrol's compliance with the 18th Amendment of the Washington State Constitution which prescribes uses for Transportation Budget funds.

Objectives

1. Analyze the procedures and assumptions used by the Washington State Patrol to budget and account for these costs. Compare these procedures and assumptions with those used in the development of the Governor's proposed and the legislatively enacted budgets.
2. Identify and describe the cost allocation approaches and systems used for similar services and activities at a benchmark sample of up to five states or other public entities. Assess these approaches and systems for applicability to the Washington State Patrol.
3. Develop key criteria for assessing the existing cost allocation methods and potential alternatives, including criteria for compliance with the 18th Amendment of the Washington State Constitution.
4. Identify potential alternative cost and fund allocation bases, methodologies, and options for allocating costs among Washington State Patrol services and activities.
5. Provide an evaluation of the current and alternative allocation bases/ methodologies using the key criteria developed.
6. Estimate changes in the allocation of costs across different funds which would result from applying alternative allocation bases/methodologies compared to current methods used by the Washington State Patrol.
7. Provide a spreadsheet or database model for simulating the impacts of different cost allocation options or scenarios. The model should be developed in Microsoft Excel or Microsoft Access, with the objective of being easy for legislative and agency staff to manipulate and maintain.
8. Develop options for improving the efficiency and effectiveness of the Washington State Patrol's cost allocation practices and reporting methods.

EXECUTIVE SUMMARY

Summary of Results

The State Patrol provides a broad array of services to the public. The primary services provided include: highway-related policing, general policing, forensics, and crime investigation services, enhancement of highway safety and operations, emergency communications, criminal records, and fire protection. The organizational structure of the State Patrol itself accurately reflects operational responsibilities, and the budgeting and financial control structure provides for a differentiation of work activities for accounting and budgeting purposes.

The State Patrol's current approach to cost allocation is based on a combination of Legislative directives, historical data, prior-period assumptions and trends, provisions of grants and contracts, and long-established fund allocation practices. We found the State Patrol was operating in compliance with Legislative directives concerning the expenditure of State Patrol Highway Account funds. However, the effect of its adherence to the Legislative directives, and its current procedures has resulted in a marginal degree of non-compliance with 18th Amendment requirements.

A small net portion of State Patrol expenditures - under one percent - that could have been paid for from the Transportation Budget was paid for from the Operating Budget. We estimate that the net effect of the changes recommended in this report would have, for the 2003–2005 Biennium, resulted in approximately \$400,000 more being paid from the Transportation Budget, and a similar decrease in the total paid from all other funding sources.

Figure 1
State Patrol Cost Allocation Results
Estimated Funding Adjustments, 2003-2005 Biennium

Funding Sources for State Patrol Cost Centers	Actual 2003-2005 Budget \$	Percent of Actual Budget %	Reallocated Estimate \$	Difference Actual and Reallocated \$	Reallocated Percent of Budget %	Percentage Change %
Transportation Budget	\$ 259,392,299	73.1%	\$ 259,784,371	\$ 392,072	73.3%	0.1%
Operating Budget (General Fund and Other)	\$ 95,229,732	26.9%	\$ 94,837,660	\$ (392,072)	26.7%	-0.1%
Totals	\$ 354,622,031	100%	\$ 354,622,031	XXX	100%	XXXX

The budgeted amounts shown above in Figure 1, and also in Figure 4 on pages 13 - 15 of this report, tie to allotments approved by OFM and include direct appropriations, special allocations for compensating adjustments, unappropriated accounts and unanticipated receipts.

EXECUTIVE SUMMARY

Our analysis was based on existing data sources, which we recognize were produced earlier for state and organizational purposes other than this cost allocation review. The State Patrol readily responded to our requests for data. Most of the data was reliable and appropriate for cost allocation. We found that for some cost centers, improved activity data was needed to allow for a more precise allocation.

Recommendations

1. The Legislature, OFM, and the State Patrol should allocate costs using the package of cost allocation bases presented in this report. This process would begin with using the allocation percentages from this report for the development of the 2005-2007 Legislative Budget. Consistent allocation methods should be used by OFM and the State Patrol for allocating actual costs after budget enactment.
2. The State Patrol should collect necessary management data for the recommended allocation bases in order to update cost allocation percentages for use in each subsequent budgeting cycle. We recommend that the State Patrol re-base the allocation percentages in the Maintenance Level for each Biennial Budget, and also submit a decision package to update the allocation percentages for the second fiscal year in subsequent Supplemental Budgets.
3. The Legislature, in consultation with the State Patrol and Office of Financial Management, should document a clear definition of “highway-related” services and of “policing” services that can be used for on-going cost allocation analyses and processes.
4. For identified cost centers, to allow for a more precise determination of the amount of work that is eligible for Transportation Budget funding, the State Patrol should provide that source-code detail is attached to work activity data. The source-coding should enable the State Patrol to trace individual work requests, transactions, dispatch actions, and transmissions to the originating State Patrol cost center or other entity. The identified cost centers are: Identification and Criminal History, Collision Records, Evidence and Records, Information Services Division, Electronic Services Division, and Communications Division.
5. For identified cost centers, the State Patrol should consider establishing additional TAS activity codes to provide time detail for more precisely determining the amount of work that is eligible for Transportation Budget funding. These cost centers include the Crime Laboratory, Toxicology Laboratory, and twin-engine aircraft in the Aviation cost center.
6. The State Patrol should assign the following duties to existing financial staff positions(s), in order to sustain the on-going implementation of cost allocation consistent with the analysis in this report:
 - a. Maintain the cost allocation model included with this report as a baseline, and review proposed updates and/or modifications with Legislative and OFM staff.

EXECUTIVE SUMMARY

- b. Gather and develop data sources necessary for conducting cost allocation practices that reflect the criteria identified earlier in this report.
- c. Assess any future improvements to allocation bases by evaluating them against the criteria used in this report.
- d. Continue to use a straightforward procedure for allocating costs to different funds that provides accurate results at the cost center level. Follow an approach that does not require sophisticated programming to work, that uses existing data sources to best advantage, and can be quickly learned and understood by users.
- e. Review the accounting procedures and automated systems utilized for allocating costs at other state agencies in Washington, to determine whether existing administrative and technology solutions can assist the State Patrol with the mechanics of allocating actual costs.
- f. Develop written policies and procedures that can be used to document the State Patrol's implementation of accounting and budgeting for cost allocation, and to document its ongoing cost-recovery studies. This would include establishing a change control process for updating allocation percentages, changing allocation bases for a given cost center, and modifying bases to reflect changes to State Patrol services and organizational structure.

Noteworthy Accomplishments

As an organization, the Washington State Patrol is well-managed and operating a high level of accountability. Its leading-edge approach to organizational management has at its core a commitment to high service levels, efficiency, and openness. The agency has an active process for improving its measurement of resource inputs and service outputs, and reporting the results to internal and external stakeholders.

Throughout the audit process we found the WSP to be a forward looking agency whose management and staff members put in considerable effort to assist us in answering the audit questions. Management was already aware of and working toward resolving most of the recommended areas for improvement.

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CHAPTER 1 – Background, Objectives and Scope, and Methodology

Chapter 1

Background

The Washington State Patrol provides a range of public safety services across the state. Its primary services involve troopers patrolling highways in vehicles and aircraft, forensic scientists working in crime laboratories, technicians and dispatchers operating the statewide emergency communication system, officers enforcing truck weight and safety requirements, detectives performing crime scene investigations, researchers conducting background and fingerprint checks, and fire protective services training.

The State Patrol receives funding from all three of the state's budgets: Operating, Transportation, and Capital. Appropriations to the Patrol for the 2003-2005 Biennium include approximately: \$90 million from the Operating Budget, \$255 million from the Transportation Budget, and \$22 million from the Capital Budget.⁷

Under the 18th Amendment, Transportation funds are to be used exclusively for "...policing by the state of public highways..." and "operations of ferries which are a part of any public highways, county road, or city street..." Over time, these responsibilities have been considered *highway-related*. The term '*highway-related*' has apparently never been defined more specifically than the language in the 18th Amendment and, as a result, has been variously interpreted. The consequence is an imprecise boundary separating allowable from unallowable Transportation Budget expenditures.

The State Patrol and other state agencies that are funded through the Transportation Budget and the other sources are required to account for their expenditures by each specific fund, whether allowable or not allowable under the 18th Amendment, and allocate costs to funds accordingly. The State Patrol must also expense funds for the purposes specified by Legislative appropriations, including specific amounts itemized by fund and program.

The general language of the 18th Amendment presents a practical difficulty for the State Patrol in demonstrating full compliance with both legislative appropriations and the intent of the Amendment. The problem is compounded when identifying fund sources for indirect, overhead, and other central service costs.

The State Patrol's structure for budgeting and fiscal control includes well-defined cost centers that clearly reflect the different areas of responsibility assigned to the agency. Figure 2 on page 2 shows the agency's budget structure with cost centers and budgeted FTE for the 2003-2005 Biennium. The FTE figures in this report are taken from state AFRS 2003-2005 budget reports, as of June 23, 2004.

⁷ These budgeted amounts exclude unanticipated receipts, unappropriated accounts, and allocations from the OFM for compensation adjustments.

CHAPTER 1 – Background, Objectives and Scope, and Methodology

Figure 2
Budget Structure Showing Cost Centers and FTE

Washington State Patrol Budget Structure - 2003-2005 Biennium									
Field Operations 1413.4 FTE			Investigative Services 365.65 FTE				Technical Services 531.42 FTE		
Field Operations Group 1,053.8 FTE	Commercial Vehicle Division 274.6 FTE	Criminal Investigation Division 85 FTE	Forensic Laboratory Division 140 FTE	Investigative Assistance Division 83 FTE	Criminal Records Division 93.4 FTE	Fire Protection Bureau 49.25 FTE	Administration Division 59.3 FTE	Admin. Services, Collision Records, Executive Protection, Special Services, Contracts	
Field Force	Commercial Vehicle Enforcement	Criminal Traffic Investigations, Auto Theft, & Other Invest.	Crime Laboratory	Narcotics, Organized Crime, Computer Crimes, etc.	ACCESS & WACIC Telecom. Services	Administration	Information Technology Division 103 FTE	Information Services, Computers, Electronic Services, Special Projects	
Contracts: Field Force, DOT, Traffic Safety	Motor Carrier Assistance Program Grants	Special Projects	Toxicology Laboratory	Meth Response Team	Records: Fingerprints, Identification, Criminal History	Fire Mobilization Programs	Property Management Division 80 FTE	Fleet Services, Supply, Vehicles, Property Management	
Aviation, Beech Jet, King Air	Hazardous Materials Contracts	Special Investigations	Laboratory Grants	High Intensity Drug Traffic Areas	Disposition Backlog Project	Sprinkler Plan Review	Communication Division 171.58 FTE	Statewide Emergency & Law Enforcement Communications	
Breath Test Services (Implied Consent)	Vehicle Ident. Number & Tow Truck Inspections			Narcotics Grant, Other Grants & Task Forces	Criminal History Records Projects	Training Academy	Office of the Chief Group 71.5 FTE	Budget & Fiscal, Office of Chief, Prof. Standards/Audit, Public Disclosure, Revolving Accounts	
Drug Recognition Expert Program				Missing Children		Grants & Contracts	Training & Development Division 46.04 FTE	Training Division, CJTC Instructor, Human Resources Division	
Disability Benefits				Homeland Security Grants		Fire Fighter 1 Program			
Equipment Replacement									

CHAPTER 1 – Background, Objectives and Scope, and Methodology

Objectives and Scope

Our audit was focused on the Washington State Patrol's organizational and budgeting structure and operations during the 2003–2005 Biennium. Our cost analysis was based on time, activity, staffing, and operational data from the state fiscal year ending June 30, 2004, the most current complete annual period.

