

Success in Reducing Overhead Rate Came from Strict Controls

In Fiscal Year 1984, it took more than one-third (35.2%) of AVCP's grant money to cover the cost of administering the services AVCP programs provided. This year only one-fifth (19.9%) of the budget is being used for that purpose. That represents up to half a million dollars in reduced cost of Administration operations and in increased money available for direct services.

"It's one of the lowest overhead (percentages for nonprofits) in the state," said AVCP Controller Lee Olson. He has been behind some of the efficiency measures which are responsible for this progress.

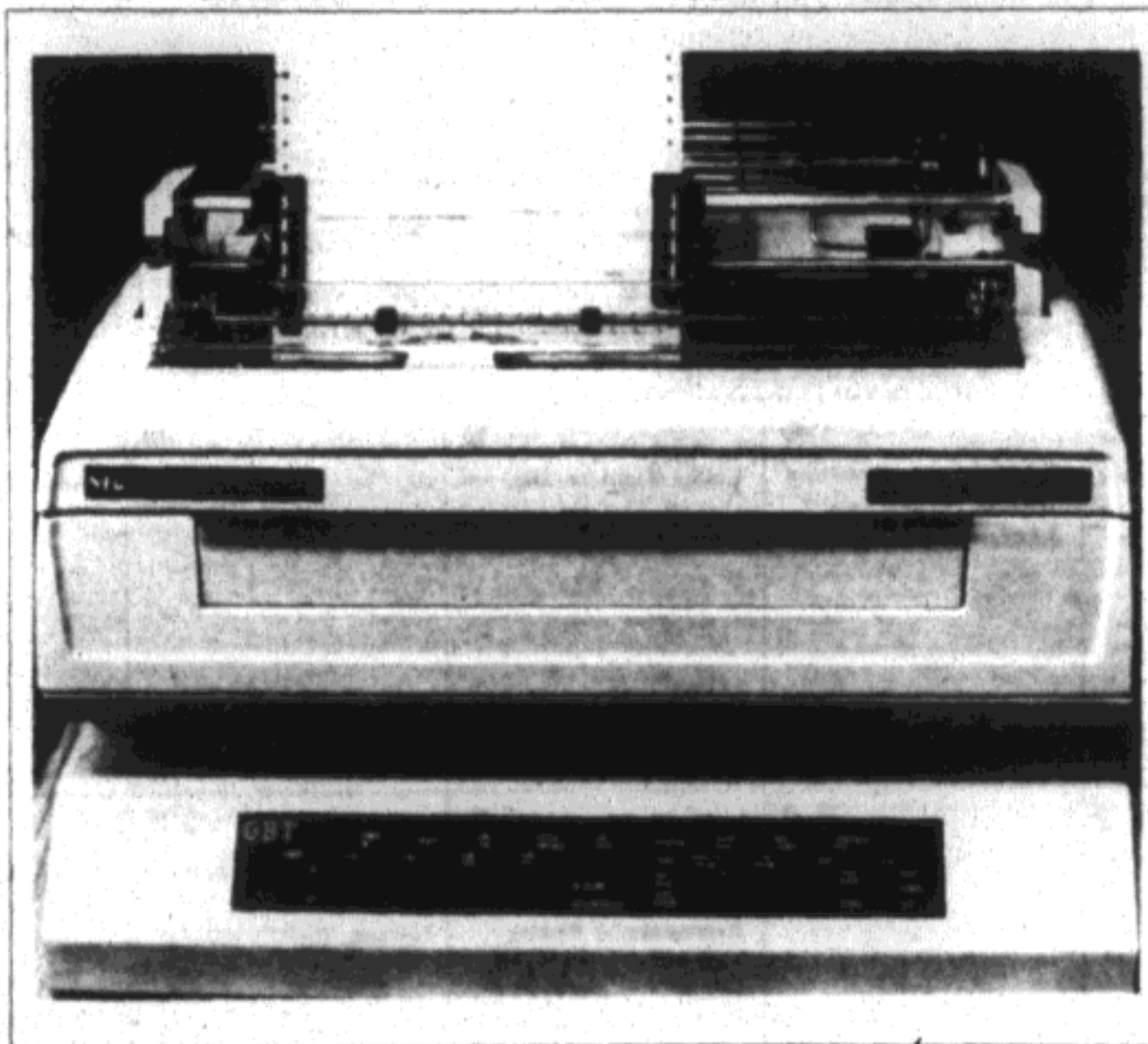
Familiar with AVCP operations as an auditor for Ernst and Whinney, Lee joined our staff in April of 1984, and set about cleaning up accounting procedures for the organization. His opinion of the Finance Department when he started: "It was a disaster." "The computer systems didn't work, the (monthly financial) reports weren't accurate, and no one kept track of cash," he said. And, he said, the two competent but overworked staff members (James Pul, and Lydia Kinegak who, luckily stuck with us) simply couldn't keep on top of the pile of paperwork.

