



MASSACHUSETTS

Workforce Investment Act

WIA Communication No. 01-51

☒ **Policy** ☐ **Information**

To: Chief Elected Officials
Workforce Investment Board Chairs
Workforce Investment Board Directors
Title I Administrators
Career Center Directors
Title I Fiscal Officers
DET Regional Directors
DET Area Directors

cc: WIA State Partners

From: Jonathan Raymond, President
Commonwealth Corporation

Jack King, Director
Division of Employment & Training

Date: October 25, 2001

Subject: Cost Allocation Plans

Purpose: This policy is a supplement to WIA Policy 00-13, issued on March 16, 2000. It provides the requirements for submitting Cost Allocation Plans (CAPs) for FY02 and contains a suggested template which may be used by local areas to complete FY02 CAPs.

Background: All costs incurred in operating a One-Stop Career Center must be allocated according to federal cost principles and utilizing acceptable cost allocation methodologies, which must be outlined in a Cost Allocation Plan/Resource Sharing Agreement.

Certain costs are joint and are not easily chargeable to specific cost objectives. In order to assure that such costs are properly classified, it is necessary to develop a written plan of allocation and to develop a proper basis for the distribution of such costs. The Cost Allocation Plan is the document which outlines the

methodologies to be used to distribute costs among the various partners and funding sources. This CAP must coincide with the information contained in the MOU which describes the services to be provided by each partner, the resources that each partner is contributing to the operation of the center, and the costs for which each partner will be responsible, both direct and indirect.

Action

Required: All local areas and program operators must submit a Cost Allocation Plan for FY02 to the Commonwealth Corporation no later than November 30, 2001.

Effective: This policy is effective for all local areas beginning with FY02.

References: WIA Public Law 105-220
JTPA Public Law 100-418
WIA Regulations at 20 CFR652, et al
WtW Regulations at 20 CFR 645, as amended
JTPA Regulations at 20 CFR 626, et al
29 CFR Parts 95 and 97
“Resource Sharing for Workforce Investment Act One-Stop Centers:
Methodologies for Paying or Funding Each Partner Program’s Fair Share
of Allocable One-Stop Costs”, Federal Register, May 31, 2001
OMB Circulars:
A-21 Cost Principles for Educational Institutions
A-87 Cost Principles for State and Local Governments
A-122 Cost Principles for Non-Profit Organizations
A-102 Administrative Requirements for State and Local Governments
A-110 Administrative Requirements for Institutions of Higher Education,
Hospitals, and Other Non-Profit Organizations
A-133 Audit Requirements for States, Local Governments, and Non-Profit
Organizations

Inquiries: Questions should be addressed to Elizabeth Durkin (extension 1304) at (617) 727-8158 or William Tanda (617) 626-5951.

Filing: Please file this in your notebook of previously issued WIA Communication Series Issuances as #01-51.

FISCAL YEAR 2002
COST ALLOCATION PLAN
OF
[Agency Name]
[WIB]

CAP Developed by:

Typed Name

Title

Signature

Date

CAP Approved by:

Typed Name

Title

Signature

Date

Modification Developed by:

Typed Name

Title

Signature

Date

Modification Approved by:

Typed Name

Title

Signature

Date

Effective Date of Modification: _____

COST ALLOCATION PLAN

I. INTRODUCTION

Cost Allocation Plans describe the ways in which costs will be charged to various grants and cost objectives. All costs incurred by this entity will be distributed utilizing the methods outlined in this Plan, which identifies the pooled costs to be shared among partners and defines a basis of allocation that must be agreed upon, that is fair to benefiting programs, is measurable, consistent, and supported by ongoing data collection. Each partner must pay or offset its fair share of pooled costs in addition to paying its own direct costs. There cannot be deviation from existing federal, state and local regulations. Costs that are prohibited by a funding source (federal, state, or local) will not be paid or used as offsets under a pooled cost agreement. For example, if a partner's funding source prohibits entertainment costs, the partner will not pay entertainment costs or use them as an offset under a pooled cost agreement.

Whenever possible, costs are directly charged to the benefiting grant and/or cost objective. Contributions to pooled costs are limited to costs incurred during the period of the agreement. Offsets are based on cost. All costs must be maintained in the fiscal system, through which all financial transactions are conducted and records maintained in accordance with Generally Accepted Accounting Principles (GAAP). Costs incurred may be classified as direct, indirect and shared costs. Any cost allocable to a particular grant or other cost objective will not be shifted to other federal grants to overcome funding deficiencies, avoid restrictions imposed by law or grant agreement, or for other reasons (20 CFR 627.435(c)).