The audit objectives were as follows:

1. Analyze the procedures and assumptions used by the Washington State Patrol to budget and account for its costs. Compare these procedures and assumptions with those used in the development of the Governor's proposed and the legislatively enacted budgets.
2. Identify and describe the cost allocation approaches and systems used for similar services and activities at a benchmark sample of up to five states or other public entities. Assess these approaches and systems for applicability to the Washington State Patrol.
3. Develop key criteria for assessing the existing cost allocation methods and potential alternatives, including criteria for compliance with the 18th Amendment of the Washington State Constitution.
4. Identify potential alternative cost and fund allocation bases, methodologies, and options for allocating costs among Washington State Patrol services and activities.
5. Provide an evaluation of the current and alternative allocation bases/methodologies using the key criteria developed.
6. Estimate changes in the allocation of costs across different funds which would result from applying alternative allocation bases/methodologies compared to current methods used by the Washington State Patrol.
7. Provide a spreadsheet or database model for simulating the impacts of different cost allocation options or scenarios. The model should be developed in Microsoft Excel or Microsoft Access, with the objective of being easy for legislative and agency staff to manipulate and maintain.
8. Develop options for improving the efficiency and effectiveness of the Washington State Patrol's cost allocation practices and reporting methods.

CHAPTER 1 – Background, Objectives and Scope, and Methodology

Methodology

The methodology used to achieve the audit objectives included:

1. Evaluating the State Patrol's existing organizational and accounting structures, including:
 - a. Manual and automated financial, timekeeping, budgeting and other management information systems.
 - b. Existing fund allotment and cost allocation practices
 - c. Internal cost accounting and cost-recovery methodologies and reports.
 - d. Existing practices, policies, methods, and data used by the State Patrol for identifying, allocating, and reporting the source of funds.
2. Compiling and analyzing State Patrol time, activity, expenditure, caseload, and staffing data to test the availability and usefulness of these existing sources for cost allocation purposes.
3. Conducting a survey of patrol and police agencies in other states and large metropolitan areas to identify any with exemplary cost allocation approaches and systems that might provide guidance to the State Patrol in developing its cost allocation approach.
4. Researching state statutes and professional literature to identify key criteria for assessing the existing cost allocation methods including criteria for compliance with the 18th Amendment of the Washington Constitution. Also through this process we identified potential alternative cost and fund allocation bases and methodologies.
5. Conducting interviews with State Patrol managers in selected cost centers, including on-site interviews at offices located in Bellevue, Tumwater, Vancouver, and Yakima. The interviews covered timekeeping practices, information systems for tracking work performed, and expenditure controls for their areas of responsibility.
6. Constructing a spreadsheet model for simulating the impacts of different cost allocation options and scenarios. The model was developed in Microsoft Excel with the objective of providing a straightforward tool for use by Legislative and agency staff members. We populated the model with State Patrol time, activity, staffing, and expenditure data, we found to be available and usable for modeling purposes.
7. Estimating changes in the allocation of funds across different State Patrol cost centers that would result from applying alternative allocation bases and methodologies compared to current methods used by the State Patrol.

CHAPTER 2 – Audit Results

Chapter 2

Cost Allocation -- Key Concepts

Cost allocation is a method of distributing costs to the divisions, programs, activities, projects, or funding sources of an organization in proportions reasonably consistent with the level of service provided and the nature and extent of benefits provided.

Cost allocation bases are numerical factors used to allocate costs to the appropriate division, programs, activities, projects, or funding sources of an organization. An allocation base should fairly represent the amount of benefit received. For example, the number of FTEs in each cost center may be a usable base for allocating central payroll costs. In another example, the amount building square footage occupied by each cost center may be useful for allocating central property management costs.

A cost center is an organizational unit, such as a program, activity, project, or other division, that is accountable for the costs associated with performing its assigned duties. State Patrol management treats each of the organizational units in Figure 2 on page 2 as a cost center.

When performed with suitable allocation bases and reliable data, cost allocation ties different types of cost center activities to their proper funding sources in proportion to the resources used. For this report, we evaluated the suitability of various bases by identifying how well the basis met the following requirements:

Cause and Effect Relationship

The basis showed a cause-effect relationship clearly that explained costs and differences in costs.

Benefits Received

The basis clearly associated costs with the benefits received from different funding sources.

Readily Understandable

The basis incorporated data that was clear and could likely be readily understood by a variety of audiences.

Data Availability and Accuracy

The basis incorporated valid data that was readily available, without extensive data gathering and analysis, to internal and external stakeholders.

CHAPTER 2 – Audit Results

Benefits of Cost Allocation

Cost allocation is an ongoing process that can yield many benefits to the organization. The primary benefit, as it relates to this report, is identifying appropriate funding sources for State Patrol services, thus assuring compliance with 18th Amendment provisions. However, an active cost allocation function can help the State Patrol in attaining other management and internal control objectives, such as:

1. Increased assurance that costs are properly recognized and accounted for.
2. Increased assurance that organizational, budget, and accounting structures are aligned.
3. Increased assurance that funds are spent according to the various fiscal statutes and rules impacting the agency.
4. Enhanced credibility with stakeholders by providing assurance that costs are properly associated with the provided services and products.
5. Improved accuracy in setting user fees, thus recovering costs that do not need to be funded through the State Patrol's budget.
6. A magnified focus on agency operations that can reveal unexpected patterns and opportunities for improvement.

Methods for Assessing the Nature of Costs

The 18th Amendment provides that Transportation Budget funds may be used only for highway-related purposes, including highway policing work serving traffic law enforcement, highway safety, and highway operations objectives. The language of the amendment is general and no additional formal clarification of specific allowable and unallowable State Patrol services have been adopted for guidance. Also, the State Patrol is a diverse agency with many interlocking services, some of which are exclusively devoted to highways and transportation, and some of which have an indirect relationship or none at all. To narrow down our review of State Patrol cost centers for compliance with 18th Amendment requirements, we used a multi-step process.

First, we classified the services provided by each of the agency's cost centers according to the primary category of service ("policing" or "*other than* policing"), and then according to the primary service objective ("highway safety and operation" or "*other than* highway safety and operation"). The resulting construct, which we used as an evaluation tool, is shown in Figure 3 on page 7. Under the construct, every State Patrol cost center belongs to at least one of the four quadrants. For example:

1. The Field Force (troopers in patrol vehicles and aircraft) includes costs classified in quadrant 1, since the work involves policing services that are directly related to highway safety and operation. It also includes costs related to quadrant 3 as troopers spend a small portion of their time on general policing duties that are not specifically highway related.
2. The Investigative Assistance Division's costs are classified in quadrant 3, as its

CHAPTER 2 – Audit Results

troopers and detectives perform general policing work not directly related to highways, such as investigation of person-to-person crimes, enforcement of narcotics laws, and locating missing children.

3. Central and indirect services, such as human resources and the Office of the Chief, are classified in quadrant 4a, since the work benefits all State Patrol cost centers, and the service objectives do not center only on highway safety and operation.
4. Fire Protection Bureau cost centers are classified in quadrant 4b, since the specialized work is not a policing service, and the agency's safety-related objectives are focused more broadly than highway safety.

**Figure 3
State Patrol Services
Matrix for Classifying Cost Centers**

		Category of Service	
		Policing Services	Other Than Policing Services
Primary Service Objective	Highway Safety and Operation	1	2
	Other Than Highway Safety and Operation	3	4a - Indirect, Overhead 4b - Other Services

Second, we sought to clarify which cost centers were wholly associated with one funding source or should have a mixed funding source. To do this, we classified cost centers using the quadrant analysis above into cost centers whose related services met the following:

- A. Benefiting only transportation objectives,
- B. Benefiting only non-transportation objectives,
- C. Directly benefiting transportation and non-transportation objectives,
- D. Indirectly benefiting transportation and non-transportation objectives, or
- E. Having costs fully reimbursable from external entities.

For example, a cost center whose only quadrant was 1 would be classified as A (benefiting only transportation objectives), whereas a cost center that was related to both quadrants 1 and 3 could be classified as C (directly benefiting both transportation and non-transportation objectives).

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Cost centers for which cost allocation is necessary were determined to be those in categories C and D. For example:

1. Cost centers belonging to category C include: Field Force, Aviation, Commercial Vehicle Enforcement, Criminal Traffic Investigations, Crime Laboratory, Communications, Pursuit Vehicles, and others.
2. Cost centers belonging to category D include: Supply, Property Management, Office of the Chief, Budget and Fiscal Services, Human Resources, and others.

The resulting classifications for each State Patrol cost center are shown in Appendix II.

Cost Centers Selected for Cost Allocation Study

Based on the results of the multi-step classification method described above, and based on our review of State Patrol time and activity data, we determined that 31 of the agency's cost centers perform services that support both transportation and non-transportation objectives, and thus required further evaluation to identify the most suitable allocation bases. We identified alternative bases for allocating costs for each of the following cost centers.

- Field Force
- Aviation
- Aircraft - Beech Jet
- Aircraft - King Air
- Disability Benefits
- Commercial Vehicle Enforcement
- Vehicle Identification Number (VIN), & Tow Truck Inspections
- Criminal Investigation Division (CID)
- Crime Laboratory
- Toxicology Laboratory
- ACCESS and WACIC Services
- Identification and Criminal History
- Administrative Services
- Collision Records
- Information Services Division
- Standardized Technology
- Electronic Services
- Fleet Services
- Supply
- Pursuit Vehicles
- CVD/CID Vehicles
- Mission Vehicles
- Property Management Division
- Communications Division
- Office of the Chief
- Office of Professional Standards
- Evidence and Records
- Budget and Fiscal Services
- Revolving Accounts
- Training Division
- Human Resources Division

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The State Patrol allocates budget resources based on the general objectives and roles of the agency's cost centers, statutory directives, historical precedent, provisions of contracts and grants, and long-established Legislative priorities and assumptions communicated through the State's budget process.

For the most part, we found that allocation methods for cost centers with services involving both transportation and non-transportation functions were based on long-standing assumptions that were not well-documented or grounded in cost accounting principles. Nonetheless, these assumptions were used consistently by both the Legislative and executive staff. Although the allocation practices used were consistent with Legislative intent expressed through the budget process, the assumptions merit re-examination for consistency with the 18th Amendment.

Our audit found that, for several cost centers, improvement could be made in the allocation of Transportation Budget funds in compliance with the 18th Amendment. These improvements would result from a reexamination of certain long-established budget priorities and assumptions, and the use of numerical cost allocation bases drawn from State Patrol time, activity, and operating data.