Two of the changes in the way the Finance Department operates include

"...It's one of the lowest overheads in the state..."

daily monitoring of cash flow, with attention to gathering bank interest, and a commitment to accurate and timely monthly reports, which show what's happening in the financial picture for each program. "Statements are out fast, and accurate. "That's what it's all about," he said with pride.

Olson gives AVCP President Gene



Fewer checks being printed for administrative costs means more money available for AVCP services.

Peltola and Executive Vice President Tom Richards much of the credit for reducing overhead costs, saying "We can only pay for things we have grant or contract money to pay for. Tom and Gene have been strong enough to say no when it has to be no (to spending requests)."

Major policy changes at the top which have resulted in the lower cost of administration include a tremendous decrease in administrative travel, having in-house experts do work which in the past a consultant may have been paid for, and keeping tight control on when to call a lawyer.

Travel costs for administration (including Board of Directors) this year are less than 51% of what they were in FY 1983. "We have more than cut

it in half, and I don't think anyone's really suffered from it," said Olson. Changes in travel policy include using regular flights unless chartering is cheaper, avoiding travel by using the telephone when possible to conduct business, and "sending 1 where you might have sent 4 before."

Contractual consulting fees including audit, are about 25% of the FY 1982 level. Work by Planning Director Marcus Glenn, and Housing Improvement Program Director Alexie Jimmie to develop a proposal for a community development block grant which might fund construction of a laundry facility in Mekoryuk, is one example of using in-house expertise.

The training of Assistant Controller James Paul in computer maintenance,

programming, and other matters, combined with a settling in of the system, has reduced computer related costs, excluding lease, to less than 5% of previous years' levels.

"We don't call an attorney unless we need an attorney," said Olson. That restraint is reflected in the figures. In Fiscal Year 1983, legal fees took close to 5 times as much as they're projected for next year.

"...We're going to have to get even better..."

The overhead reductions have been accomplished despite some increased costs, such as insurance. That line item expense jumped more than 600% in the last 4 years. Some of the increase came from additional coverage, but a large portion came from skyrocketing rates.

The overhead rate for Fiscal Year 1987, which begins October 1, 1987, is projected at 23.9% of total budget, a slight increase over this year's low rate.

It's normal for the overhead rate to fluctuate a bit, said Olson. Staying in the 20% to 25% range is a good goal, he said. "Administrative costs in actual dollars spent have been pretty stable over the last 2 years, and unless we have just tremendous cuts in federal programs, we'll be able to stay (in that range)," he said. If you have less total money a stable, or constant cost becomes a high percentage of that total.

Eighty percent of AVCP's program services are federally funded (all major funding except the Village Public Safety Officer program]. And, since cuts in that funding are expected, "We're going to have to get even better at trimming our administrative costs," said Controller Olson.



James and Lydia keep things organized in AVCP's Finance Department.

(See story page 7)