



**Training Module:
Benefiting Programs and
Cost Allocation
County APD Process Training
November 16, 2007**

Agenda

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Introduction

Cost allocation is used in all aspects of the programs administered by CDSS and the county welfare departments.

Cost allocation is used to charge all costs, including salaries, equipment and other costs of administration.

Cost allocation is used to allocate costs for EDP projects.

Module Objectives

- Take some of the mystery out of cost allocation.
- Provide an understanding of how cost allocation is used.
- Provide an understanding of benefiting program and cost allocation.
- Provide an understanding of the methodologies for calculating cost allocation.

Background

- Cost allocation has been federal law since signing of the Budget and Accounting Act of 1921 by President Warren G. Harding.
- Provides for a way to fairly charge costs to the benefiting program.
- Used in all federally funded programs as well as private industry.
- Federal focus has been on CAP issues for Title IV-E and Title XIX

Cost Allocation - Defined

- OMB A-87 defines cost allocation as:
 - A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
 - All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.

Approved Methodologies

- **Direct Charge** – direct charge should be used whenever reasonably possible
- **Caseload Counts** – allocate costs based upon the number and type of cases the purchase benefits
- **Time Studies** – allocate costs based upon the number of hours that a purchase is used and what activities are performed during those hours
- **Generic (Overhead)** – used when it is not possible to easily identify which programs a purchase benefits because it benefits numerous programs indirectly.

Common Issues and Findings

- Completed Cost Detail Spreadsheet
- Guidelines for APD CAP
- Chosen Cost Allocation Methodology and Rationale
- Method used to derive percentages
- Calculation of discounted costs

CWS/CMS vs. Non-CWS/CMS

- All procurements that are necessary for the CWS/CMS application, or have been approved as a process necessary for CWS/CMS to meet a functional requirement of SACWIS, must be cost allocated using the federally approved CWS/CMS allocation methodology.

CWS/CMS vs. Non-CWS/CMS

- Those procurements that are not related to CWS/CMS but are necessary for meeting programmatic requirements must allocate costs in conformance with OMB A-87 and the federally approved CWD CAP.

Central Service Procurements

- The federal government has delegated approval authority for all counties' central services' billings to State Controller's Office.
- These costs should be claimed as EDP M&O and allocated to the appropriate benefiting programs.
- Claim these costs as generic if the services benefit the entire county welfare department.

Key Questions to Answer

- The cost allocation narrative must answer the following questions:
 - Who is requesting the procurement?
 - Who is the recipient of the procurement?
 - What activities performed by the recipient will the procurement support?
 - Is the procurement required to support specific business processes and what are they?
 - If multiple business processes, can the percent to each process be stated?

Tools

- Self Certification
 - Costs less than \$100K.
 - Limited to Non-Program Related requests.
 - Cannot be used for development projects.
 - The County APD Cost Allocation Self-Certification is **not** mandatory for projects under \$100K.

- Generic M&O Annual Plan

References

- County Fiscal Letters
 - CFL 06/07-36 (May 21, 2007)
 - Quarterly Claiming Instructions
- OMB Circular A-87
- County Cost Allocation Plan

Thank you