The audit recommends alternative allocation bases that, if used, would result in a shift of funds from the Operating Budget to the Transportation Budget. However, the overall impact on the State Patrol budget is not substantial, resulting in a net change of less than 1 percent of total funds. Although State Patrol data sources for cost allocation can be improved and alternative bases could be applied, our recommended approach produced allocation results that are very similar to current practice.

Overall, we found that the State Patrol could, with relatively minor changes, refine its cost allocation system by initiating changes in the way existing data is compiled and used. For some cost centers the changes will require adding source codes to activity data, and for others it will require the use of additional time and work activity reporting codes.

Organizational Structure for Cost Allocation

The State Patrol provides a broad array of direct services to the public that encompass highway-related policing, general policing, commercial vehicle weight and safety enforcement, emergency and law enforcement radio communications, criminal investigations, laboratory services, criminal records management, and fire protection. We found the organizational structure accurately reflected operational responsibilities and lines of authority and accountability. We also found that the budget and financial control structure (Figure 2 on page 2) accounts for the agency's differentiated responsibilities and work activities, and provides a sound basis for financial and cost accounting. We observed that the budget and financial control structure effectively served both state and agency fiscal objectives.

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TAS Data for Cost Allocation

Personnel time (hours worked) is captured for all organizational units in the Time an Activity Reporting System (TAS). Both personnel time and work activity data is captured in detail for all of the major policing, commercial vehicle regulation, and investigation cost centers. These cost centers comprise the majority of the State Patrol's fiscal and human resources. Internal audits and supervisory reviews of TAS data have demonstrated that the data is generally complete, competent, and reliable. Based on these reviews, and our review for consistency of reporting, we determined that the TAS activity data for most policing, commercial vehicle regulation, and investigation units was a sufficiently reliable indicator of work performed and usable for cost allocation purposes.

Detailed TAS activity data is not captured for most central and indirect cost centers, such as Budget and Fiscal Services and the Human Resources Division. Because the work of these units benefit most all State Patrol cost centers, alternative numerical bases, as recommended in this report, are more appropriate than TAS data for cost allocation purposes.

Improving TAS Data for Cost Allocation

The Crime Laboratory and Toxicology Laboratory use a limited number of TAS activity codes to track hours worked. These laboratories maintain extensive records on the number and types of investigations performed. However, they do not centrally maintain data on the sources of all cases or the number of hours worked on the different cases. A portion of the cases originate from the State Patrol's Field Force and are eligible for funding from the Transportation Budget. To provide more usable time data for allocating Transportation Budget funds for laboratory operations, the audit recommends that the laboratories expand their use of the TAS system. To do so, the State Patrol will need to create new TAS activity codes for laboratory staff members to use in recording time spent on the different types and sources of cases.

For single-engine aircraft in the Aviation cost center, the TAS activity data provided a useful record of work performed. However, we found that TAS data for the agency's twin-engine aircraft, used primarily for general transport, did not always clearly indicate the purpose of the flights or the benefiting parties. Also, the number of activity codes for twin-engine aircraft are limited and do not fully show the amount of time spent in pilot preparation and aircraft maintenance. To provide improved data for cost allocation, the audit recommends that the State Patrol establish and use additional TAS codes for twin-engine aircraft activities.

Source-Coding Activity Data for Cost Allocation

Several State Patrol cost centers respond to a high volume of work requests for a variety of services from other State Patrol cost centers, external agencies, and the public. We identified three cost centers where, due to the varied and numerous transactions, it is generally infeasible for the staff members to input TAS activity data at the level of detail needed for cost allocation. Although extensive transaction data is maintained, it is not all source-coded to the originating (and benefiting) State Patrol cost

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center or other customer category. Source-coded work request and related activity data is needed to indicate the amount of work performed that is eligible for Transportation Budget funding.

Improved source-coded data for cost allocation is also recommended for three specialized high-work-volume cost centers: the Information Services Division, Electronic Services Division, and the Communications Division. These cost centers maintain extensive records of work performed, including TAS activity data, radio transmission counts, emergency dispatch incidents, and service calls. However; the data is not all source-coded to the originating (and benefiting) State Patrol cost center and other entities. To allow for a more complete assessment of the amount of work performed that is eligible for Transportation Budget funding, the audit recommends the addition of source-codes to work request, transmissions data, and related activity data.

State Patrol Cost Accounting and Cost Allocation Practices

The State Patrol's accounting system and fiscal policies, and procedures are reasonable, well-understood across the agency, and provided for consistent financial data. Operational data is captured in detail at all levels of the organization and are reported across the agency on a regular basis. Operational data is analyzed and regularly used for strategic planning and accountability purposes.

The State Patrol maintains a cost accounting function within the Budget and Fiscal Services Division. This division prepares cost, cost-recovery, and fee-level studies of key State Patrol services, including those provided to the public and other government agencies. In-depth fee studies are periodically performed for services such as: emergency communications, the Shelton Training Academy and related training services, background and fingerprint checks, and collision records. According to the State Patrol, unless otherwise mandated by the Legislature, the agency sets fees at levels that will recover actual costs.

The State Patrol's current approach to cost allocation is based on a combination of Legislative directives, historical data, prior-period assumptions and trends, provisions of grants and contracts, and long-established fund allocation practices. Our audit found that improvement would result, on a cost center basis, from an examination of certain long-established budget assumptions, and the use of non-financial cost allocation bases drawn from available time, activity, and operating data sources.

We found the State Patrol was operating in compliance with Legislative directives concerning the expenditure of State Patrol Highway Account funds. However; for some cost centers, the agency's adherence to the Legislative directives and its current procedures has resulted in a degree of inconsistency with 18th Amendment requirements. Notable resulting under-allocations of Transportation Budget funds to cost centers are seen in the Communications and Electronics Services cost centers.

We found that overall, the differences nearly balanced out. A small portion of State Patrol expenditures - under one percent - that should have been paid for from the Transportation Budget was paid for from the Operating Budget. We estimate that the

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net effect of having made the changes recommended in this report would have, for the 2003–2005 Biennium, resulted in approximately \$400,000 more being paid from the Transportation Budget, and a similar decrease in the total from the Operating Budget.

Current vs. Recommended Cost Allocation Results

Using our classification system for the State Patrol's various cost centers, and our recommended allocation bases for cost centers having both transportation and non-transportation services, we calculated the difference between current funding assumptions in the 2003-2005 Biennium budget and funding distributed under our recommended methods.

As is shown in Figure 4 on pages 13 - 15, by using alternative cost allocation bases, the State Patrol's allocation of costs would marginally change, shifting approximately \$400,000 from the Operating Budget to the Transportation Budget. Figure 4 results are based on the analysis of cost centers presented in Appendix II, and our evaluation of alternative cost allocation bases presented in Appendix III. The largest changes in the allocation of funds were due to the following factors:

1. Funding for the Communications and Electronics Services cost centers has been set to comply with a 1998 budget note requiring a 50/50 funding split between the Transportation and Operating budgets.⁸ Because these cost centers perform services that are primarily transportation-related, the existing allocation supplies much less Transportation Budget funding than is warranted by the 18th Amendment.
2. According to the State Patrol's time and activity records, a portion of employees' time in the Field Force and the Criminal Investigation Division cost centers is spent performing general policing services that are not eligible for funding from the Transportation Budget.
3. The current allocation for cost centers providing indirect and central services is largely based on a long-standing historical paradigm. The current allocation for many of these cost centers does not fully reflect the level of service provided to non-transportation cost centers. The audit recommends using widely-recognized cost allocation bases, such as cost center FTE, to attain a more accurate allocation.
4. The funding of the Crime and Toxicology laboratories through the Operating Budget does not reflect work performed on cases initiated by the State Patrol that that is eligible for funding from the Transportation Budget.

In our opinion, for many cost centers the results presented in Figure 4 depict increased compliance with 18th Amendment requirements over the existing allocation.

⁸ Ch. 348 L98 PV, Sec 205
State of Washington – WSP

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**Figure 4
Cost Allocation Results Summary**

Cost Centers (Shaded Centers Not Included in Reallocation)	State 2003-2005 Biennium Budget					Estimated Reallocation of Funds					
	Actual Trans. Budget \$	Actual Operating Budget \$	Actual Total Budget %	Actual Trans. Budget %	Actual Operating Budget %	Reallocated Trans. Budget %	Reallocated Operating Budget %	Reallocated Trans. Budget \$	Reallocated Operating Budget \$	Change in Trans. Budget \$	Change in Operating Budget \$
Field Force	127,571,129	0	127,571,129	100.0%	0.0%	97.6%	2.4%	124,572,401	2,998,728	(2,998,728)	2,998,728
Field Force Contracts	1,740,000	0	1,740,000	100.0%	0.0%	0.0%	0.0%	1,740,000	-		
Governor's Conference 2004	-	389,000	389,000	0.0%	100.0%	0.0%	0.0%	-	389,000		
Emergency Communications	948,000	0	948,000	100.0%	0.0%	0.0%	0.0%	948,000	-		
Aviation	3,022,680	0	3,022,680	100.0%	0.0%	89.6%	10.4%	2,709,164	313,516	(313,516)	313,516
Beech Jet	105,800	195,200	301,000	35.1%	64.9%	35.1%	64.9%	105,800	195,200	-	-
King Air	86,450	124,800	211,250	40.9%	59.1%	40.9%	59.1%	86,450	124,800	-	-
DOT Master Contracts	-	0	0	0.0%	0.0%	0.0%	0.0%	-	-		
Breath Test	2,467,700	0	2,467,700	100.0%	0.0%	0.0%	0.0%	2,467,700	-		
DRE Program	314,400	0	314,400	100.0%	0.0%	0.0%	0.0%	314,400	-		
Disability Benefits	4,498,400	0	4,498,400	100.0%	0.0%	94.0%	6.0%	4,228,496	269,904	(269,904)	269,904
Traffic Safety Contracts	-	0	0	0.0%	0.0%	0.0%	0.0%	-	-		
Commercial Vehicle Enforcement	23,235,910	0	23,235,910	100.0%	0.0%	99.2%	0.8%	23,059,597	176,313	(176,313)	176,313
Motor Carrier Assistance Grants (all)	9,204,075	0	9,204,075	100.0%	0.0%	0.0%	0.0%	9,204,075	-		
HazMat Contracts	246,660	0	246,660	100.0%	0.0%	0.0%	0.0%	246,660	-		
VIN and Tow Truck Inspections	2,234,300	0	2,234,300	100.0%	0.0%	99.6%	0.4%	2,226,150	8,150	(8,150)	8,150
CID: Criminal Investigation Division	9,580,910	222,200	9,803,110	97.7%	2.3%	78.5%	21.5%	7,697,140	2,105,970	(1,883,770)	1,883,770
CID Special Projects	264,600	0	264,600	100.0%	0.0%	0.0%	100.0%	-	264,600	(264,600)	264,600
CID Special Investigations	-	427,000	427,000	0.0%	100.0%	0.0%	100.0%	-	427,000	-	-
Crime Laboratory	-	21,285,817	21,285,817	0.0%	100.0%	0.1%	99.9%	21,286	21,264,531	21,286	(21,286)
Crime Lab Grants	-	1,080,654	1,080,654	0.0%	100.0%	0.0%	0.0%	-	1,080,654		
Toxicology Laboratory	-	4,554,200	4,554,200	0.0%	100.0%	23.8%	76.2%	1,083,900	3,470,300	1,083,900	(1,083,900)
Investigative Assistance Division	-	4,875,025	4,875,025	0.0%	100.0%	0.0%	0.0%	-	4,875,025		
Meth Response Team	-	1,556,012	1,556,012	0.0%	100.0%	0.0%	0.0%	-	1,556,012		
High Intensity Drug Traffic Areas	-	2,592,327	2,592,327	0.0%	100.0%	0.0%	0.0%	-	2,592,327		
Western States Information Network	-	377,000	377,000	0.0%	100.0%	0.0%	0.0%	-	377,000		
Marijuana Eradication	-	715,000	715,000	0.0%	100.0%	0.0%	0.0%	-	715,000		
DEA Task Force	-	292,200	292,200	0.0%	100.0%	0.0%	0.0%	-	292,200		
Misc Task Forces	-	0	0	0.0%	0.0%	0.0%	0.0%	-	-		
Narcotics Grant	-	898,688	898,688	0.0%	100.0%	0.0%	0.0%	-	898,688		
Missing Children	-	1,054,000	1,054,000	0.0%	100.0%	0.0%	0.0%	-	1,054,000		
ACCESS and WACIC	-	2,844,446	2,844,446	0.0%	100.0%	12.0%	88.0%	341,334	2,503,112	341,334	(341,334)
Identification and Criminal History	-	12,130,384	12,130,384	0.0%	100.0%	0.0%	100.0%	-	12,130,384	-	-