This Plan outlines the methodologies to be used to distribute costs among the various partners and funding sources. This Plan must coincide with the information contained in the MOU which describes the services to be provided by each partner, the resources that each partner is contributing to the operation of the center, and the costs for which each partner will be responsible.

This Cost Allocation Plan:

- a. Identifies each of the shared goods and services that should be allocated.
- b. Determines some method of allocation that will result in a cost approximately equal to the benefit to each program of the goods and services.
- c. Uses the simplest and least costly method possible that will produce an equitable allocation of costs to cost categories and programs based on a measure of relative benefit received.
- d. Makes the organizational structure no more complicated than necessary to allocate costs.
- e. Makes sure the process that is developed is replicable at any time.
- f. Considers the required structure and capabilities of the entity's accounting system in designing an operable cost allocation process.

II. DEFINITIONS

Allocable Costs All costs are allocable to federal grants in accordance with the relative benefits received. A cost is allocable to a given grant if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- (1) is an allowable cost under the grant.
- (2) is incurred specifically for the cost objective.
- (3) benefits both the grant and the cost objective, and can be distributed in reasonable proportion to the benefits received.
- (4) is necessary to the overall operation of the organization although a direct relationship to any particular cost objective cannot be shown.

Benefiting Cost Objective The specific line-item (natural expense classification or object expense category), cost category and grant which receives a benefit from a particular expenditure. In allocating shared costs, it is essential that each cost is allocated based on benefits received by the benefiting program, and not on the availability of funds.

Cost An accrued expenditure.

Cost Allocation The process involved with the distribution of allowable federal grant costs to the benefiting cost objectives using rational and equitable distribution methods.

Cost Allocation Plan The documentation which describes how allowable costs of the recipient/subrecipient are identified, accumulated and assigned/allocated to the appropriate cost objectives; in the case of WIA and other federal grants, the grant, titles and cost categories.

Cost Categories The ultimate cost objectives against which all expenditures under WIA must be charged. The cost categories for Title I are: Administration, Program, Rapid Response.

Cost Composition The total cost of a federally-supported program including direct and indirect costs. Since direct and indirect costs may be defined differently according to an organization's circumstances and types of costs being assigned, it is essential that each item be treated consistently either as a direct or indirect cost.

Cost Objective A pool, center, or area established for the accumulation of costs, such as organizational units, functions, objects or items of expense, as well as ultimate cost objectives including specific titles, cost categories, grants, program activities, projects, contracts, and/or other activities.

Direct Cost A direct cost can be traced to a particular cost category and grant since it was incurred solely for the benefit of a particular grant. There are two types of direct costs, assignable direct and shared direct.

Assignable Direct Costs Assignable direct costs represent direct costs which can be specifically identified with a particular final cost objective, i.e., a title, program activity, and cost category. These costs may be charged directly to grants, contracts, or other programs against which costs are finally lodged. (A cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstances, has been allocated to an award as an indirect cost.)

Shared Direct Costs The allocation method used in distributing unassignable direct costs shall be based on a reasonable measurement of benefits received by each cost objective. These costs have similarities to Indirect Cost, in that it is easier to assign or allocate them based on some measure of benefit received than to identify them directly. These costs must be assigned/allocated to grants based on the methods outlined in this Plan, using a reasonable and equitable distribution base. However, the effort required to distribute the cost should not be disproportionate to the dollar amount of costs charged.

Shared administrative costs can be combined with any indirect administrative costs and allocated to the various funding titles utilizing a defined and appropriate allocation methodology/base. Shared program costs can be pooled and distributed to the various funding titles using an appropriate allocation base.

Indirect Costs Those costs incurred for a common or joint purpose benefiting more than one cost objective and usually more than one grant, and not readily assignable to the cost objective benefited, without efforts disproportionate to the results achieved. These costs may be classified as Administration

costs, Program Costs, or may be a combination of Program and Administration costs, such as facilities costs

Administrative Costs

The following definition of Administrative Costs will apply to all grants except as noted.

