

COST ALLOCATION PLAN & METHODOLOGY FOR WIOA GRANT RECIPIENTS POLICY AND GUIDANCE

EXECUTIVE SUMMARY

This operational policy provides guidance and establishes principles and standards to provide a uniform approach for determining cost and to promote effective program delivery.

REFERENCES

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- Office of Management and Budget CFR Chapter II, Part 200, et al. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Guidance and Final Rule. Final Guidance published at 78 FR 78589 (December 26, 2013) and Final Rule published at 79 FR 75867 (Dec 19, 2014); and
 - Department of Labor CFR Chapter II, Part 2900 et al. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Dec 19, 2014).

PROCEDURAL GUIDANCE

The Monterey County Workforce Development Board's (MCWDB) cost allocation plan and methodology ensure that costs are properly and equitably distributed to the benefiting cost objective. Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required. MCWDB's formal accounting records substantiate the propriety of the eventual charges that support all costs included in the plan. To determine the allocation process, we first must understand the nature of the cost and how the benefits will be received.

The basic guidelines are that costs shall:

1. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
2. Be allocable to Federal awards under the provision of 2 CFR part 225.
3. Be authorized or not prohibited under state or local laws or regulations.
4. Conform to any limitations or exclusions set forth in these principles, Federal law, terms and conditions of the federal award or other governing regulations as to types or amounts of cost items.

5. Be consistent with policies, regulation and procedures that apply uniformly to both the federal awards and other activities of the government unit.
6. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
7. Be allocated using generally accepted accounting principles.
8. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or prior period, except as specifically provided by Federal law or regulation.
9. Be the net of all applicable credits.
10. Be adequately documented.
11. Be reasonable, ordinary, necessary, and comparable to similar goods or services.
12. Be allocable: 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. Any cost allocable to a particular federal award or cost objective under the principles provided for in 2CFR part 225 may not be charged to other federal awards to overcome fund deficiencies.
13. Be reduced by applicable credits: such credits should be credited to the appropriate federal award to reduce costs.

The MCWDB identifies cost classifications for the process of labeling indirect, joint, and direct costs relative to the cost allocation process. Indirect cost pools should be distributed to benefiting cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. These indirect cost allocations identify, accumulate, and distribute allowable direct and indirect costs under grants and contracts, and identify the allocation methods used for distributing costs.

MCWDB's cost allocation plan allocates joint costs to support the distribution of those costs to the grant program. Those direct costs charged directly to final cost objectives that do not require any further allocation or breakdowns are assignable direct costs. Examples of assignable direct costs that are charged to the program include:

- Compensation paid to employees whose time is devoted specifically to the fulfillment of a particular program objective;
- Costs of pre-approved items such as equipment, consultants, and subcontractors for performance of services specifically for the program; and
- Costs of any materials purchased specifically for a particular program.

Cost allocation methods and cost types vary. The objective is to ensure reasonableness and equity. MCWDB uses several different bases for allocating different types of cost; for example, costs are used in proportion to staff allocated to each grant. This system works well with the budget because it creates a cost per position relation for expenditures, is reliable, has good budget control, is a well-accepted cost allocation standard and provides abundant management information.

INQUIRIES

If you have questions please contact staff at (831) 796-6434. This policy is posted on the WDB website located at: www.montereycountywdb.org/policies/

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