(continued on next page)

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Figure 4, Continued Cost Allocation Results Summary

Cost Centers (Shaded Centers Not Included in Reallocation)	State 2003-2005 Biennium Budget					Estimated Reallocation of Funds					
	Actual Trans. Budget \$	Actual Operating Budget \$	Actual Total Budget %	Actual Trans. Budget %	Actual Operating Budget %	Reallocated Trans. Budget %	Reallocated Operating Budget %	Reallocated Trans. Budget \$	Reallocated Operating Budget \$	Change in Trans. Budget \$	Change in Operating Budget \$
Criminal History Backlog Project	-	66,333	66,333	0.0%	100.0%	0.0%	0.0%	-	66,333		
Criminal History Projects	-	7,867	7,867	0.0%	100.0%	0.0%	0.0%	-	7,867		
Fire Protection Bureau Administration	-	4,217,432	4,217,432	0.0%	100.0%	0.0%	0.0%	-	4,217,432		
FPB Mobilization Volunteer	-	116,800	116,800	0.0%	100.0%	0.0%	0.0%	-	116,800		
FPB Mobilization Career	-	3,818,900	3,818,900	0.0%	100.0%	0.0%	0.0%	-	3,818,900		
FPB Mobilization EMD-Military	-	0	0	0.0%	0.0%	0.0%	0.0%	-	-		
FPB Sprinkler Plan Review	-	1,035,400	1,035,400	0.0%	100.0%	0.0%	0.0%	-	1,035,400		
FPB Training Academy	-	3,808,023	3,808,023	0.0%	100.0%	0.0%	0.0%	-	3,808,023		
FPB Grants & Contracts	-	558,619	558,619	0.0%	100.0%	0.0%	0.0%	-	558,619		
FPB Fire Fighter 1 Program	-	2,682,500	2,682,500	0.0%	100.0%	0.0%	0.0%	-	2,682,500		
Administration Services	536,925	66,150	603,075	89.0%	11.0%	75.6%	24.4%	455,657	147,418	(81,268)	81,268
Executive Protection	-	3,387,700	3,387,700	0.0%	100.0%	0.0%	0.0%	-	3,387,700		
GA Contracts	-	0	0	0.0%	0.0%	0.0%	0.0%	-	-		
L&I Contracts	-	0	0	0.0%	0.0%	0.0%	0.0%	-	-		
Collision Records	1,455,600	0	1,455,600	100.0%	0.0%	100.0%	0.0%	1,455,600	-	-	-
Information Services	8,118,765	3,336,000	11,454,765	70.9%	29.1%	75.6%	24.4%	8,654,720	2,800,045	535,955	(535,955)
Standardized Technology (Computers)	973,150	325,700	1,298,850	74.9%	25.1%	75.6%	24.4%	981,354	317,496	8,204	(8,204)
ESD Special Projects	-	0	0	0.0%	0.0%	0.0%	0.0%	-	-		
Integrated Wireless Network	1,542,185	0	1,542,185	100.0%	0.0%	0.0%	0.0%	1,542,185	-		
Integrated Wireless Network	502,400	0	502,400	100.0%	0.0%	0.0%	0.0%	502,400	-		
Electronic Services	5,034,400	4,473,500	9,507,900	52.9%	47.1%	75.6%	24.4%	7,183,754	2,324,146	2,149,354	(2,149,354)
Fleet Service	1,699,190	521,900	2,221,090	76.5%	23.5%	86.0%	14.0%	1,910,137	310,953	210,947	(210,947)
Supply	1,128,320	0	1,128,320	100.0%	0.0%	71.0%	29.0%	801,049	327,271	(327,271)	327,271
Pursuit Vehicles	15,041,000	0	15,041,000	100.0%	0.0%	100.0%	0.0%	15,041,000	-	-	-
CVD/CID Vehicles	1,125,500	0	1,125,500	100.0%	0.0%	100.0%	0.0%	1,125,500	-	-	-
Mission Vehicles	628,100	1,075,500	1,703,600	36.9%	63.1%	36.0%	64.0%	613,296	1,090,304	(14,804)	14,804
Property Management Division	4,675,140	432,500	5,107,640	91.5%	8.5%	56.5%	43.5%	2,885,817	2,221,823	(1,789,323)	1,789,323
Communications Division	9,936,889	8,130,500	18,067,389	55.0%	45.0%	94.9%	5.1%	17,145,952	921,437	7,209,063	(7,209,063)
Office of the Chief Group	1,440,000	0	1,440,000	100.0%	0.0%	75.6%	24.4%	1,088,001	351,999	(351,999)	351,999
Professional Standards	1,325,700	0	1,325,700	100.0%	0.0%	92.0%	8.0%	1,219,644	106,056	(106,056)	106,056

(continued on next page)

CHAPTER 2 – Audit Results

**Figure 4, Continued
Cost Allocation Results Summary**

Cost Centers (Shaded Centers Not Included in Reallocation)	State 2003-2005 Biennium Budget					Estimated Reallocation of Funds					
	Actual Trans. Budget \$	Actual Operating Budget \$	Actual Total Budget %	Actual Trans. Budget %	Actual Operating Budget %	Reallocated Trans. Budget %	Reallocated Operating Budget %	Reallocated Trans. Budget \$	Reallocated Operating Budget \$	Change in Trans. Budget \$	Change in Operating Budget \$
Evidence and Records	669,775	108,150	777,925	86.1%	13.9%	86.1%	13.9%	669,775	108,150	-	-
Budget and Fiscal Services	6,152,400	110,000	6,262,400	98.2%	1.8%	75.6%	24.4%	4,731,596	1,530,804	(1,420,804)	1,420,804
Revolving Accounts	6,611,596	1,124,505	7,736,101	85.5%	14.5%	75.6%	24.4%	5,845,060	1,891,041	(766,536)	766,536
Training Division	3,132,100	0	3,132,100	100.0%	0.0%	99.0%	1.0%	3,100,779	31,321	(31,321)	31,321
Human Resource Division	2,142,150	211,800	2,353,950	91.0%	9.0%	75.6%	24.4%	1,778,542	575,408	(363,608)	363,608
TOTAL	\$ 259,392,299	\$ 95,229,732	\$ 354,622,031	73.1%	26.9%	73.3%	26.7%	\$ 259,784,371	\$ 94,837,660	\$ 392,072	\$ (392,072)

Chapter 3 – Cost Allocation Practices at Other State Patrol and Police Agencies

Chapter 3

A key objective of our study was to identify examples of cost allocation systems in other states that could provide useful guidance to the State Patrol. With assistance from JLARC, we conducted a survey of police and patrol agencies in 49 states and five large metropolitan areas in the US. The agencies contacted reported a variety of funding structures and approaches to budgeting. We learned that cost allocation is a practice infrequently seen among state police and patrol agencies.

To increase the likelihood of obtaining useful results, we narrowed our search to 12 states using additional criteria, which included:

1. The agency had defined its cost centers, and had a written cost allocation plan.
2. The agency had funding sources that require separately identifying transportation policing and general policing.
3. The agency coded expenditures as direct or indirect in nature, and as pertaining to transportation or non-transportation objectives.

After re-contacting the states and reviewing the information provided, we concluded our survey by summarizing results from four states: Arizona, Colorado, Missouri, and Pennsylvania. Figure 5 below includes some of the information we found to be potentially useful to the State Patrol.

Chapter 3 – Cost Allocation Practices at Other State Patrol and Police Agencies

Figure 5
Summary of Survey of State Patrol/Police Agencies

	Arizona Department of Public Safety	Colorado State Patrol	Missouri State Highway Patrol	Pennsylvania State Police
Because your agency is funded all or in part with restricted transportation funds, how do you ensure that activities are funded from the correct sources?	Calculations are used to allocate costs to funding sources; several different allocation bases are used.	Calculations are used to allocate indirect costs.	Calculations, derived from cost studies, are used to allocate funds for direct and indirect services.	A formula set in state law is used to allocate indirect costs.
Please list the bases your agency uses to allocate its costs.	Examples: > Patrol FTE > Patrol mileage > Aviation missions	Indirect costs are allocated according to program area FTE percentages.	Cost studies provide the percentage of program costs that pertain to highway-related activities eligible for transportation funding.	The statutory percentage split for indirect services is: 68% for patrol-related services and 32% for crime-related services.
Is highway patrol time/activity tracked separately from non-highway or crime-related time/activity?	Patrol, crime-related, and various public safety time/activities are separately coded and tracked.	All trooper time is coded under patrol/highway work.	Patrol and crime-related time/activities are separately coded and tracked.	Patrol and crime-related time/activities are separately coded and tracked.
Separating transportation-related patrol costs from general policing costs can be difficult. How does your agency classify costs when a patrol traffic stop turns into a non-highway related incident, such as a drug interdiction?	Such incidents are coded as a patrol/highway activity.	All trooper time is coded as patrol/highway work.	Depends on the situation. The time may be tracked as either patrol/highway-related or crime-related.	Depends on the situation. The time may be tracked as either patrol/highway-related or crime-related.
Other Information	Criminal investigation and commercial vehicle enforcement programs are eligible for constitutionally restricted transportation funds (along with patrol services), and are funded 100% from those sources.		Percentages of cost center costs found <u>not</u> related to highway patrol work: > Patrol: 2% > Vehicles: 10% > Crime Lab: 40% > Support Services: 13% > Training: 25%	

It was apparent that the four state agencies did not use as many different allocation bases as we had identified in our analysis. However; these states are among the first to apply cost allocation in their state patrol and police agencies. These results of our survey suggest that by further developing its methods, the State Patrol has an opportunity to readily assume a national leadership role in the area of cost allocation, as it has in other areas of performance management.

