#### **SAMPLE**

**COST ALLOCATION PLAN**

*For CDBG grantees a cost allocation plan is required only if there are any allocated costs to be charged to the grant. Most grantees will not have allocable costs on their CDBG grants. A cost allocation plan may be required by other federal grant programs as well. The CAP should be tailored to fit the specific policies of each governmental unit. If your organization’s policies are different in any of the categories, please specifically identify the methodology used. Although there are different methodologies available for allocating costs, the methodology used should result in an equitable distribution of costs to programs. Recipients must have a system in place to equitably charge costs. Additionally time distribution records must reflect an after-the-fact determination of the actual activity of each employee. Considerations in determining an appropriate base for allocating costs include the relative benefits received, the materiality of the cost, and the amount of time and cost to perform the allocation. Any new Cost Allocation plan should be created in conjunction with the new federal guidance 2 CFR Chapter I, Chapter II, Part 200, et al., commonly referred to as the Omni Circular. The particular section pertaining to cost allocations can be found at 200.405 Allocable costs. This guidance can be found online at:* [*http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf*](http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf)

*This model cost allocation plan is based on the plan found at:* [*http://michigan.gov/documents/mde/Model\_Cost\_Allocation\_Plan\_357993\_7.pdf*](http://michigan.gov/documents/mde/Model_Cost_Allocation_Plan_357993_7.pdf)

**SAMPLE ORGANIZATION**

**COST ALLOCATION PLAN**

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| **Purpose/General Statements** |

The purpose of this cost allocation plan is to summarize, in writing, the methods and procedures that this organization will use to allocate costs to various programs, grants, contracts and agreements.

The Direct Allocation Method treats all costs as direct costs except general administration and general expenses.

Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

Only costs that are allowable, in accordance with the cost principles, will be allocated to benefiting programs by *Sample Organization*.

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| **General Approach** |

The general approach of Sample *Organization* in allocating costs to particular grants and contracts is as follows:

A. All allowable direct costs are charged directly to programs, grants, activity, etc.

B. Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated.

C. All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, grants, etc. using a base that results in an equitable distribution.

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| **ALLOCATION OF COSTS** |

The following information summarizes the procedures that will be used by *Sample Organization* beginning *01/01/2007:*

1. Compensation for Personal Services - Documented with timesheets showing time distribution for all employees and allocated based on time spent on each program or grant. Salaries and wages are charged directly to the program for which work has been done. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s salaries to the total of such salaries (see Examples 1, 6 or 7). Costs that benefit all programs will be allocated based on the ratio of each program’s salaries to total salaries (see Examples 2, 8 or 12).
2. Fringe benefits (FICA, UC, and Worker’s Compensation) are allocated in the same manner as salaries and wages. Health insurance, dental insurance, life & disability and other fringe benefits are also allocated in the same manner as salaries and wages.
3. Vacation, holiday, and sick pay are allocated in the same manner as salaries and wages.
4. Insurance - Insurance needed for a particular program is charged directly to the program requiring the coverage. Other insurance coverage that benefits all programs is allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10).
5. Professional Services Costs (such as consultants and accounting services) - Allocated to the program benefiting from the service. All professional service costs are charged directly to the program for which the service was incurred. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s expenses to the total of such expenses (see Examples 3 or 9). Costs that benefit all programs will be allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10).
6. Audit Costs – Identifiable direct audit costs are charged directly to the program. Audit costs that benefits all programs are allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10). Audit fees will be allocated to the “administration” category based on Dane County guidelines and instructions.
7. Postage - Allocated based on usage. Expenses used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s expenses to the total of such expenses (see Examples 3 or 9). Costs that benefit all programs will be allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10).
8. Printing (including supplies, maintenance and repair) - Expenses are charged directly to programs that benefit from the service. Expenses that benefit more than one program are allocated based the ratio of the costs to total expenses. Costs that benefit more than expenses to the total of such expenses (see Examples 3 or 9). Costs that benefit all programs will be allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10).
9. Program Supplies - Expenses are charged directly to programs that benefit from the service. Expenses that benefit more than one program are allocated based the ratio of the costs to total expenses. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s expenses to the total of such expenses (see Examples 3 or 9). Costs that benefit all programs will be allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10).
10. Office/Copier - Allocated based on usage. Expenses used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s expenses to the total of such expenses (see Examples 3 or 9). Costs that benefit all programs will be allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10).
11. Equipment/Depreciation - *Sample Organization* depreciates equipment when the initial acquisition cost exceeds $2,500. Items below $2,500 are reflected in the supplies category and expensed in the current year. Unless allowed by the awarding agency, equipment purchases are recovered through depreciation. Depreciation costs for allowable equipment used solely by one program are charged directly to the program using the equipment. If more than one program uses the equipment, then an allocation of the depreciation costs will be based on the ratio of each program’s expenses to the total of such expenses (see Examples 3 or 9). Costs that benefit all programs will be allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10).
12. Telephone/Communications - Long distance and local calls are charged to programs if readily identifiable. Other telephone or communications expenses that benefit more than one program will be allocated to those programs based on the ratio of each program’s expenses to the total of such expenses (see Examples 3 or 9). Costs that benefit all programs will be allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10).
13. Training/Conferences/Seminars – Allocated to the program benefiting from the training, conferences or seminars. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s salaries to the total of such salaries (see Examples 1, 6 or 7). Costs that benefit all programs will be allocated based on the ratio of each program’s salaries to total salaries (see Examples 2, 8 or 12).
14. Auto Allowance/Travel Costs - Allocated based on purpose of travel. All travel costs (local and out-of-town) are charged directly to the program for which the travel was incurred. Travel costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s salaries to the total of such salaries (see Examples 1, 6 or 7). Travel costs that benefit all programs will be allocated based on the ratio of each program’s salaries to total salaries (see Examples 2, 8 or 12).
15. Vehicle Costs (Vehicle lease payments, vehicle maintenance costs associated with leased vehicles) - Allocated to the program benefiting from the vehicle costs. Vehicle costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s salaries to the total of such salaries (see Examples 1, 6 or 7). Travel costs that benefit all programs will be allocated based on the ratio of each program’s salaries to total salaries (see Examples 2, 8 or 12).
16. Facilities Expenses (includes Rent, Utilities, Maintenance, Mortgage Interest & Depreciation, and Property Taxes)- Allocated based upon usable square footage. The ratio of total square footage used by all personnel to total square footage is calculated. Facilities costs related to general and administrative activities are allocated to program based on the ratio of program square footage to total square footage (see Examples 5 or 11).
17. Other Costs (including membership dues, licenses, fees, etc.) - Expenses are charged directly to programs that benefit from the service. Expenses that benefit more than one program are allocated based the ratio of the costs to total expenses. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s expenses to the total of such expenses (see Examples 3 or 9). Costs that benefit all programs will be allocated based on the ratio of each program’s expenses to total expenses (see Examples 4 or 10).
18. Unallowable Costs – Costs that are unallowable in accordance with OMB Circular A-122, including alcoholic beverages, bad debts, advertising (other than help-wanted ads), contributions, entertainment, fines and penalties. Lobbying and fundraising costs are unallowable, however, are treated as direct costs and allocated their share of general and administrative expenses.

