



U.S. Department of Labor
Employment and Training Administration
Region 2 - Philadelphia

Discretionary Grantee Conference

Cost Allocation Cost Pooling & Time Distribution

Making Your Project Yield Good Jobs for Everyone



Objectives

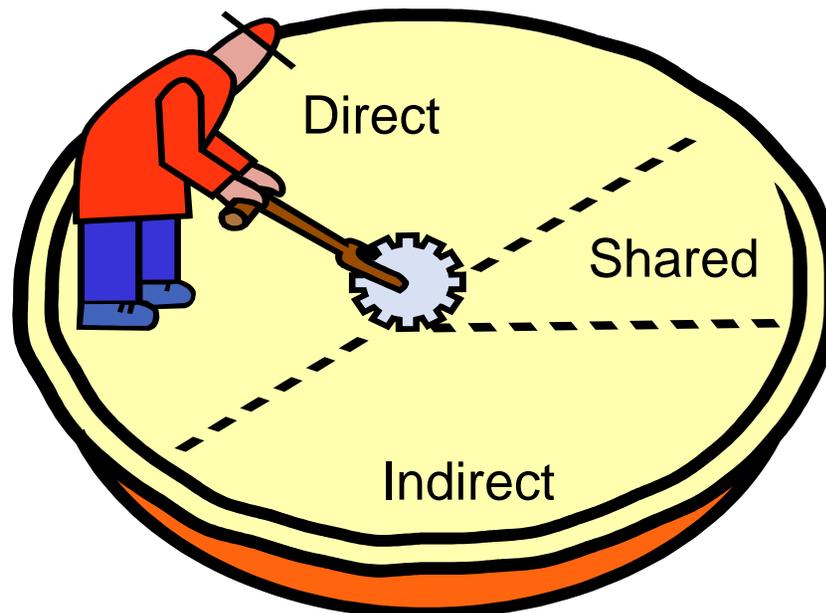
- Cost Allocation
- Cost Pooling
- Cost Allocation Plans
- Time Distribution
- Common Compliance Findings

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The process used to distribute costs
to a final cost objective
based on benefits received.

Costs



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Federal Guidance

- OMB Circular A-87
- OMB Circular A-122
- OMB Circular A-21
- 48 CFR Part 31
- 45 CFR Part 74, Appendix E
- Guidance on direct and indirect costs

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Treatment of Costs

- Direct Charge whenever possible
- Consistent treatment
 - In accounting system
 - Over time
- Measuring benefit
 - Benefit determines allocation

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Types of Costs

- Direct
 - Single cost objective
- Shared
 - Multiple cost objectives, or
 - Multiple fund sources
- Indirect
 - Overhead



What are direct costs?

- Those costs that can be readily identified with a particular cost objective. Examples (program specific):
 - Salaries
 - Space
 - Supplies
 - Communications





What are Indirect Costs?

- Those costs that are not readily identifiable with a particular cost objective

Examples:

- Salaries
- Space
- Supplies
- Telecommunications
- Management & Overhead



Cost Objectives

- Intermediate
 - Cost pools or cost centers
- Final
 - Funding source
 - Cost category



Types of pools

- Administrative costs
- Operating costs
- Facilities or maintenance costs
- Categorical pools
- Organizational pools
- System wide pools



Cost Pooling

- Cost Pooling by Expenditure type
 - General & Administrative (G&A) Pool
 - Non-Allocable G&A Pool
 - Telecommunications Pool
- Appropriate base reflects activity
 - General & Administrative (G&A) Pool
 - **Base** – Direct program expenditures
 - Non-Allocable G&A Pool
 - **Base** – None. Can not be charged to federal programs and must be paid using non-federal sources
 - Telecommunications Pool
 - **Base** - # of telephones assigned to staff

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Allocation Bases

- Keep in Mind
 - Fair basis & **equitable** to all fund sources
 - Minimal distortion
 - Actual costs only
 - General acceptability
 - Timely management control
 - Materiality, cost, and practicality of use
 - Controllable
 - Direct relationship to costs

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Unacceptable Allocation Bases

- Funds available or budgets
- Job descriptions
- Pre-determined staff hours
- Planned participant levels
- Prior period results for future periods

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Using Inputs

- Resources used
- Traditional method of allocation
- Allocated at time of cost incurred
- Documentation of use and variances
 - How the input is being used
 - How the usage varies

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Commonly Used Bases Input

- Staff time – time sheets
- Facilities – space usage
- Accounting services – # of transactions
- Equipment – usage or machine hours
- Program outputs
- Contact hours
- Copy Machine - # of copies

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Commonly Used Input Bases Continued

- Data bases – usage time
- Supplies – withdrawal from stock
- Accounting services - # transactions



Output-Based Allocation

- Centralized intake
 - Number of participants
- Job placement
 - Number of placements made
- Administration (no outputs)
 - % of program expenditures
 - Number of program outputs

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Output Allocation Bases

- Job Development - # clients placed by program
- Case management - # customers eligible by program
- Core services - # customers eligible by program

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What is a Cost Allocation Plan? (CAP)

- A document that identifies, accumulates, and distributes allowable direct and indirect costs and declares the allocation methods used for distribution.