As for useful guidance and examples to follow, the cost-allocation systems at the Arizona Department of Public Safety and the Missouri State Highway Patrol were clearly the best-developed among the states surveyed. Because of important differences in statutory responsibilities and budget control structures, we believe the State Patrol would be better served by following the approach to cost allocation presented in this report than by directly reproducing the systems used by Arizona and Missouri. We found the staff members in these states to be most helpful, and they likely could provide useful advice to State Patrol in further developing its methods.

Chapter 4 – Recommendations

Chapter 4

To increase compliance with 18th Amendment requirements and realize the benefits of a dynamic cost allocation function, this report offers short-term recommendation that should be useful for near-term budgeting decision. The report also offers long-term recommendations to initiate positive changes in policies and organizational systems affecting cost allocation work.

1. The Legislature, OFM, and the State Patrol should allocate costs using the package of cost allocation bases presented in this report. This process would begin with using the allocation percentages from this report for the development of the 2005-2007 Legislative Budget. Consistent allocation methods should be used by OFM and the State Patrol for allocating actual costs after budget enactment.
2. The State Patrol should collect necessary management data for the recommended allocation bases in order to update cost allocation percentages for use in each subsequent budgeting cycle. We recommend that the State Patrol re-base the allocation percentages in the Maintenance Level for each Biennial Budget, and also submit a decision package to update the allocation percentages for the second fiscal year in subsequent Supplemental Budgets.
3. The Legislature, in consultation with the State Patrol and Office of Financial Management, should document a clear definition of “highway-related” services and of “policing” services that can be used for on-going cost allocation analyses and processes.
4. For identified cost centers, to allow for a more precise determination of the amount of work that is eligible for Transportation Budget funding, the State Patrol should provide that source-code detail is attached to work activity data. The source-coding should enable the State Patrol to trace individual work requests, transactions, dispatch actions, and transmissions to the originating State Patrol cost center or other entity. The identified cost centers are: Identification and Criminal History, Collision Records, Evidence and Records, Information Services Division, Electronic Services Division, and Communications Division.
5. For identified cost centers, the State Patrol should consider establishing additional TAS activity codes to provide time detail for more precisely determining the amount of work that is eligible for Transportation Budget funding. These cost centers include the Crime Laboratory, Toxicology Laboratory, and twin-engine aircraft in the Aviation cost center.
6. The State Patrol should assign the following duties to existing financial staff positions(s), in order to sustain the on-going implementation of cost allocation consistent with the analysis in this report:
 - a. Maintain the cost allocation model included with this report as a baseline, and review proposed updates and/or modifications with Legislative and

Chapter 4 – Recommendations

OFM staff.

- b. Gather and develop data sources necessary for conducting cost allocation practices that reflect the criteria identified earlier in this report.
- c. Assess any future improvements to allocation bases by evaluating them against the criteria used in this report.
- d. Continue to use a straightforward procedure for allocating costs to different funds that provides accurate results at the cost center level. Follow an approach that does not require sophisticated programming to work, that uses existing data sources to best advantage, and can be quickly learned and understood by users.
- e. Review the accounting procedures and automated systems utilized for allocating costs at other state agencies in Washington, to determine whether existing administrative and technology solutions can assist the State Patrol with the mechanics of allocating actual costs.
- f. Develop written policies and procedures that can be used to document the State Patrol's implementation of accounting and budgeting for cost allocation, and to document its ongoing cost-recovery studies. This would include establishing a change control process for updating allocation percentages, changing allocation bases for a given cost center, and modifying bases to reflect changes to State Patrol services and organizational structure.

Appendices

Appendix I – Definition of Terms Used in the Audit Report

Merina Appendix 1

The following terms, used throughout this report, are generally defined as follows:

18th Amendment

The text of the 18th Amendment of the Washington Constitution is as follows (bold text added):

Art. 2 Sec 40 HIGHWAY FUNDS. All fees collected by the State of Washington as license fees for motor vehicles and all excise taxes collected by the State of Washington on the sale, distribution or use of motor vehicle fuel and all other state revenue intended to be used for highway purposes, shall be paid into the state treasury and **placed in a special fund to be used exclusively for highway purposes. Such highway purposes shall be construed to include the following:**

- (a) The necessary operating, engineering and legal expenses connected with the administration of public highways, county roads and city streets;
- (b) The construction, reconstruction, maintenance, repair, and betterment of public highways, county roads, bridges and city streets; **including the cost and expense of (1) acquisition of rights-of-way, (2) installing, maintaining and operating traffic signs and signal lights, (3) policing by the state of public highways, (4) operation of movable span bridges, (5) operation of ferries which are a part of any public highway, county road, or city street;**
- (c) The payment or refunding of any obligation of the State of Washington, or any political subdivision thereof, for which any of the revenues described in section 1 may have been legally pledged prior to the effective date of this act;
- (d) Refunds authorized by law for taxes paid on motor vehicle fuels;
- (e) The cost of collection of any revenues described in this section:

Provided, That this section shall not be construed to include revenue from general or special taxes or excises not levied primarily for highway purposes, or apply to vehicle operator's license fees or any excise tax imposed on motor vehicles or the use thereof in lieu of a property tax thereon, or fees for certificates of ownership of motor vehicles. [1943 House Joint Resolution No. 4, p. 938. Approved November, 1944.]

Cost Accounting

A specialized branch of accounting that devoted to compiling, analyzing, and monitoring cost and operating data from all areas of an organization. Cost accountants study the costs of products and services produced by an organization, including the factors that

Appendix I – Definition of Terms Used in the Audit Report

make up the costs.

Cost Allocation

A method of distributing an organization's costs to its programs, activities, projects, or funding sources, in proportions reasonably consistent with the level and nature of services provided.

A set of procedures for identifying and associating costs incurred by an organization with the products and services produced. Cost allocation is typically done to associate centralized costs (such as payroll or data processing) with the products, services, and organizational units that benefit from the centralized service. Another objective can be to identify and associate costs of particular organizational activities with the legally-required or appropriate funding sources.

Cost Allocation Base, Bases

Numerical factors used to allocate costs to the appropriate programs, activities, projects, or other divisions or funding sources of an organization. An allocation base should fairly represent the amount of benefit received. For example, the number of FTEs per cost center may be a usable base for allocating central payroll costs. In another example, the amount of building square footage used by each cost center may be useful for allocating central property management costs.

Cost Center

An organizational unit, such as a program, activity, project, or other division, that is accountable for the costs associated with performing assigned duties. The State Patrol maintains accounts for over 70 cost centers.

Cost Center Budgets

For this study, a cost allocation basis expressed as a proportional division of State Patrol budgeted funds, by cost center, according to whether the cost center primarily performs either transportation-related services, or other types of services.

Cost Center FTE

For this study a cost allocation basis, expressed as a proportional division of State Patrol FTE, by cost center, according to whether the cost center primarily performs either transportation-related services, or other types of services.

Cost Center Payroll

For this study's allocation methodology, a cost allocation basis, expressed as a proportional division of State Patrol budgeted funds for personnel services (salary and benefits), by cost center, according to whether the cost center primarily performs either transportation-related services, or other types of services.

Direct Costs

Direct costs are specifically associated with, incurred by, and identified with a particular program, activity, project, or other division of the organization.

Appendix I – Definition of Terms Used in the Audit Report

FTE

Abbreviation for Full Time Equivalent position. For budget planning purposes, a full-time position is typically expected to be paid for approximately 2080 hours during a year, not including overtime.

Highway-Related or Transportation-Related Services

As used in this report, a broad range of transportation-related services, such as: highway patrol and policing, including radio communications; enforcement of motor vehicle size, weight, and safety regulations; construction of highways, roads, and bridges; highway and bridge maintenance; and driver and motor vehicle licensing services.

Indirect Costs

Indirect costs are incurred for a common or joint purpose, benefiting more than one program, activity, project, or other division of the organization.

Patrol Services

A specialized branch of police services primarily responsible for enforcing motor vehicle laws, protecting highway safety, assisting motorists, and other related services.

Police Services

A law enforcement profession with numerous specialized branches. All are primarily focused on protecting the public health, safety, and general welfare, and enforcing criminal laws.

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Washington State Patrol - ALTERNATIVE COST ALLOCATION BASES

Service Role Matrix

		Category of Service	
		Policing Services	Other Than Policing Services
Primary Service Objective	Highway Safety and Operation	1	2
	Other Than Highway Safety and Operation	3	4a - Indirect, Overhead 4b - Other Services

Cost Classifications

- A. Benefits only Transportation Objectives
- B. Benefits only Non-Transportation Objectives (*Not Eligible for SPHA Funding*)
- C. Directly Benefits Transportation and Non-Transportation Objectives
- D. Indirectly Benefits Transportation and Non-Transportation Objectives
- E. Costs Fully Reimbursed from External Sources -- No Allocation Necessary

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

Field Operations - 010										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
110	Field Force	973.0	1, 3	C	Statewide highway traffic control and law enforcement, emergency operations, assistance to motorists, and related services. Also includes vessel and terminal security on Washington State Ferry routes.	Historical - as provided for by funding legislation. 100% / 0%	TAS Time Data by Activity Code	TAS Field Contact Data by Type		
111	Field Force Contracts	6.4	1, 3	E	Includes federally-funded security for the Grand Coulee Dam, and other policing contracts.	Budgeted contracts, grants, intergovernmental agreements. 100% / 0%				
115	Emergency Communications		1, 3	E	One time funding for patrol car video surveillance equipment and breath test instruments.	One time funding as specified in funding legislation. 100% / 0%				
120	Aviation	16.3	1, 2, 3, 4b	C	Aerial highway traffic control and law enforcement, emergency operations, flights for other public agencies, and transport of donor organs and blood supplies in emergencies.	Historical - as provided for by funding legislation. 100% / 0%	TAS Time Data by Activity Code	Flight Logs - Flight Hours by Purpose	Passenger /Freight Counts by Source	

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

121	Beech Jet		1, 2, 3, 4b	C	Air transportation for Governor, Lt. Governor, and other missions.	Based on analysis of flight data. 35.1% / 64.9%	TAS Time Data by Activity Code	Flight Logs - Flight Hours by Purpose	Passenger /Freight Counts by Source	
121, 122	King Air		1, 2, 3, 4b	C	Air transportation for Governor, Lt. Governor, and other missions.	Based on analysis of flight data. 40.9% / 59.1%	TAS Time Data by Activity Code	Flight Logs - Flight Hours by Purpose	Passenger /Freight Counts by Source	
131	DOT Master Contracts	0	1	E	Contracted highway traffic control and law enforcement, emergency operations, and assistance to motorists.	Budgeted contracts, grants, intergovernmental agreements. 0% / 0%				
135	Breath Test Program (Implied Consent)	18	1	A	Equipment and services for enforcement of intoxicated driver laws. Some costs are reimbursed through service fees.	Historical - as provided for by funding legislation. 100% / 0%				
136	Drug Recognition Expert Program	2.6	1	A	Officer training to recognize behavioral and physiological effects of alcohol, medicines, illicit drugs. Some costs are reimbursed through interagency agreements.	Historical - as provided for by funding legislation. 100% / 0%				
140	Disability Benefits	35	4a	C	Pay for disabled officers.	Historical - as provided for by funding legislation. 100% / 0%	Dollar Value of Paid Claims per Claimants' Cost Center at the Time of Disability	Number of Paid Claims per Claimants' Cost Center at the Time of Disability		