- A. The costs of administration are that allocable portion of necessary and reasonable allowable costs of state and local workforce investment boards, direct recipients, including State grant recipients under subtitle B of title I and recipients of awards under subtitle D of Title I, as well as local grant recipients, local grant subrecipients, local fiscal agents and one-stop operators that are associated with those specific functions identified below and which are not related to the direct provision of workforce investment services, including services to participants and employers. These costs can be both personnel and non-personnel and both direct and indirect.
- B. The costs of administration are the costs associated with performing the following functions:
1. Performing the following overall general administrative functions and coordination of those functions:
 - i. Accounting, budgeting, financial and cash management functions;
 - ii. Procurement and purchasing functions;
 - iii. Property management functions;
 - iv. Personnel management functions;
 - v. Payroll functions;
 - vi. Coordinating the resolution of findings arising from audits, reviews, investigations and incident reports;
 - vii. Audit functions;
 - viii. General legal services functions; and
 - ix. Developing systems and procedures, including information systems, required for these administrative functions.
 2. Performing oversight and monitoring responsibilities related to administrative functions;
 3. Costs of goods and services required for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space;
 4. Travel costs incurred for official business in carrying out administrative activities or the overall management of the system, and;
 5. Costs of information systems related to administrative functions (for example, personnel, procurement, purchasing, property management, accounting and payroll systems) including the purchase, systems development and operating costs of such systems.
- C.(1) Awards to subrecipients of vendors that are solely for the performance of administrative functions are classified as administrative costs.
- (2) Personnel and related non-personnel costs of staff who perform both administrative functions specified above and programmatic services or activities must be allocated as administrative or program costs to the benefiting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.
 - (3) Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost are to be charged as a program cost. Documentation of such charges must be maintained.
 - (4) Except as provided above, all costs incurred for functions and activities of subrecipients and vendors are program costs.
 - (5) Costs of the following information systems including the purchase, systems development and operating (e.g., data entry) costs are charged to the program category:
 - (i) Tracking or monitoring of participant and performance information;
 - (ii) Employment statistics information, including job listing information, job skills information, and demand occupation information;

- (iii) Performance and program cost information on eligible providers of training services, youth activities, and appropriate education activities;
- (iv) Information relating to supportive services and unemployment insurance claims for program participants;
- (6) Continuous improvement activities are charged to administration or program category based on the purpose or nature of the activity to be improved. Documentation of such charges must be maintained.

Program Costs

All costs not identified above as administration costs are program costs. Any exceptions to this for a particular grant will be noted where the method for allocating that cost is identified.

III. COSTS

All costs which can be specifically identified with a particular final cost objective, i.e., a title, grant, program activity, and cost category, are directly charged to the benefiting grant and cost category or program activity. Those costs which are unassignable direct costs shall be based on a reasonable measurement of benefits received by each cost objective.

Costs will be allocated according to the following methods.

COST	METHOD(S) FOR ALLOCATING COST
Payroll and Payroll Taxes	
Fringe	
Travel	
Staff Development	
Recruitment	
Legal Notices	
Temporary Staff	
Audit Services	
Legal Services	
Consultants/Professional Services	
Insurance	
Computer Expense	
MIS Computer Expense	
Furniture & Equipment	
Leasehold Improvements	
Building Repairs and Maintenance	
Equipment Rental	
Utilities	
Telephone	
Meetings/Conferences Held	
Postage	
Publications, Printing and Copying	
Dues and Subscriptions	
Office Supplies	
Program Supplies	
Bank Fees	
Vendor Training Contracts	
Support Services	

IV. COST POOLS

This section identifies:

- The costs to be shared and allocated.
- The methods to be used in allocating the expenses to the benefiting cost objectives. This requires identifying the costs to be pooled, the basis for allocating each type of pooled cost, and the documentation for supporting each basis for allocation.

1. Examples of Types of Cost Pools

Broad, Integrated Cost Pool

A cost pool may be broad enough to benefit all programs and integrated service cost centers. An example would be a Facility Cost Pool, where rent, utilities, janitorial, receptionist costs, phone and other facility overhead costs would be recorded. Some costs, such as supplies, may be partly a direct charge and partly a shared cost. Supplies purchased exclusively for one program should be direct charged; supplies purchased for a general supply room may be pooled.

Categorical Cost Pool

Some cost pools may contain only specific costs (telephone line charges) or types of costs (copier maintenance agreements, copy paper, toner, copier repair) because the benefits from the cost require a special allocation method due to unequal use or benefits across programs or cost centers. Examples may be computer information sharing, copier costs or telephone costs.

Organization Cost Pool

Some expenditures may benefit only parts of a partnership. Examples are: a) one integrated service area cost center as a pool for all the programs in that cost center; or b) a pool for a sub-set of the programs within an integrated service as a center.

2. Allocation Bases

When costs are pooled instead of directly assigned to a final cost objective, the ability to directly assign benefit for each item of cost is lost. Instead, the pool contains a group of common costs to be allocated by using an indirect or approximate measure of benefit, or the allocation base. The allocation base is the documented method used to measure the extent of benefits received when allocating joint costs among multiple partners and/or funding sources.

