

Cost Allocation Information with Narrative Examples

This document provides information to help determine appropriate methodologies for allocating shared costs. Organizations should work directly with their finance staff, accountant, or auditor to ensure their documented Cost Allocation Plan complies with the requirements in 2 C.F.R. Part 200.

Determining the Methodology

The method for distributing shared costs will vary depending on each type of cost. Various factors should be considered when determining the most appropriate way to approach each cost.

Some factors for consideration include:

- What would likely cause an increase or decrease in the cost?
 - e.g., usage, human capital, total revenue, etc.
- Who receives the benefit of the item/cost?
 - e.g., all staff in an organization (may have multiple offices), all staff who occupy specific office space, only a portion of the staff that use the item(s), one staff member who receives the item, etc.

FTE Allocation Method

An FTE Allocation Method may be used for sharing costs that are usage-driven, like telephone, computing devices, occupancy, etc. First, determine the **individual FTE computation**: If a staff member works full time (1 FTE) and they work 50% of their time on the award, then they work 0.5 FTE for the award (see example below for Brenda Healey).

BUDGET EXAMPLE

Personnel:

Brenda Healey, Attorney	50% x \$50,000 x 1 year	\$25,000
Susan Smith, Executive Director	25% x \$35,000 x 1 year	\$8,750
Kyle Larry, Program Director	75% x \$37,500 x 1 year	\$28,125
Sam Bradley, Advocate	100% x \$30,000 x 1 year	\$30,000

This example assumes that all staff listed account for the entire organizational staff. There are a **total of 4 FTE organizational staff**, and the **total FTE's budgeted to the award is 2.5FTE** (0.5 FTE + 0.25 FTE + 0.75 FTE + 1 FTE = 2.5 FTE)

Next, determine **the organizational FTE computation**:

1. Add the total FTE for the organization. So, if you have four full-time staff in your organization, the total FTE for your organization is 4 FTE.
2. Then, to determine the percentage of FTE for this budget's shared costs, divide the total award FTEs (which we determined above is 2.5 FTE) by the entire organization FTE (which we determined above is 4 FTE).

3. The calculation to determine the organization FTE is: $2.5 / 4 = 62.5\%$

The organizational FTE computation can be used to calculate the portion of shared costs in situations where all staff members receive the benefit of the item. So, for example, if all staff in an organization's office receives general supplies, then the organizational FTE computation can be computed against the cost to determine this award's budgeted portion.

Other Allocation Methods

For costs that do not increase or decrease based on usage, such as an annual audit, the FTE Allocation Method may not be the most appropriate way to determine the program's share of the cost. For example, if an audit cost is based on the total revenue of the organization, an appropriate cost allocation method would be to divide the total revenue of the program by the total organizational revenue. This would calculate the allocation percentage for the program.

Other allocation methods can be used. Remember, the main factor when determining the allocation method to use is what drives the specific costs up or down.

Cost Examples

General Office Supplies

If a person uses a pen during the day, you won't track how much time that person uses the pen for each activity. Instead, it can be reasonably assumed that the amount of time the person uses the pen is equal to the amount of time that person works on each project. In this case, an FTE allocation method would follow that same principle and offer an acceptable method to allocate the cost. If all staff in an office use general supplies, then a base in the computation could be the total number of staff in the office.

Budget Example: An organization budgets an average of \$150/mo for general office supplies which is used by all staff in the office

- ***Office Supplies: \$150/month x 62.5% (organizational FTE) x 12 months = \$1,125***

Rent

This requires an additional step. To charge rent, the following must be determined. First, determine the square footage allotted for each staff, and subsequently, their total square footage cost (by multiplying the cost per square foot by their total square footage). Then for that staff, determine their portion of time on the award. If they spend 50% of their time on the award, then they can charge 50% of their cost of the rent. So, you would do the same for all staff in the office.

Budget Example: An organization budgets a proportionate amount of office space based on staff occupancy. The cost of rent is \$10/sqft per year.

- Brenda Healey (50%) $100 \text{ sqft} \times \$10/\text{sqft} \times 1\text{-year} \times 50\% = \500
- Susan Smith (25%) $125 \text{ sqft} \times \$10/\text{sqft} \times 1\text{-year} \times 25\% = \312.50
- Kyle Larry (75%) $110 \text{ sqft} \times \$10/\text{sqft} \times 1\text{-year} \times 75\% = \825
- Sam Bradley (100%) $95 \text{ sqft} \times \$10/\text{sqft} \times 1\text{-year} \times 100\% = \950

- Total Annual Rent for Direct Staff Space = \$2,587.50

Direct Program Supplies

If an organization purchases training supplies to support a specific award, the cost could be charged directly and not allocated. Another example is brochures that are purchased for a specific award and not a general office brochure; these could also be charged directly and not allocated.

Budget Example: The organization budgets for the printout of manuals for a training event. This amount is not allocated since it is a direct cost (not a shared cost). Direct Program Supplies: \$5/manual x 20 trainings x 15 training participants = \$1,500

Documenting a Cost Allocation Plan

The most important part of this process is to ensure that the methodologies are used consistently across your organization, documented, and implemented into the internal procedures. It is recommended that a Cost Allocation Plan is developed that details: the organization's general approach to costs, how costs are allocated, **examples of the various methodologies used and under what circumstances, and any other information pertinent to the process used by the organization to allocate costs.**

Budgeting versus Charging for Allocated Shared Costs

It is essential to understand that the organizational or individual FTE allocation percentage determined during the budget process is for budgetary purposes only. Since this percentage is based on staff time, which frequently varies, the percentage should be recalculated each time the costs are charged.

For example, General Office Supplies: If the organization reconciles their supply costs monthly, and the percentage for their organizational FTE allocation was 62.5% in the budget but increased to 68% that month due to increased staff time, then they would charge the 68% allocation against their supply costs incurred for that month, and NOT the budgeted amount.