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

145	Traffic Safety Contracts	2.5	1	E	Contracted highway safety and traffic control services. Costs reimbursed through interagency agreements.	Budgeted contracts, grants, intergovernmental agreements. 0% / 0%				
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Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

02 - Commercial Vehicle Division										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
150	Commercial Vehicle Enforcement	194.3	1, 2, 4b	C	Enforcement of commercial vehicle size, weight, hazardous materials preparedness, and safety laws. School bus safety inspections. Inspections of tow truck equipment and business records.	Historical - as provided for by funding legislation. 100% / 0%	TAS Time Data by Activity Code	Inspection Counts by Type		
153	Motor Carrier Assistance Program (Base Grants)	48.8	1	E	Federally-funded comprehensive inspections of commercial vehicles and drivers.	Budgeted contracts, grants, intergovernmental agreements. 100% / 0%				
154	Motor Carrier Assistance Program - New Entrants Program	9.06	1	E	Federally-funded comprehensive inspections of commercial vehicles and drivers.	Budgeted contracts, grants, intergovernmental agreements. 100% / 0%				
155	Motor Carrier Assistance Program (Special Grants)	2	1	E	Federally-funded comprehensive inspections of commercial vehicles and drivers.	Budgeted contracts, grants, intergovernmental agreements. 100% / 0%				
157	HazMat Contracts	2.5	2	A	Training and services concerning hazardous materials preparedness. Approximately half of costs are reimbursed through interagency agreements.	Budgeted contracts, grants, intergovernmental agreements. 100% / 0%				

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

03 - Criminal Investigation Division										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
170	Vehicle Identification Number and Tow Truck	18.0	2, 3	C	Physical inspections of vehicles that have been rebuilt after being declared a total loss by an insurance company, homemade vehicles, stolen vehicles, and vehicles with a VIN discrepancy.	Historical - as provided for by funding legislation. 100% / 0%	TAS Time Data by Activity Code	Inspection Counts by Type		
160	CID: Criminal Traffic Investigations, General Investigations, Auto Theft	5 ^{71.}	1, 3	C	Investigation of felony vehicular accidents, vehicular assaults, auto thefts, fuel tax evasion, narcotics inspections, license fraud, and follow-up on other crimes discovered by troopers.	Historical - as provided for by funding legislation. 97.7% / 2.3%	TAS Time Data by Activity Code	Investigation Counts by Type	Investigation Counts by Source	
161	Special Projects	2.0	3	B	Special investigations involving identity theft.	Historical - as provided for by funding legislation. 100% / 0%				
165	Special Investigations	5 ^{11.}	3	B	Special investigation of crimes. Costs largely reimbursed through interagency agreements.	Budgeted contracts, grants, intergovernmental agreements. 0% / 100%				

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

Investigative Services - 020										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
210	Crime Lab	120.5	1, 3	C	Forensic crime laboratory services to the state's criminal justice community from four crime laboratories.	Historical - as provided for by funding legislation. 0% / 100%	TAS Time Data by Activity Code	Investigation Counts by Source and Type		
211	Crime Lab Grants	0	3	E	Grant-funded forensic crime laboratory services, such as testing of DNA evidence.	Budgeted contracts, grants, intergovernmental agreements. 0% / 100%				
215	Toxicology Lab	19.5	1, 3	C	Statewide drug and alcohol testing for coroners, medical examiners, police agencies, prosecuting attorneys, and the Liquor Control Board. Provides expert testimony in DUI trials.	Historical - as provided for by funding legislation. 0% / 100%	TAS Time Data by Activity Code	Investigation Counts by Source and Type		

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

02 - Investigative Assistance										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
220	Investigative Assistance Division; Narcotics, Organized Crime	31	3	B	Ongoing drug investigation assistance and training for law enforcement agencies across the state. Maintains and analyzes criminal intelligence data. Investigates computer-related crimes.	Historical - as provided for by funding legislation. 0% / 100%				
225	Meth Response Team	9	3	B	Tactical and clandestine methamphetamine drug laboratory response for law enforcement agencies across the state.	Historical - as provided for by funding legislation. 0% / 100%				
281	High Intensity Drug Traffic Areas	17	3	E	Federally-funded program to control drug traffic in rural areas.	As specified in grants and/or contracts. 0% / 100%				
283	Western States Information Network	2.5	3	E	Federally-funded information sharing among state law enforcement agencies.	As specified in grants and/or contracts. 0% / 100%				
285	Marijuana Eradication	0	3	B	Investigation assistance and training in the identification and eradication of marijuana.	As specified in grants and/or contracts. 0% / 100%				

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

287	DEA Task Force	0	3	E	Drug investigation assistance and training for law enforcement agencies across the state. Maintains and analyzes criminal intelligence data.	As specified in grants and/or contracts. 0% / 100%				
288	Misc Task Forces	0	3	B	Law enforcement task force projects.	As specified in grants and/or contracts. 0% / 0%				
289	Narcotics Grant	19	3	E	Services under federal narcotics law enforcement grant.	As specified in grants and/or contracts. 0% / 100%				
290	Missing Children	5	3	B	Investigative and training assistance to the Missing and Exploited Children Task Force (MECTF).	As specified in grants and/or contracts. 0% / 100%				

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

03 - Criminal Records Division										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
230	ACCESS and WACIC	13	1, 3	C	Telecommunications linkage to criminal databases for all law enforcement and criminal justice agencies across the state.	Historical - as provided for by funding legislation. 0% / 100%	System Usage Time by Source	Transmission Counts by Source		
240	Identification and Criminal History	80.4	1, 3	C	State repository for criminal history record information, sex offender registrations, fingerprints, and missing person data. Law enforcement officers have access to this data.	Historical - as provided for by funding legislation. 0% / 100%	Records Request Counts by Source and Type	Database Access Counts by Source and Type		
241	Backlog Project	0	3	B	One-time project to remove a backlog of criminal history files awaiting processing.	One time funding as specified in funding legislation. 0% / 100%				
245	Criminal History Projects	0	3	B	Criminal history records research.	Historical - as provided for by funding legislation, and as specified in grants and/or contracts. 0% / 100%				

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

04 - Fire Protection Bureau										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
410	Fire Protection Bureau Administration	22.75	4b	B	Leadership of fire protective services, including training, investigation, regulation, emergency response training, and public education.	Historical - as provided for by funding legislation. 0% / 100%				
411	Fire Mobilization Volunteers	0	4b	B	Emergency response training for volunteer fire fighters.	Historical - as provided for by funding legislation. 0% / 100%				
412	Fire Mobilization Career	0	4b	B	Emergency response training for career fire fighters.	Historical - as provided for by funding legislation. 0% / 100%				
413	Emergency Mobilization Division.	0	4b	B	Policy and organizational structure for large scale mobilization of fire fighting resources, hazardous materials response, first responder training.	Historical - as provided for by funding legislation. 0% / 0%				
415	Sprinkler Plan Review	6	4b	B	License and regulate fire sprinkler contractors, conduct plan reviews of building projects when requested by local agencies.	Historical - as provided for by funding legislation. 0% / 100%				

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

440	FPS Training Academy	13.5	4b	B	Advanced training in fire fighting, emergency response, rescue, life-saving, and hazardous materials handling.	Historical - as provided for by funding legislation. 0% / 100%				
450	Grants, Contracts		4b	B	Fire fighting grants and contracts.	As specified in grants and/or contracts. 0% / 100%				
460	Fire Fighter 1	3	4b	B	Basic fire fighting training program to ensure that every fire department in the state has the ability and the opportunity to ensure their firefighters are provided basic fire fighter training that is affordable, accessible, achievable.	Historical - as provided for by funding legislation. 0% / 100%				

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

Technical Services Bureau - 030										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
323	Administratio n Services	7	2, 4a	D	Provides supporting services for the Office of the Chief, including legislative coordination and public information services.	Historical - as provided for by funding legislation. 89% / 11%	Cost Center FTE	Cost Center Payroll	Cost Center Budgets	
345	Collision Records	11	1, 3	C	Central repository for officer and citizen collision reports. Costs partially reimbursed through service fees.	Historical - as provided for by funding legislation. 100% / 0%	Records Request Counts by Source and Type	Database Access Counts by Source and Type		
375	Executive Protection, Special Services	25.3	3	B	Protective services for the Governor. On-call protective assistance for other key officials.	Historical - as provided for by funding legislation. 0% / 100%				
376	GA Contracts	10	3	E	Contracted protective services, reimbursed via interagency agreement.	Budgeted contracts, grants, intergovernmental agreements. 0% / 0%				
377	L&I Contracts	6	3	E	Contracted protective services, reimbursed via interagency agreement.	Budgeted contracts, grants, intergovernmental agreements. 0% / 0%				

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

02 - Information Technology Division										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
315	Information Services	49	4a	D	Computer support services.	Historical - as provided for by funding legislation. 70.9% / 29.1%	Service Request Counts by Source and Type	Cost Center FTE	Personal Computer Assignments	TAS Time Data by Activity Code
317	Standardized Technology - Computers	0	4a	D	Upgrade and modernization of computer equipment used throughout the State Patrol.	Historical - as provided for by funding legislation. 74.9% / 25.1%	Cost Center FTE	Budgeted Computer Purchases by Cost Center	Personal Computer Assignments	TAS Time Data by Activity Code
380	Electronic Services	54	4a	D	Provides a coordinated statewide communication system that supports various electronic devices and systems used by the State Patrol.	As specified in funding legislation: Ch. 348 L98 PV, Sec 205. 52.9% / 47.1%	Service Request Counts by Source and Type	Cost Center FTE	TAS Time Data by Activity Code	
381	ESD Special Projects	0	4a	E	Purchase of capital equipment for information technology.	Historical - as provided for by funding legislation. 0% / 0%				
382	Integrated Wireless Network	0	4a	E	Federally-funded purchase of dual-receive land mobile-radios with the capability to connect to the internet.	Budgeted contracts, grants, intergovernmental agreements. 100% / 0%				

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

383	Integrated Wireless Network	0	4a	E	Federally-funded operation of dual-receive land mobile-radios with the capability to connect to the internet.	Budgeted contracts, grants, intergovernmental agreements. 100% / 0%				
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Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

03 - Property Management Division										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
351	Fleet	24	4a	C	Installation and servicing of specialized equipment necessary for law enforcement vehicles.	Historical - as provided for by funding legislation. 76.5% / 23.5%	Vehicle Assignments	Work Order Records		
352	Supply	11	4a	D	Personnel to manage supplies such as uniforms and equipment used by troopers.	Historical - as provided for by funding legislation. 100% / 0%	Cost Center Budgets	Est. Inventory Value	Cost Center FTE	Cost Center Payroll
355	Pursuit Vehicles	0	1, 3	C	Purchase and maintenance of patrol vehicles used by troopers.	Historical - as provided for by funding legislation. 100% / 0%	Vehicle Assignments	Work Order Records		
356	CVD/TID Vehicles	0	1, 2, 3, 4b	C	Purchase and maintenance of vehicles used in the enforcement of commercial vehicle weight and safety laws, and used in criminal traffic investigations.	Historical - as provided for by funding legislation. 100% / 0%	Vehicle Assignments	Work Order Records		
357	Mission Vehicles	0	4a	C	Purchase and maintenance of vehicles used by non-patrol units, such as fire protection, laboratories, facilities.	Historical - as provided for by funding legislation. 36.9% / 63.1%	Vehicle Assignments	Vehicle Mileage	Work Order Records	