Allocation Bases used in this Plan will meet the following criteria:

1. Minimal Distortion: The base chosen will distribute costs in a fair and equitable manner without distorting the results.
2. General Acceptability: The base will be generally accepted and in conformance with Generally Accepted Accounting Principles (GAAP). It must be consistently applied over time, and drawn from the same period in which the costs to be allocated have been incurred.
3. Representative of Actual Costs or Effort Expended: The base will be a measure of actual cost or actual effort expended. It will not be based solely on a plan, budget, job description, or other estimate of planned activity.

4. Timely Management Control: The base will be within management's ability to control on a timely basis. The base will produce reliable and fairly predictable results.
5. Consistent with Variations in Funding: The base will be able to accommodate and withstand changes in funding during the year and from year to year. These methods of allocation will be used consistently over time as described in this Cost Allocation Plan.
6. Materiality of Costs Involved: The complexity of the base will be commensurate with the materiality of the costs to be allocated, and will be sufficiently detailed as to provide the most equitable and accurate allocation possible. At the same time, the base will be simple enough to be efficient while still attaining a fair distribution of costs.
7. Practicality and Cost of Using the Base: The base will be as efficient as possible in terms of the cost or effort in developing and using it.

The following Cost Pools are maintained:

COST POOL	COSTS INCLUDED IN POOL	METHOD(S) FOR ALLOCATING COST POOL
EXAMPLE - Facilities	Rent, janitorial, building supplies	Square footage, full-time equivalents

If the above Cost Pools are not applicable to all funding sources, exceptions are as follows:

V. MODIFICATIONS

It may be necessary to modify this Plan from time to time. A typical reason for changing an allocation method may be that the basis for allocating the costs is found to distort the results, or to result in an inequitable distribution of costs. The Plan may then be modified to ensure that the allocation of costs results in an equitable distribution of costs that reflects the level of effort or benefit received by the various cost objectives.

However, any changes to this Plan must be made infrequently and for good cause. Changes must be approved and then submitted to Commonwealth Corporation and the Division of Employment & Training.

VI. ATTACHMENTS:

- Organizational chart that identifies all partners, types of services provided, and staff functions.
- A description of the types of services and programs provided at the center.

- A copy of the official agency or center-wide budget that includes all costs of operation.

VII. REFERENCES

Workforce Investment Act of 1998, Public Law 105-220

JTPA Public Law 100-418

WIA Regulations at 20 CFR 652, et al

WTW Regulations at 20 CFR 653, as amended

Veteran's Programs:

LVER at 20 CFR 1030

DVOP at 20 CFR 1001

JTPA Regulations at 20 CFR 626, et al

Uniform Fiscal and Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, 29 CFR Part 97.

Uniform Fiscal and Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Other Non-profit Organizations and with Commercial Organizations.

OMB Circulars:

A-21 Cost Principles for Educational Institutions

A-87 Cost Principles for State and Local Governments

A-122 Cost Principles for Non-Profit Organizations

A-102 Administrative Requirements for State and Local Governments

A-110 Administrative Requirements for Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

A-133 Audit Requirements for States, Local Governments, and Non-Profit Organizations

COST ALLOCATION PLAN INSTRUCTIONS FOR EDITING

- 1) Enter the name(s) of the entity or entities to which this Plan applies.
- 2) Enter the name of the WIB for the local area.
- 3) Note Exceptions:
 - a) Under Administration Costs – Note any exceptions to admin definition
 - b) Under Program Costs – Note any exceptions to program definition
- 4) Costs – Fill in the chart, specifying the method(s) used to allocate each cost. If more than one method is used, please specify. For example, Direct, Admin. Cost Pool. Add or remove names of costs, as applicable.
- 5) Cost Pools – Fill in the chart, listing all cost pools utilized. For each cost pool, specify the costs that are charged to the pool, then state the method(s) used to allocate the costs in the pool. If more than one method is used, please specify. For example, Facilities Pool, Rent and Utilities, Square footage then staff FTEs.
- 6) Note exceptions, if any, to cost pools.
- 7) Attach: Organizational Chart of partners and services, Description of Services and Programs, Center or Agency-wide Budget, whichever is applicable.
- 8) Obtain appropriate signatures.
- 9) Submit Plan to Commonwealth Corporation and Division of Employment & Training. Also submit modifications, as necessary, with effective date of modification recorded on face sheet.
- 10) Edit the “References” section to add or delete laws and regulations for programs, as applicable.