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Webinar Control Panel
Workshop Topics

- Red flags
- A-122 basic requirements
- Costs to be allocated
- Allowable allocation methods
- PARS & documenting costs
- Administrative cost limitations
Your Role?

- CFO/ Fiscal Director
- Executive Director
- Grants Manager
- Other

Your Reality?

- Federally negotiated indirect cost rate?
- Written cost allocation plan?
- Both?
- Neither?
Red Flags

- No written cost allocation plan
- Inconsistent plan implementation
- Allocation based on budget/plan rather than actual info
- PARS breakdown – inadequate support
- Allocation based on availability of funds
- Failure to allocate shared costs to unallowable cost centers

OMB A-122 2 CFR 230

- Only costs which benefit a cost objective may be charged to that cost objective

- Cost Objective = service, project, function, award
  
  Appendix A Section 4
Key Terms

- Direct cost
- Shared cost
- Administrative cost
- Indirect cost

Direct Cost

- Costs that can be identified specifically with a function, program, or award (final cost objective)

Example: Costs of employing a Head Start teacher
Shared Cost

- Costs which are cannot be directly identified with a single function/program (final cost objective)
- Costs for which the benefit to various cost objectives must be estimated

Shared Cost Examples

- Rent for a facility housing multiple programs & functions
- Cost of employing a teacher in a classroom with both Head Start & State Pre K students
- Agency-wide accounting costs
Administrative Functions

- Board support
- Overall strategic direction
- Financial management
- Human resources
- IT management

Administrative Costs

Costs of performing administrative functions
- Admin costs that benefit whole agency function as shared costs
- Admin costs that benefit single cost objective are direct costs
Indirect Costs

- Indirect = Shared

- Costs for which the benefit to multiple cost objectives must be estimated

NICR

- Negotiated Indirect Cost Rate
- Obtained through negotiation with cognizant federal agency
- Must have direct federal award in order to obtain a NICR
NICR & Indirect Costs

- Only organizations with an approved NICR may charge a line item called “indirect cost”

- Orgs without NICR may be able to recover shared costs through cost allocation but not by claiming “indirect costs”

NICR Proposals

- A-122 provides multiple methods for calculating indirect cost rates

- “Indirect” costs may include both administrative & facilities costs or may be limited to administrative costs
Cost Allocation Plans

- Required to substantiate charging any allocated costs to federal awards
- Essential for nonprofits without a NICR
- Nonprofits with a NICR may also need a plan

Cost Allocation Plan Elements

- Definition of direct and shared costs
- Explanation of methods used for allocation
- Justification for allocation methods
Must Allocate Costs to All Cost Objectives that Benefit

- Includes allocation to unallowable cost centers
- Example: Lobbying cost objective must be allocated share of admin, facilities, & other common costs

What Costs Must Be Allocated

- Costs which provide benefit to more than 1 cost objective
- Includes costs for both program and administrative functions
Allocation is Required When

Establishing a direct association would be costly or impractical:

- Example: Trying to directly track the use of pens or paper clips

Allocation Methods

- Must demonstrate logical connection between the method used and the likely benefit provided by specific costs
- Must be based on actual rather than planned occurrences
Common Allowable Methods

- % of time & effort
- % of overall FTEs
- % of square feet utilized
- % of transactions
- % of units of service

Unallowable Methods

- Allocation based on the availability of funds
- Allocation based planned use of time, space, or money
Documenting Costs

- Must provide evidence of the benefit provided to specific cost objective in order to substantiate any charge to an award

- Benefit provided by both direct & allocated costs must be supported

Is Your PAR Up to Par?

- Personnel Activity Report
- After-the fact report of how staff used their time & efforts
- Required for all staff whose time will be charged to awards except those included in a NICR
Timesheet ≠ PAR

- Timesheet records hours worked
- PAR records use of time to accomplish work which benefits specific cost objectives

PAR Needed to Charge

- Costs of employment for employees who:
  - Benefit only one cost objective
  - Benefit multiple cost objectives
  - Benefit all functions within the CAA
PARs Needed to Support Allocated Costs

- Employee’s record of use of time & effort is the basis for creating allocating %
- Employee’s record is basis for charge to shared cost center which will be allocated to multiple cost objectives

Example:
100% of time charged to a single grant.
Example:
Actual time worked charged to each grant.

