





<p>Understand the difference between direct and indirect costs along with:</p> <ul style="list-style-type: none"> • Key terms • Concepts • Process for allocating direct and indirect costs 	<p>Identify appropriate bases for allocating direct and indirect costs</p>	<p>New...</p> <ul style="list-style-type: none"> • de minimis rate available, if qualified, for recovering indirect costs • requirement for identifying components of indirect cost pools for certain organizations
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Uniform Guidance	<ul style="list-style-type: none"> • Define cost allocation terms • Identify cost allocation requirements
Criteria	<ul style="list-style-type: none"> • Understand cost allocation principles
Measuring Benefit	<ul style="list-style-type: none"> • Identify appropriate bases for allocating costs
Key Change	<ul style="list-style-type: none"> • Learn change to the documentation standard for distributing personnel expenses

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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

- The difference between direct and indirect costs
- The difference between intermediate and final cost objectives
- Appropriate bases for allocating different types of pooled costs
- I understand the facilities and administration components of an indirect cost rate proposal
- I understand what proportional benefit means

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Uniform Guidance

Learning objectives for this section

- Define cost allocation terms
- Identify cost allocation requirements

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Cost Allocation

2 CFR 200.4

Allocation

- The process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship.
- The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.

objective

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Cost Allocation Methods

Cost Allocation Plan

- Direct Costs
- Indirect Costs

Indirect Cost Rate

- Negotiated rate
- De minimis rate

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Infrastructure Funding Agreement

Provides agreement among partners for infrastructure funding

Similar to that required under WIA, but with additional terms and conditions

IFA

Regulation to come

Additional guidance to come

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Types of Costs

Direct Costs

- Program
- Administrative

Indirect Costs

- Program
- Administrative

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Direct Costs

Definition

2 CFR 200.413

- Direct costs are those costs that can be identified with a particular final cost objective, such as a Federal award, or
 - other internally or externally funded activity, or
 - that can be directly assigned to such activities relatively easily and with a high degree of accuracy.
- Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

Examples of Direct Costs

Costs that are directly charged to a **single** program:



Salaries for a case manager who only works with dislocated workers



Square footage of space occupied by the case manager above



Communications devices, such as a cellphone used by the case manager



Supplies used by the case manager

Examples of Direct Shared Costs

Costs that benefit **more than one** program:



Salaries for a case manager who only works with adult, dislocated workers, and youth participants



Square footage of space occupied by the case manager



Communications devices, such as a cellphone used by the case manager



Supplies used by the case manager

Indirect Costs Examples



Salaries for executive director, accountants, personnel staff, etc.



Square footage of space occupied by indirect staff



Supplies used by indirect staff



Communications devices used by indirect staff

De Minimis Rate

2 CFR 200.414(f)

Eligible Entity

- Has indirect costs; never received a negotiated indirect cost rate
- May charge 10% of modified total direct costs (MTDC) for an indefinite period

Non-eligible entity

- Governmental units with more than \$35 million in direct Federal funding

Other Definitions

2 CFR 200.402 & 200.404

- Reasonable Costs
 - A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.



- Total Costs
 - Sum of the allowable direct and allocable indirect costs less any applicable credits.

Status Check

In the following examples, identify whether the costs are

- Direct or indirect, and
- Assigned to intermediate or final cost objective.



The case manager serves WIOA youth program clients only



The case manager serves clients enrolled in the WIOA Adult, Dislocated Worker, and Youth programs



The organization's Human Resources (HR) Department purchases a copier machine and charges its offices and programs for the HR services it provides

Cost Allocation Principles

Learning objectives for this section

- Understand cost allocation principles

Consistent With Cost Principles (1 of 2)

- Allocate costs to cost objectives in reasonable proportion to benefits received
- If no benefit, not a necessary cost

Reasonable

Allocable

Necessary

ALLOWABLE COSTS

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Consistent with Cost Principles (2 of 2)

Consistent Treatment

- Costs incurred for the same purposes in like circumstances
- Cannot charge as direct cost to one grant and as indirect to another
- Cannot shift costs from one cost objective to another to overcome funding deficiencies, avoid restrictions imposed by law or grant agreement, or other reasons
 - From one grant to another grant (exception on next slide)
 - From administrative to program cost category
 - From direct to indirect cost or vice versa



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Grant-to-Grant Cost Shifting Exception

2CFR 200.405(c)

- [The prohibition against shifting costs between/among Federal awards] would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

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Allocation Principle

2CFR 200.405(d)

- Proportional Benefit**
- If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.



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Measuring Benefit

Costs are allocable to a particular cost objective to the extent of relative benefits provided to that cost objective

- If no benefit received, then it is not allocable to that objective

Method used for measuring benefit is an integral part of the process for allocating costs

- The method used is the allocation base

Costs pooled or assigned to intermediate cost objectives must be allocated to final cost objectives using an acceptable allocation base

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Administrative v. Program: Administrative Costs

Per WIOA: Costs associated with carrying out administrative and general management functions:

- Accounting, Budgeting, Payroll, Procurement, Cash Management
- Automated systems, maintenance, equipment
- Facilities, Property Management, Insurance, Personnel
- Any contract or sub-award that is "administrative" in function
- Monitoring, Audit, Investigations, Incident Reports, Resolution activities
- General legal, Human Resources

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Administrative v. Program: Program Costs

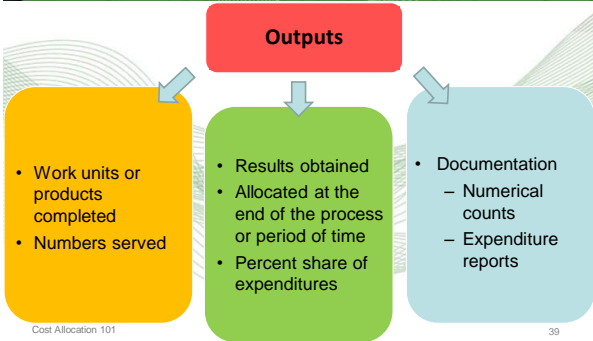
Costs directly associated with the functions dealing with participants and training are program costs:

- Costs not considered administrative in definition or nature
- Costs related to participants; direction, supervision, management, tracking
- Costs related to training, providers, LMI, performance
- Cost directly associated with a program activity or participant

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Using Outputs as the Base



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Examples of Output Bases

Centralized Intake	• Number of Participants
Job Placement	• Number of placements made
Administration (no outputs)	• % of direct expenditures or other bases for indirect costs per an approved CAP or ICR
Case Management	• Number of participants currently enrolled by program
Services Prior to Enrollment	• Number of customers eligible by program

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Examples of Bases (1 of 3)

Accounting	Number of transactions, direct labor hours, allowable survey methods
Auditing	Expenditures audited, Direct audit hours
Budgeting	Direct labor hours
Consumable Supplies	Total direct costs, Direct labor hours
Case Manager	Number of current enrollees, Number of participants counseled, Direct labor hours
Data Processing	System usage, Direct labor hours
Disbursing Service	Number of checks issued, Direct labor hours

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