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

362	Property Management	45	4a	D	Personnel to manage the ownership, leasing, maintenance, and equipping of buildings, truck scales, shops, laboratories, communications towers, and grounds used by WSP employees.	Historical - as provided for by funding legislation. 91.5% / 8.5%	Occupied Building Square Footage	Insured Value	Cost Center FTE	
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Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

04 - Communications Division										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
390	Communications	171.58	1, 3	C	Operation of the statewide 24-hour emergency communications system with eight communications centers. The centers answer calls from the WSP, seven state agencies, two federal agencies, over 50 law enforcement agencies, and other public entities. WSP recovers external user costs through service charges.	As specified in funding legislation: Ch. 348 L98 PV, Sec 205, and according to cost-recovery plan. 55% / 45%	Calculated Direct Costs per Transmission by Source and Type	Transmission Counts by Source and Type		

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

05 - Office of the Chief Group										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
370	Office of the Chief	9	4a	D	Leadership, administrative, and operational control of the State Patrol.	Historical - as provided for by funding legislation. 100% / 0%	Cost Center FTE	Cost Center Payroll	Cost Center Budgets	
371	Office of Professional Standards (OPS)	9	1, 3	D	Oversight responsibility for the agency's complaint and disciplinary procedures. Conducts administrative investigations on behalf of other agencies.	Historical - as provided for by funding legislation. 100% / 0%	Investigation Counts by Cost Center	TAS Time Data by Activity Code	Cost Center FTE	Cost Center Payroll
372	Evidence & Records Division	6.5	1, 3	C	Management of physical and electronic evidence and records.	Historical - as provided for by funding legislation, and according to cost-recovery plan. 86.1% / 13.9%	Work Order Counts by Source and Type	Database Access Counts by Source and Type		
365	Budget & Fiscal Services	46	4a	D	Responsible for all financial matters of the State Patrol, including payroll, budgeting, accounting, contracting.	Historical - as provided for by funding legislation. 98.2% / 1.8%	Cost Center FTE	Cost Center Payroll	Cost Center Budgets	
343	Revolving Accounts	0	4a	D	Charge-back account for work performed by other agencies, such as legal services and insurance.	Historical, as provided for by funding legislation. 85.5% / 14.5%	Actual Direct Costs	Cost Center FTE		

Appendix II – Classification of State Patrol Cost Centers for Cost Allocation

06 - Training and Development										
Org. Level	Cost Center Name	FTE - Budgeted FY04	Service Role (see matrix)	Cost Classification	Core Activities	Current Allotment Basis (Transportation/ Operating Budget Ratio for 2003-2005)	First Potential Cost Allocation Basis	Second Potential Cost Allocation Basis	Third Potential Cost Allocation Basis	Fourth Potential Cost Allocation Basis
320	Training Division	25.5	1, 3, 4a	C	Develops and provides instruction in police/patrol operations.	Historical - as provided for by funding legislation. 100% / 0%	Student Training Days Counts by Source	Curriculum Course Hour Counts by Subject Area	Student Counts by Source	
342	Human Resources Division	20.54	4a	D	Personnel services for the State Patrol.	Historical - as provided for by funding legislation. 91% / 9%	Cost Center FTE	Cost Center Payroll	Hiring Counts by Cost Center	Cost Center Budgets

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Field Force Org. 110		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	TAS Time Data by Activity Code	High	High	High	High	Recommended	TAS records are readily available; coding is detailed and provides a strong indicator of cost responsibility.
2	TAS Field Contact Data by Type	High	High	Moderate	Moderate	Good	No clear advantage over TAS hourly data. Contact data may be more time consuming to compile and analyze.
3	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and generally accurate, but some Trooper hours (approximately 2%) pertain to general policing and should be funded through the Operating Budget.
Aviation Org. 120		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	TAS Time Data by Activity Code	High	High	High	High	Recommended	TAS records are readily available and provide a good indicator of cost responsibility. Includes flight time and other flight preparation and maintenance time. Similar to flight log data, TAS provides information on flight hours by general mission purpose.
2	Flight Logs - Flight Hours by Purpose	High	Moderate	High	High	Good	An accurate indicator of cost responsibility for flight time does not include additional related hours worked.
3	Passenger/Freight Counts by Source	High	High	High	Low	Adequate	Useful, but more time consuming to compile than other methods.
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and generally accurate, but other measures provide better support for cost responsibility.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Aviation - Twin Engine Org. 121, 122			Cost Allocation Criteria				
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	TAS Time Date by Activity Code	High	High	High	Low (currently)	Recommended, When Improved Data is Available	When additional activity codes are available specifically for twin-engine aircraft, the TAS will provide a good indicator of cost responsibility. The data will need to include flight time and flight purposes, and related flight preparation and maintenance time.
2	Existing (Flight Logs - Flight Hours by Purpose)	High	High	High	Moderate	Recommended for Short Term	A sufficiently accurate indicator of cost responsibility for flight time; may not include all related hours worked, such as flight preparation and aircraft maintenance.
3	Passenger/Freight Counts by Source	Moderate	Moderate	High	Moderate	Good	For the twin-engine aircraft, passenger and freight data provides a good indicator of cost responsibility.
Disability Benefits Org. 140			Cost Allocation Criteria				
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Dollar Value of Paid Claims per Claimants' Cost Center at Time of Disability	High	High	High	High	Recommended	The most accurate test of cost responsibility for this cost center. Internal analysis of existing data is necessary to develop this indicator.
2	Number of Paid Claims per Claimants' Cost Center at Time of Disability	Moderate	Moderate	High	High	Adequate	Data is available providing a useful indicator. Less accurate than value of claims paid by cost center.
3	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and generally accurate, but other measures provide better support for cost responsibility.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Commercial Vehicle Enforcement Org. 150		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	TAS Time Data by Activity Code	High	High	High	High	Recommended	TAS records are readily available, coding is detailed and a strong indicator of cost responsibility.
2	Inspection Counts by Type	High	High	High	Moderate	Good	No clear advantage over TAS hourly data, may be more time consuming to compile.
3	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and accurate, but other measures provide better support for cost responsibility.
Vehicle Identification, Tow Truck Regulation Org. 170		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	TAS Time Data by Activity Code	High	High	High	High	Recommended	TAS records are readily available, coding is detailed and a strong indicator of cost responsibility.
2	Inspection Counts by Type	High	High	High	Moderate	Good	No clear advantage over TAS hourly data, may be more time consuming to compile.
3	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and accurate, but other measures provide better support for cost responsibility.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Criminal Investigation Division Org. 160							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	TAS Time Data by Activity Code	High	High	High	High	Recommended	TAS records are readily available, coding is detailed and a good indicator of cost responsibility.	
2	Investigation Counts by Type	High	High	High	Moderate	Good	No clear advantage over TAS hourly data, may be more time consuming to compile.	
3	Investigation Counts by Source	High	High	High	Moderate	Good	No clear advantage over TAS hourly data, may be more time consuming to compile.	
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced indicators of cost responsibility.	
Crime Laboratory Org. 210							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	TAS Time Data by Activity Code	High	High	High	Low (currently)	Recommended, When Available	Detailed TAS data are not available due to a limited number of activity codes for recording hours worked by type of case. With additional codes, the TAS would provide enhanced information about levels of effort on transportation-related cases.	
2	Investigation Counts by Source and Type	Moderate	Low	Moderate	Moderate	Recommended for Short Term	Data is available but of limited usefulness for cost allocation. Detailed source codes are not captured for all types of cases. Additional coding would provide improved information on cost responsibility.	
3	Existing (Historical)	Moderate	Low	Moderate	Low	Not Recommended	Other recommended measures provide enhanced indicators of cost responsibility.	

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Toxicology Laboratory Org. 215							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	TAS Time Data by Activity Code	High	High	High	Low (currently)	Recommended, When Available	Detailed TAS data are not available due to a limited number of activity codes for recording hours worked by type of case. With additional codes, TAS would provide enhanced information about levels of effort on transportation-related cases.	
2	Investigation Counts by Source and Type	High	Moderate	High	Moderate	Recommended for Short Term	Data is available and usable, but detailed source codes are not captured for all types of cases. Additional codes would provide improved information on cost responsibility.	
3	Existing (Historical)	Moderate	Moderate	Moderate	Low	Not Recommended	Other recommended measures provide enhanced indicators of cost responsibility.	
ACCESS and WACIC Org. 230							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	System Usage Time by Source	High	High	High	Low (currently)	Recommended, When Available	When available, source and time-coded data will provide accurate information about cost responsibility.	
2	Transmission Counts by Source	Moderate	Moderate	High	High	Recommended for Short Term	Transmission counts are available and provide a usable indicator of cost responsibility.	
3	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced indicators of cost responsibility.	