Cost Allocation Plans

- Should be:
 - In writing
 - Signed by authorized agency official
 - Include a process for reconciliation and adjustment
 - Periodically validated and updated



CAP Elements

- Background and mission statement
- Organizational chart
- Financial statements and budgets
- Description of pooled or joint costs
- Methods used to allocate costs
- Certification

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Benefits of a CAP

- Management tool
- Equitable sharing of costs
- Establishes financial management standards
- Meets cost principles and standards
- Eliminates arbitrary methods of charging costs
- Standardizes financial practices

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Types of CAPs

- Indirect cost plan
 - Addressed in OMB Cost Circulars
 - Federal agency approval
 - Includes an indirect cost rate
- CAP of the organization
 - Shared indirect costs
 - Awarding agency approval



Which organizations need to have an approved indirect cost rate?

\$ Single funding source

Indirect cost rate not needed

\$\$ Multiple funding sources

Indirect cost rate needed



Indirect Costs

- Allowable to an extent
 - Contained in a Cost Allocation Plan
 - Identify as a separate cost pool & allocated to programs based on equitable benefit
 - Approved by cognizant Federal Agency, if required
- Must be within Administrative Cost limitations
- Generally overhead costs of organization
 - Can not include unallowable costs such as fundraising

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WIA One Stop Delivery System

- One Stop Delivery System
 - Shared costs of operating a local One-Stop system must be formalized between partners and included in a local Memorandum of Understanding or Resource Sharing Agreement
 - Federal Register Notice dated May 31, 2001

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Time Distribution

- System that distributes Staff Salaries & Benefits
 - Based on staff time spent on certain activities, projects, and grants
 - Needed if staff work on multiple projects/fund sources
 - Ensure sufficient activity/project codes to cover all funding sources

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Time Distribution

- System must:
 - Account for 100% of Staff time
 - Allocate only time that is being paid
 - Should be completed by staff at least on a monthly basis and approved by a supervisor
 - Actual allocation of costs should be traceable to staff time activity report

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Time Distribution

- Time & attendance records
 - Personnel Activity Reports (PARs)
 - Various methods
- Time sampling methods
 - Cognizant agency approval
- Measurable work outputs
- Use also for allocating non-personnel costs



Time Distribution

- Alternative methods
 - Federal approval
 - Supervisory certification
 - Sampling
 - Prior period data
 - Exception reporting
 - Sign in
 - Workload measures

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Time Distribution

- Keep In Mind
 - Third party payroll processing agents must be regularly informed of staff rotations or reassignments and changes to the chart of accounts in order to adjust their salary reports.
 - Policies regarding time distribution must be consistently and uniformly applied to **all** staff.

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Time Distribution

More Tips

- If staff electronically record their time, the allocation and documentation of such records must be retained for auditing and review purposes.
- If operating one system to track staff time for allocation purposes and another system to track leave for payroll purposes, documentation used to reconcile the two systems must be available for review purposes.

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Common Compliance Findings

- No written cost allocation plan or approved indirect cost rate in place
- Direct charging of all staff time to one program when individuals were working on multiple programs
- Costs related to an approved indirect cost rate exceeded the allowable administrative cost limitation for a program

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Common Compliance Findings

- Costs were allocated based on funding projections
- Allocation bases used by staff were not consistent with the bases and cost pools described in the agency's cost allocation plan
- Costs were allocated every six months rather than on a monthly or quarterly basis

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Resources

Guides to Developing Cost Allocation Plans and Indirect Cost Rate Agreements

- Indirect Cost Rate Determination Guide
 - Issued by DOL–OASAM
 - For Non-Profits
 - <http://www.dol.gov/oasam/programs/boc/ocd-guide-main.htm>
- ASMB C-10 Guide
 - Issued by HHS
 - For State and local governments
 - Includes a Q&A section
 - <http://www.hhs.gov/grantsnet/state/asmbc10.pdf>

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Review Questions

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Question #1

What would be an acceptable basis for allocating office space?

- A. Square footage occupied by each program
- B. # of FTEs per program
- C. % of program funding



Question #1: Answer

ANSWER: A&B

- A. Square footage occupied by each program
&
- B. # of FTEs per program

The use of program funding or budget is not allowable basis for allocation of any costs including space.



Question #2

An agency runs an Annual Appeal Drive each Spring in which staff charge time supporting this event to the 'other' activity code. The 'other' code is used by all staff. Is this an acceptable method for allocating staff time?

YES or NO

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Question #2: Answer

- **NO:** Time worked on a fundraising event should be placed in 'non-allocable' or a separate activity code to avoid the possibility of allocating unallowable expenses to federal programs.



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Thank you for your attention!

Questions?

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