Budget Narrative Examples

The Budget Narrative must include a list of services/products to be purchased and the math calculation behind the budgeted dollars to equal the total line item budgeted. Examples below (non-exhaustive):

Grouping	Line Item	Example of narrative
Contractual Services	Business Insurance (Liability & WC)	Funding Source Allocation/Organization Allocation = proportionate %. Total Costs * proportionate %
Contractual Services	Clinical Supervision	\$81.25 per hour @ 4 hours a month x 12
Contractual Services	Yoga Group	20 sessions (2 groups of 10 sessions each) x \$80/hr. = \$6400 Costs include professional yoga instructor and studio time.
Contractual Services	Yoga Studio	\$50/hour @ 2x week for 52 weeks = \$5200
Contractual Services	Yoga Instructor	\$60/hour for 156 hours = \$9,360
Contractual Services	Hotline Answering Service	\$75 per month x 12 months = \$900
Contractual Services	Newspaper/Billboard	Inform public and crime victims about specific rights & services. \$2,400/year. Center will get Prior Approval from ICASA
Contractual Services	Interpreter Service	\$110/mo x 12 + set up fee \$200 = 1,520
Contractual Services	Accountant	% of time spent on "Direct Funding Source Administrative Duties."
Contractual Services	Web & Social Media	Yearly Cost * (Funding Source FTE's/S.A. Total FTE's) or % of S.A. Yearly Cost * (Funding Source FTE's/S.A. Total FTE's)
Contractual Services	Helpdesk Support/I.T. Services	Yearly Cost * (Funding Source FTE's/S.A. Total FTE's) or % of S.A. Yearly Cost * (Funding Source FTE's/S.A. Total FTE's)
Contractual Services	Payroll Services	Yearly Cost * (Funding Source FTE's/S.A. Total FTE's) or % of S.A. Yearly Cost * (Funding Source FTE's/S.A. Total FTE's)
Occupancy	Rent	Yearly Rent-Total Sq. Ft = \$/per sq./ft. Staff Sq. ft./Total sq. ft = Staff %. Staff % * Staff \$/per sq. Ft.
Occupancy	Utilities = Electric, Gas, Water, Trash	Yearly Utilities/Total Sq. Ft = \$/per sq./ft. Staff Sq. ft./Total sq. ft = Staff %. Staff % * Staff \$/per sq. Ft.
Occupancy	Building Maintenance	Yearly Building Maintenance/Total Sq. Ft = \$/per sq./ft. Staff Sq. ft./Total sq. ft = Staff %. Staff % * Staff \$/per sq. Ft.
Postage	Postage	\$100 for sending VOCA reports
Postage	Postage	\$300 for correspondence to clients & partner agencies from VOCA funded staff
Postage	Postage	\$2,500 postage for bulk mailing to inform of new groups, yoga, client services
Copies/Dupl.	Copies	\$500 specific to VOCA client services and needs (flyers, worksheets)

Copies/Dupl.	Copies	12.2/32 (total FTE/full org FTE) X \$3,560 (SA portion) = \$1,357. direct service printing, such as Advocacy/Counseling monthly reports, maintaining client field, and other coping related to advocacy and counseling services
Telephone/Page (lease)	Page Systems	\$250 per month x 12 months = \$3,000
Telephone/Page (lease)	Telephone	.45 FTEs/10 FTEs = 4.5% of agency budget. Telephone is \$22,000 for FY18. \$22,000 x 4.5% = \$990
Telephone/Page (lease)	Telephone	SA Agency actual \$2,150. Based on 1.54 VOCA/11 Total FTE's = 14% \$2,150 X .14 = \$301
Telephone/Page (lease)	Telephone	\$241.88 per month - 1 VOCA funded FTE of 3 FTE's in office is \$2,902.56 @ .34 = \$968
Conference Reg Fees	Conference Registration	Fees for three therapists (\$425 each) to Midwest Conference on Child Sexual Abuse. Staff names to follow.
Conference Reg Fees	Conference Registration	Two 100% VOCA funded staff providing VOCA allowable services @ \$425 each for Midwest Conference - T.B.D.
Other: Victim Services	Victim Safety	\$1,900 for Victim Safety; Window, door, or lock replacement or repair, and other repairs necessary to ensure a victim's safety. (Estimated at \$380 for material and labor per instance up to 5 instances)
Other: Victim Services	Emergency food, shelter, and Transportation	Help with immediate needs, such as assisting with relocating to keep the family safe. Anticipate assisting up to 5 families with rent, utilities, foods gift cards, and transportation @ \$750 each = \$3,750
Other: Victim Services	Emergency clothing	10 x \$10 = \$100 knit pants, 10 x \$8.00 = \$80 tops, 10 x \$3.00 = \$30 flip flops. Total \$210
Transportation	Staff Travel	4000 miles @ \$.50 per mile = \$2,000
Transportation	Victim Travel	Estimated \$1,000 transportation fees for clients to/from services/court/etc.
Transportation	Victim Travel	100 x \$5 = \$500 gas cards, 100 X \$5.00 = \$500 bus tokens
Conf. Attendance	Conf. Attendance	4 employees for EVAWI. Hotel \$214 X 4 = \$3,250 & Travel \$100 (50 miles x .50). Names tbd.
Program	Program	Books (10 x \$10 = \$100), journals (50 x \$40 = \$2,000), workbooks (100 x \$5 = \$500). Total \$2,600
Office	Office Supplies	Yearly Cost *(Funding Source FTEs/S.A. Total FTE's).
Printing	Printing	\$50-Business cards, \$300-service brochures, \$500-training manual, \$200-awareness flyers, \$100-hotline cards