

## **Cost Allocation Plan Elements**

### **1. Effective Dates:**

This section identifies the effective period for the Cost Allocation Plan. It often includes the date on which the plan was adopted and identifies the body that approved the plan.

### **2. Purpose:**

2 C.F.R. § 200 requires that all costs charged to a federal award be reasonable, allowable, and allocable. The term “allocable” refers to the need to adopt and implement consistent methods to “allocate” or attribute costs to specific federal awards.

A comprehensive Cost Allocation Plan describes the methods which the CAA uses to allocate costs which benefit multiple cost objectives (programs, projects, grants, and contracts) in accordance with Section 2 C.F.R. § 200.405(d). The Plan also describes the methods HCCAA utilizes to ensure that costs which benefit a single cost objective are charged appropriately to that cost center. In compliance with Section 2 C.F.R. § 200.405(d), the Cost Allocation Plan describes the methods the CAA utilizes to allocate and charge allowable costs which benefit more than one cost center or cost objective to federal and state grants. It also describes the methods used to determine the allowability of all costs and ensure that only allowable costs are charged to federal, state, or other governmental awards.

A comprehensive cost allocation plan typically includes the following elements:

### **3. Cost Allocation Policy Overview:**

A brief statement that the CAA has designed its cost allocation policy and related procedures to ensure compliance with federal funds management requirements as stated in C.F.R. § 200.405(d) and related requirements for all federal awards.

### **4. Segregating Unallowable from Allowable Costs:**

Since only allowable costs may be charged to federal awards, this section describes how the CAA will determine which costs are allowable and ensure that only allowable costs are charged to federal awards. This section typically describes the criteria for allowability as stated in 2 C.F.R. § 200.

### **5. Direct Costs:**

Defines Direct Costs and describes how the CAA determines which direct costs benefit which awards and how it ensures that direct costs are properly coded in the accounting records.

### **6. Cost Benefitting More than One Cost Center**

Describes costs which benefit more than one cost center (program, award, project) and the method that will be used to allocate such costs, including:

- Administrative and Human Resources costs

- Fiscal and accounting related costs
- Facilities related costs
- Program related costs

The section describes the type of cost, including the type of staff positions, that are included in each of these categories.

## **7. Direct Allocation of Shared Expenses**

This section addresses costs that benefit more than one cost center but are not included in Section 5 above, describing the methods that will be used to allocate such costs to all the cost center that the cost benefits. Typical cost categories in this section include:

- Property and general liability insurance
- Directors and officers insurance
- Consumable supplies not purchased for a specific program
- Telephone, internet, postage
- Computer application subscriptions, software, updates, and other technology costs benefiting more than one cost center
- Other costs which cannot be directly attributed to specific cost centers

## **8. Records, including Employee Time Records, used for allocating and charging cost centers**

This section describes the documentation which the CAA will maintain to support the allocation of various costs as described above. It often provides descriptions of how employee time records are maintained, approved, and utilized to support allocation of personnel and related costs.

## **9. Appendix 1: Current Year Comprehensive Cost Center Budget and Supporting Documents**

Many cost allocation plans include a spreadsheet matrix illustrating the use of the cost allocation methods described in the plan for a specific fiscal year. All cost line items are listed in the rows of the matrix with the columns used to display the portion of that cost which benefits specific programs or cost centers. Many budget matrix formats place line items for direct costs at the top of the spreadsheet with totals computed for each program or cost center, and then list various categories of costs which are allocated according to the methods described in the plan.

The budget matrix may be supported by documents providing a detailed basis for specific allocations during a specific budget year. For example, if the cost allocation plan requires that facilities costs be allocated based on the percentage of square feet utilized by specific programs/cost centers, a supporting document will illustrate the distribution of square feet within the facility to various cost centers. Supporting documents must be monitored carefully during the year to be sure they are updated when major changes occur.