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Identification and Criminal History Org. 240		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Records Request Counts by Source and Type	High	High	High	Low (currently)	Recommended, When Available	Source-coded records request counts, not currently available, are potentially a most accurate indicator of cost responsibility. For cost allocation purposes, source coding is needed that links the entity making the request (e.g., the public, Criminal Investigation Division, other law enforcement agencies, etc.) with the type of work performed.
2	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Recommended for Short Term	Until source-coded data is available, the current historical approach provides a general indicator of cost responsibility, although it does not recognize any transportation-related work.
3	Database Access Counts by Source and Type	High	Moderate	High	Low (currently)	Good, When Available	Potentially accurate indicator of cost responsibility. For cost allocation purposes, database access counts are needed that link the entity making the work request with the types of records accessed.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Administration Services Org. 323		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Cost Center FTE	High	High	High	High	Recommended	Data is readily available; a sufficiently accurate indicator of cost responsibility.
2	Cost Center Payroll	High	Moderate	High	High	Good	Data is readily available and a good indicator of cost responsibility. May slightly overstate transportation benefits.
3	Cost Center Budgets	Moderate	Moderate	High	High	Good	Data is readily available; a sufficiently accurate indicator of cost responsibility.
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced information about cost responsibility.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Collision Records Org. 345		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Records Request Counts by Source and Type	High	High	High	Low (currently)	Recommended, When Available	Source-coded records request counts, not currently available, are potentially a most accurate indicator of cost responsibility. For cost allocation purposes, source coding is needed that links the entity making the request (e.g., the public, the Field Operations Bureau, other organization, etc.) with the type of work performed.
2	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Recommended for Short Term	Until source-coded data is available, the current historical approach provides a general indicator of cost responsibility, although it does not recognize any non-transportation related work.
3	Database Access Counts by Source and Type	High	Moderate	High	Low (currently)	Good, When Available	Potentially accurate indicator of cost responsibility. For cost allocation purposes, database access counts are needed that link the entity making the work request with the types of records accessed.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Information Services Org. 315		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Service Request Counts by Source and Type	High	High	High	Low (currently)	Recommended, When Available	When available, source-coded work request counts by type of service will provide accurate information about cost responsibility.
2	Cost Center FTE	Moderate	High	High	High	Recommended for Short Term	Data is readily available; a sufficiently accurate indicator of cost responsibility.
3	Personal Computer Assignments	Moderate	High	High	Moderate	Good	A useful indicator of cost responsibility, closely aligned with cost center FTE. Equipment transfers within or between bureaus may limit accuracy.
4	TAS Time Data by Activity Code	Moderate	Moderate	Moderate	Moderate	Adequate	TAS records are available; for this cost center TAS data are less precise than service request counts.
5	Existing (Funding Legislation)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced information about cost responsibility.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Standardized Technology Org. 317		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Cost Center FTE	Moderate	High	High	High	Recommended	Data is readily available; a sufficiently accurate indicator of cost responsibility.
2	Budgeted Computer Purchases by Cost Center	Moderate	High	High	High	Good	A useful indicator of cost responsibility. To be most useful, detailed budget data is needed that clearly separates planned computer purchases from mobile radios and other necessary non-capital equipment.
3	Personal Computer Assignments	Moderate	High	High	Moderate	Adequate	A usable indicator of cost responsibility, closely aligned with cost center FTE. Equipment transfers within or between bureaus may limit accuracy.
4	Existing (Funding Legislation)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced information about cost responsibility.
Electronic Services Org. 380		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Service Request Counts by Source and Type	High	High	High	Low (currently)	Recommended, When Available	When available, source-coded service request counts by type of service will provide a strong indicator of cost responsibility.
2	Cost Center FTE	Moderate	Moderate	High	High	Recommended for Short Term	Data is readily available; a sufficiently accurate indicator of cost responsibility.
3	TAS Time Data by Activity Code	Moderate	Moderate	Moderate	Moderate	Adequate	TAS records are readily available, but for this cost center, source-coded service request data would provide improved accuracy in showing cost responsibility.
4	Existing (Funding Legislation)	Low	Low	Low	Low	Not Recommended	Based on analysis of available data, the current prescribed funding formula results in an inaccurate assignment of cost responsibility.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Fleet Org. 351							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	Vehicle Assignments	High	High	High	High	Recommended	Records are readily available and provide a good indicator of cost responsibility.	
2	Work Order Records	High	High	High	Moderate	Good	For this cost center, work order records provide a good indicator of cost responsibility.	
3	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and generally accurate, but other measures provide better support for cost responsibility.	
Supply Org. 352							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	Cost Center Budgets	High	Moderate	High	High	Recommended	Records are readily available and provide a reliable indicator of cost responsibility.	
2	Est. Inventory Value	High	High	High	Moderate	Good	Potentially a best choice indicator, however additional work is required to ensure that the data is complete and reliable.	
3	Cost Center FTE	Moderate	High	High	High	Good	Data is readily available; a sufficiently accurate indicator of cost responsibility.	
4	Cost Center Payroll	High	Moderate	High	High	Good	Data is readily available and a good indicator of cost responsibility. May slightly overstate transportation benefits.	
	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and generally accurate, but other measures provide better support for cost responsibility.	

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Pursuit Vehicles (Field Force) rg. 355							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	Vehicle Assignments	High	High	High	High	Recommended	An accurate indicator of cost responsibility.	
2	Work Order Records	Moderate	High	Moderate	Moderate	Adequate	A useful indicator of cost responsibility, but may require more time to compile and analyze than vehicle assignments.	
3	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and accurate, but other measures provide better support for cost responsibility.	
CVD/TID Vehicles (CVE/CID) Org. 356							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	Vehicle Assignments	High	High	High	High	Recommended	An accurate indicator of cost responsibility.	
2	Work Order Records	Moderate	High	Moderate	Moderate	Adequate	A useful indicator of cost responsibility, but may require more time to compile and analyze than vehicle assignments.	
3	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and accurate, but other measures provide better support for cost responsibility.	
Mission Vehicles Org. 357							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	Vehicle Assignments	High	High	High	High	Recommended	An accurate indicator of cost responsibility.	
2	Vehicle Mileage	High	High	High	Moderate	Good	Mileage data supplies a good indicator of cost responsibility among users.	
3	Work Order Records	Moderate	High	Moderate	Moderate	Adequate	A useful indicator of cost responsibility, but may require more time to compile and analyze than vehicle assignments.	
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced information about cost responsibility.	

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Property Management Org. 362		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Occupied Building Square Footage	High	High	High	High	Recommended	Data is readily available and a strong indicator of cost responsibility.
2	Insured Value	Moderate	High	High	High	Good	Insured value provides a strong indicator of cost responsibility.
3	Cost Center FTE	Moderate	High	High	High	Good	For this cost center, FTE data provides a good indicator of cost responsibility.
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced information about cost responsibility.
Communications Org. 390		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Calculated Direct Costs per Transmission by Source and Type	High	High	High	Low (currently)	Recommended, when Available	Potentially the most accurate method for allocating costs. Currently, full costing is not possible due to technology limitations. Source-coded and timed transmission data by type of service is not currently available.
2	Transmission Counts by Source and Type	High	High	Moderate	Moderate (currently)	Recommended for Short Term	Transmission data is available but does not include detail source codes by type of service for all State Patrol cost centers and user agencies. The data has been found sufficiently detailed and usable for cost-recovery purposes.
3	Existing (Funding Legislation)	Low	Low	Low	Low (currently)	Not Recommended	Based on analysis of available data, the current prescribed funding formula results in a significantly inaccurate assignment of cost responsibility.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Office of the Chief Org. 370		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Cost Center FTE	High	High	High	High	Recommended	Data is readily available and for this cost center a strong indicator of cost responsibility.
2	Cost Center Payroll	High	Moderate	High	High	Good	Data is readily available and a good indicator of cost responsibility. May slightly overstate transportation benefits.
3	Cost Center Budgets	Moderate	Moderate	High	High	Adequate	Data is readily available and a good indicator of cost responsibility.
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced information about cost responsibility.
Office of Professional Standards Org. 371		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Investigation Counts by Cost Center	High	High	High	High	Recommended	An available and sufficiently accurate indicator of cost responsibility.
2	TAS Time Data by Activity Code	Moderate	Moderate	High	High	Good	TAS records are readily available and provide a usable indicator of cost responsibility.
3	Cost Center FTE	Moderate	Moderate	High	Moderate	Adequate	Data is readily available; for this cost center other recommended measures more accurately define cost responsibility.
4	Cost Center Payroll	Moderate	Moderate	High	Moderate	Adequate	Data is readily available; for this cost center other recommended measures more accurately define cost responsibility.
	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and generally accurate, but other measures provide better support for cost responsibility.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Evidence and Records Org. 372							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	Work Order Counts by Source and Type	High	High	High	Low (currently)	Recommended, When Available	Source-coded work order counts, not currently available, are potentially a most accurate indicator of cost responsibility. For cost allocation purposes, source coding is needed that links the entity making the work request (e.g., the Field Operations Bureau, other State Patrol cost center, other law enforcement agency, etc.) with the type of work performed.	
2	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Recommended for Short Term	Until source-coded data is available, the current approach, which recognizes transportation and non-transportation fund sources, provides a usable indicator of cost responsibility.	
3	Database Access Counts by Source and Type	Moderate	High	High	Low (currently)	Good, When Available	Potentially accurate indicator of cost responsibility. For cost allocation purposes, database access counts are needed that link the entity making the work request with the types of records accessed.	
Budget and Fiscal Org. 365							Cost Allocation Criteria	
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments	
1	Cost Center FTE	High	High	High	High	Recommended	Data is readily available, and for this cost center, FTE counts provide a strong indicator of cost responsibility.	
2	Cost Center Payroll	High	Moderate	High	High	Good	Data is readily available and a good indicator of cost responsibility. May slightly overstate transportation benefits.	
3	Cost Center Budgets	High	Moderate	High	High	Good	Data is readily available and a good indicator of cost responsibility.	
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced information about cost responsibility.	

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Revolving Accounts Org. 343		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Actual Direct Costs	High	High	High	Moderate (currently)	Recommended, when Available	Most accurate indicator of cost responsibility. Requires additional work to compile and analyze actual costs.
2	Cost Center FTE	Moderate	Moderate	High	High	Recommended for Short Term	A readily available and useful indicator of cost responsibility for this cost center.
3	Existing (Historical)	Moderate	Moderate	Low	Moderate	Not Recommended	Other recommended measures provide enhanced information about cost responsibility.
Training Division Org. 320		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Student Training Days Counts by Source	High	High	High	High	Recommended	Data is readily available and is the most accurate indicator of cost responsibility for this cost center.
2	Curriculum Course Hour Counts by Subject Area	High	Moderate	High	High	Good	A useful indicator, but does not provide as much detail on cost responsibility as student training days counts.
3	Student Counts by Source	Moderate	Moderate	High	High	Adequate	Data is readily available and provides a usable indicator of cost responsibility.
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Efficient and accurate, but other measures provide better support for cost responsibility.

Appendix III -- Evaluation of Alternative Cost Allocation Bases

Human Resources Division Org. 342		Cost Allocation Criteria					
Potential Allocation Bases		Cause and Effect	Benefits Received	Readily Understandable	Valid and Accessible Data	Overall	Comments
1	Cost Center FTE	High	High	High	High	Recommended	Data is readily available and for this cost center provides a most recommended indicator of cost responsibility.
2	Cost Center Payroll	High	Moderate	High	High	Good	Data is readily available and a good indicator of cost responsibility. May slightly overstate transportation benefits.
3	Hiring Counts by Cost Center	Moderate	High	High	Moderate	Adequate	Data is readily available and provides a usable good indicator of cost responsibility.
4	Existing (Historical)	Moderate	Moderate	Moderate	Moderate	Not Recommended	Other recommended measures provide enhanced information about cost responsibility.

APPENDIX 4 – 18TH AMENDMENT OF WASHINGTON STATE CONSTITUTION

ARTICLE II, SECTION 40

HIGHWAY FUNDS. All fees collected by the State of Washington as license fees for motor vehicles and all excise taxes collected by the State of Washington on the sale, distribution or use of motor vehicle fuel and all other state revenue intended to be used for highway purposes, shall be paid into the state treasury and placed in a special fund to be used exclusively for highway purposes. Such highway purposes shall be construed to include the following:

- (a) The necessary operating, engineering and legal expenses connected with the administration of public highways, county roads and city streets;
- (b) The construction, reconstruction, maintenance, repair, and betterment of public highways, county roads, bridges and city streets; including the cost and expense of (1) acquisition of rights-of-way, (2) installing, maintaining and operating traffic signs and signal lights, (3) policing by the state of public highways, (4) operation of movable span bridges, (5) operation of ferries which are a part of any public highway, county road, or city street;
- (c) The payment or refunding of any obligation of the State of Washington, or any political subdivision thereof, for which any of the revenues described in section 1 may have been legally pledged prior to the effective date of this act;
- (d) Refunds authorized by law for taxes paid on motor vehicle fuels;
- (e) The cost of collection of any revenues described in this section:

Provided, That this section shall not be construed to include revenue from general or special taxes or excises not levied primarily for highway purposes, or apply to vehicle operator's license fees or any excise tax imposed on motor vehicles or the use thereof in lieu of a property tax thereon, or fees for certificates of ownership of motor vehicles.

[Amendment 18, 1943 House Joint Resolution No. 4, p 938. Approved November, 1944.]

