

Policy and Procedure

Policy Name: Cost Allocation

Policy Number: 06-124

Effective Date: October 6, 2006

Purpose

To provide guidance on allocating cost to the specific funding streams and allow WWVDB to properly manage the provision of workforce service.

Reference

- OMB CIRCULAR NO. A-87
- 20 CFR 667.220

Policy

This Policy establishes principles and standards for determining costs for awards carried out through grants, cost reimbursement contracts, and other agreements. These fiscal and administrative requirements ensure that costs are reasonable and necessary for operating WWVDB programs and used in compliance with all applicable statutory and regulatory provisions.

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. All activities which benefit from the governmental unit's indirect cost, including activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.

A. Direct Costs –

1. Direct costs are those that can be identified (see 20 CFR 667.22 and OMB Circular No. A-87) specifically with a particular final cost objective, such as:
 - a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
 - b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
 - c. Equipment and other approved capital expenditures.
 - d. Travel expenses incurred specifically to carry out the objective.
2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

B. Indirect Costs

1. Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools

should be distributed to benefited cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

WVWDB uses a multiple allocation base method because the indirect costs benefit major functions in varying degrees. Indirect costs are accumulated into separate two cost groupings: indirect program and indirect operating. Each grouping is allocated individually as follows:

- Indirect program costs are distributed based on the percentage of program participants in a given year in that program.
- Indirect operating costs are distributed to program and administrative funds in proportion to the number of staff hours worked in the month in which the indirect cost was incurred.

Board Approval Date

October 6, 2006