Example:
Time charged to each grant based on ratio of children taught.
Example: Executive Director fills out a timesheet.

Wage & Hour Law Impact

- **Non-exempt** employee timesheets may be designed to function as PAR
- **Exempt** employees complete PAR reporting % of effort rather than hours worked
Beyond Programs/Awards

- Many auditors recommend that PARs include info about the tasks performed as well as the program/award for which effort is expended

- Detailed description not required

Task Examples

- Drove bus for Head Start children
- Determined client eligibility for weatherization services
- Processed accounts payable
PAR is not the only way to allocate personnel costs

May allocate cost of employees providing benefit to multiple cost objectives by:

- % of transactions
- % of units of service
- % of square feet

Allocating Admin Costs

- Distinguish administrative efforts which benefit a single cost objective from those which benefit multiple or all cost objectives
Admin Functions Providing Direct Benefit

- Identify basis for direct benefit
- Example: Finance Director spends 20% of time in a pay period addressing issues related to Head Start finding

Shared Admin Costs: Admin Functions which Benefit all Cost Objectives

Examples:
- Board support
- Overall budget development
- Redesign of accounting system
- Revising employee handbook
Allocating Shared Admin Costs

Consider factors that indicate demand on admin effort
- # of financial transactions
- # of staff members
- % of FTE's

Allocating Shared Admin Costs

- May use different allocating factors for different positions or functions
- Must base allocation on actual numbers rather than budget or plan
Admin Cost Limitations

- Some funding sources impose % or $ limits on admin costs
- Admin costs must be fairly allocated regardless of limits
- Result: allocated costs in excess of funder limit must be covered with unrestricted $$

May Not Shift Costs

- Fairly allocated costs which exceed funder limitations may not be shifted to other federal sources
- Must document the use of unrestricted funds to cover these “excess” costs
Cost Center Structure May Help

- Requirement for fair allocation based on benefit to cost objectives
- Cost objective may be defined as a service, project, or award

Use of Program as Cost Objective

- Allocate shared cost at program level
- Multiple funding sources may fund one program
- Use discretion in distributing shared costs among multiple sources
Your Next Steps

- Review cost allocation plan
- Review PAR approaches
- Rethink allocation methods
- Verify use of actual rather than budget or plan info
- Test implementation of plan

Additional Resources

Webinars:
- PARs (Personnel Activity Reports): The Do’s and Don’ts
  [www.caplaw.org/conferencesandtrainings/webinars.html#financial](http://www.caplaw.org/conferencesandtrainings/webinars.html#financial)
- Today’s Webinar: Cost Allocation: Red Flags & Remedies
  [www.caplaw.org/conferencesandtrainings/webinars.html#financial](http://www.caplaw.org/conferencesandtrainings/webinars.html#financial)

PARS and Cost Allocation Toolkits:
Available soon on the CAPLAW website and in the Community Action Partnership’s Resource Bank ([www.csbgtta.org](http://www.csbgtta.org))
2013 CAPLAW NATIONAL TRAINING CONFERENCE
SHERATON BOSTON HOTEL
June 19 - 21, 2013 • Boston, MA
### Personnel Activity Report

**INSTRUCTIONS:** Enter hours worked in hourly increments. Enter total time worked for each day in the appropriate column. For all hours worked, enter the description of work activity. When sick leave, vacation leave, or holiday leave is taken, enter the number of hours taken in the appropriate day column. By signing the Grant Personnel Activity Report, you are certifying the report to be correct.

<table>
<thead>
<tr>
<th>Description of Work Activity</th>
<th>Day of the Month</th>
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<tr>
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<td>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 Total</td>
</tr>
<tr>
<td>Crisis intervention/counseling</td>
<td>2 2 1 2 2 1 2 2 1 2 2</td>
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<tr>
<td>Trained new counselors</td>
<td>1 1 1 1</td>
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<tr>
<td>Assisted victims with compensation claims</td>
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<tr>
<td>Assisted victims with professional therapy</td>
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</tr>
<tr>
<td>Answered hotline calls &amp; referred callers</td>
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</tr>
<tr>
<td>Drove victim to appointment</td>
<td>1 1 1</td>
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<tr>
<td>Vacation leave</td>
<td>4</td>
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<tr>
<td>Holiday Leave</td>
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**Employee / Volunteer Signature**

**Certified Correct**

**Supervisor Signature**

**Certified Correct**
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