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| **Examples of Allocation Methodology** |

One to One funding source (grant) to program ratio are reflected in examples 1-6.

Example 1

Expense Amount = $5,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program’s personnel costs (salaries & applicable benefits) to the total of such personnel costs, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Direct Personnel Costs** | **%** | **Amount Allocated** |
| 1 | A | $ 20,000 | 20% | $1,000 |
| 3 | C | $ 30,000 | 30% | $1,500 |
| 5 | E | $ 50,000 | 50% | $2,500 |
| **Total** |  | **$100,000** | **100%** | **$5,000** |

Example 2

Expense Amount = $10,000

Costs that benefit **all** programs are allocated based on a ratio of each program’s personnel costs (salaries & applicable benefits) to total personnel costs as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Direct Personnel Costs** | **%** | **Amount Allocated** |
| 1 | A | $ 20,000 | 13% | $1,300 |
| 2 | B | $ 10,000 | 7% | $ 700 |
| 3 | C | $ 30,000 | 20% | $2,000 |
| 4 | D | $ 40,000 | 27% | $2,700 |
| 5 | E | $ 50,000 | 33% | $3,300 |
| **Total** |  | **$150,000** | **100%** | **$10,000** |

Example 3

Expense Amount = $4,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program’s expenses (direct program costs other than salaries & benefits) to the total of such expenses, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Direct Program Expenses** | **%** | **Amount Allocated** |
| 1 | A | $ 120,000 | 30% | $1,200 |
| 3 | C | $ 130,000 | 33% | $1,320 |
| 5 | E | $ 150,000 | 37% | $1,480 |
| **Total** |  | **$400,000** | **100%** | **$4,000** |

Example 4

Expense Amount = $8,000

Costs that benefit **all** programs will be allocated based on a ratio of each program’s direct program expenses to total direct program expenses (direct program costs other than salaries & benefits) to the total of such expenses, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Direct Program Expenses** | **%** | **Amount Allocated** |
| 1 | A | $ 120,000 | 18% | $1,440 |
| 2 | B | $ 110,000 | 17% | $1,360 |
| 3 | C | $ 130,000 | 20% | $1,600 |
| 4 | D | $ 140,000 | 22% | $1,760 |
| 5 | E | $ 150,000 | 23% | $1,840 |
| **Total** |  | **$650,000** | **100%** | **$8,000** |

Example 5

Facilities Expense Amount = $10,000

Facilities costs are allocated based on square footage. Square footage for each program and general and administrative activity is considered in the analysis. General and administrative facilities costs are further allocated to each program based on the square footage of each grant program to the total square footage of all grant programs. The calculation is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Square Footage** | **%** | **Amount Allocated** | **G&A**  **Allocated** | **Total Amount**  **Allocated** |
| 1 | A | 300 | 30% | $ 3,000 | $ 340 | $ 3,340 |
| 2 | B | 100 | 10% | $ 1,000 | $ 110 | $ 1,110 |
| 3 | C | 200 | 20% | $ 2,000 | $ 220 | $ 2,220 |
| 4 | D | 200 | 20% | $ 2,000 | $ 220 | $ 2,220 |
| 5 | E | 100 | 10% | $ 1,000 | $ 110 | $ 1,110 |
|  | G&A | 100 | 10% | $1,000 | 0 | 0 |
| **Total** |  | **1,000** | **100%** | **$10,000** | **$1,000** | **$10,000** |

Example 6

Expense Amount = $5,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program’s Full Time Equivalent (FTE) to the total of such FTE’s, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **FTE’s** | **%** | **Amount Allocated** |
| 1 | A | .20 | 10% | $ 500 |
| 3 | C | .80 | 40% | $2,000 |
| 5 | E | 1.0 | 50% | $2,500 |
| **Total** |  | **2.00** | **100%** | **$5,000** |

Multiple funding sources (grants) to programs are reflected in examples 7-12.

Example 7

Expense Amount = $5,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program’s personnel costs (salaries & applicable benefits) to the total of such personnel costs, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Direct Personnel Costs** | **%** | **Amount Allocated** |
| 1 | A | $ 10,000 | 10% | $ 500 |
| 1 | F | $ 10,000 | 10% | $ 500 |
| 3 | C | $ 30,000 | 30% | $1,500 |
| 5 | E | $ 50,000 | 50% | $2,500 |
| **Total** |  | **$100,000** | **100%** | **$5,000** |

Example 8

Expense Amount = $10,000

Costs that benefit **all** programs are allocated based on a ratio of each program’s personnel costs (salaries & applicable benefits) to total personnel costs as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Direct Personnel Costs** | **%** | **Amount Allocated** |
| 1 | A | $ 10,000 | 7% | $ 700 |
| 1 | F | $ 10,000 | 7% | $ 700 |
| 2 | B | $ 10,000 | 7% | $ 700 |
| 3 | C | $ 30,000 | 20% | $2,000 |
| 4 | D | $ 40,000 | 26% | $2,600 |
| 5 | E | $ 50,000 | 33% | $3,300 |
| **Total** |  | **$150,000** | **100%** | **$10,000** |

Example 9

Expense Amount = $4,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program’s expenses (direct program costs other than salaries & benefits) to the total of such expenses, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Direct Program Expenses** | **%** | **Amount Allocated** |
| 1 | A | $ 60,000 | 15% | $ 600 |
| 1 | F | $ 60,000 | 15% | $ 600 |
| 3 | C | $ 130,000 | 33% | $1,320 |
| 5 | E | $ 150,000 | 37% | $1,480 |
| **Total** |  | **$400,000** | **100%** | **$4,000** |

Example 10

Expense Amount = $8,000

Costs that benefit **all** programs will be allocated based on a ratio of each program’s direct program expenses to total direct program expenses (direct program costs other than salaries & benefits) to the total of such expenses, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Direct Program Expenses** | **%** | **Amount Allocated** |
| 1 | A | $ 60,000 | 9% | $ 720 |
| 1 | F | $ 60,000 | 9% | $ 720 |
| 2 | B | $ 110,000 | 17% | $1,360 |
| 3 | C | $ 130,000 | 20% | $1,600 |
| 4 | D | $ 140,000 | 22% | $1,760 |
| 5 | E | $ 150,000 | 23% | $1,840 |
| **Total** |  | **$650,000** | **100%** | **$8,000** |

Example 11

Facilities Expense Amount = $10,000

Facilities costs are allocated based on square footage. Square footage for each program and general and administrative activity is considered in the analysis. General and administrative facilities costs are further allocated to each program based on the square footage of each grant program to the total square footage of all grant programs. The calculation is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Program** | **Grant** | **Square Footage** | **%** | **Amount Allocated** | **G&A**  **Allocated** | **Total Amount**  **Allocated** |
| 1 | A | 150 | 15% | $ 1,500 | $ 170 | $ 1,670 |
| 1 | F | 150 | 15% | $ 1,500 | $ 170 | $ 1,670 |
| 2 | B | 100 | 10% | $ 1,000 | $ 110 | $ 1,110 |
| 3 | C | 200 | 20% | $ 2,000 | $ 220 | $ 2,220 |
| 4 | D | 200 | 20% | $ 2,000 | $ 220 | $ 2,220 |
| 5 | E | 100 | 10% | $ 1,000 | $ 110 | $ 1,110 |
|  | G&A | 100 | 10% | $1,000 | 0 | 0 |
| **Total** |  | **1,000** | **100%** | **$10,000** | **$1,000** | **$10,000** |

Example 12

Expense Amount = $5,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program’s Full Time Equivalent (FTE) to the total of such FTE’s, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **Grant** | **FTE’s** | **%** | **Amount Allocated** |
| 1 | A | .10 | 5% | $ 250 |
| 1 | F | .10 | 5% | $ 250 |
| 3 | C | .80 | 40% | $2,000 |
| 5 | E | 1.0 | 50% | $2,500 |
| **Total** |  | **2.00** | **100%** | **$5,000** |