

# CAPITOL REGION COUNCIL OF GOVERNMENTS

## COST ALLOCATION PLAN

Revision Date – March 4, 2008

### A. PURPOSE & SCOPE

1. Objective. This Cost Allocation Plan establishes principles for determining the allocation of allowable costs incurred by the Capitol Region Council of Governments (CRCOG) under grants, cost reimbursement contracts, and other agreements with the Federal and State of Connecticut governments. The principles are designed to provide that Federal and State awards (projects) bear their fair share of costs recognized under these principles except where restricted or prohibited by law.
2. Policy Guides
  - a. The application of these principles is based on the fundamental premises that:
    1. CRCOG is responsible for the efficient and effective administration of Federal and State awards (projects) through the application of sound management practices.
    2. CRCOG assumes responsibility for administering Federal and State funds in a manner consistent with underlying agreements, program objectives and terms and conditions of the Federal and State awards (projects).
  - b. The guidelines for establishing the principles and standards used in this Cost Allocation Plan have been set forth in OMB Circular No. A-87 “Cost Principles for State, Local and Indian Tribal Governments.”

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#### B. BASIC GUIDELINES

1. Factors affecting allowability of costs. To be allowable under Federal and State awards (projects), costs must meet the following general criteria:
  - a. Be necessary and reasonable for proper and efficient performance and administration of Federal and State awards (projects).
  - b. Be allocable to Federal and State awards (projects) under the provision of this Cost Allocation Plan.
  - c. Be authorized or not prohibited under State or local laws or regulations.
  - d. Conform to any limitations or exclusion set forth in these principles, Federal and State laws, terms and conditions of the awards (projects) or other governing regulations as to types or amounts of cost items.
  - e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal and State awards (projects) and other activities of CRCOG.
  - f. Be accorded consistent treatment. A cost may not be assigned to a Federal or State award (project) as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal or State award (project) as an indirect cost.
  - g. Except as otherwise provided for in OMB Circular A-87, be determined in accordance with generally accepted accounting principles.
  - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal or State award (project) in either the current or a prior period, except as specifically provided by Federal or State laws or regulations.

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- i. Be the net of all applicable credits
  - j. Be adequately documented.
2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a give cost, consideration shall be given to:
  - a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of CRCOG or the performance of the Federal or State award (project).
  - b. The restraints or requirements imposed by such factors as: sound business practices; arms length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the awards (projects).
  - c. Market prices for comparable goods or services.
  - d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to CRCOG, its employees, the public at large, and the Federal and State governments.
  - e. Significant deviations from the established practices of CRCOG which may unjustifiably increase the Federal or State award's (project's) cost.
3. Allocable costs.
  - a. 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.

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- b. All activities which benefit from CRCOG's indirect cost, including unallowable activities and services donated to CRCOG by third parties, will receive an appropriate allocation of indirect costs.
  - c. Any cost allocable to a particular Federal or State award (project) or cost objective under the principles provided for in this Cost Allocation Plan will not be charged to other Federal or State awards (projects) to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal or State award (projects), or for other reasons.
  - d. Accumulated indirect costs will be charged to Federal and State awards (projects) in accordance with the provisions of this Cost Allocation Plan.
4. Applicable credits.

Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal and State awards (projects) as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of over-payment or erroneous charges. To the extent that such credits accruing to or received by CRCOG relate to allowable costs, they shall be credited to the Federal or State award (project) either as a cost reduction or cash refund, as appropriate.

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#### **C. COMPOSITION OF COST**

1. Total Cost. The total cost of Federal and State awards (projects) is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.
2. Classification of costs. There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal or State award (project) or other final cost objective. Therefore, CRCOG requires that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

#### **D. CLASSIFICATION OF COST**

1. In accordance with OMB Circular A-87, “Cost Principles for State, Local & Indian Tribal Governments”, CRCOG classifies direct costs as those that can be identified specifically with a particular final cost objective for a specific project. Indirect costs are those incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved.
2. CRCOG maintains the complete segregation of all costs, both direct and indirect. This procedure allows all costs to be treated in a consistent manner and, thus, avoids the possibility of one type of expense to be treated as both direct and indirect. Appendix A identifies the account classifications of both direct and indirect costs.

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### E. ALLOCATION OF COSTS

#### 1. Time Allocation

a. Salaries can be classified as both direct and indirect expenses. Direct Salaries are identified as specifically supporting one or more project objectives(s).

Indirect Salaries represent general and administrative salaries in support of a common objective. Time Records, indicating the specific hours devoted to all projects, are maintained by each employee and are submitted bi-weekly to coincide with CRCOG's pay-roll period.

b. Time Records are analyzed and projects are charged according to hours reflected on the Time Records.

#### 2. Leave Benefit Costs

Leave costs are accumulated in indirect cost pools by class<sup>1</sup> of employees.

Allocations are made by class using the ratio of year-to-date Leave Costs to year-to-date Regular Time Salaries. The resulting year-to-date rate is applied to all funds each month.

#### 3. Fringe Benefit Costs.

Fringe benefit costs are included in the indirect cost pool and are accumulated on a year-to-date basis for allocation to projects. Allocations are made to projects by employee class using the rate of year-to-date Fringe Benefits to year-to-date Regular Time Salaries. The resulting year-to-date rates are applied to projects each month.

#### 4. Indirect Costs

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<sup>1</sup> Class codes are used to differentiate types of employees (full time, part-time, etc.) and to develop rates for leave and fringe benefits.

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Indirect costs are pooled and accumulated on a year- to-date basis for allocation to projects. Pooled indirect costs are captured by line item and allocated using the ratio of year-to-date Indirect Costs to year-to-date Regular Time Salaries. The resulting year-to-date rate is applied to all funds each month.

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**CERTIFICATE OF COST ALLOCATION PLAN**

This is to certify that I have reviewed the Cost Allocation Plan submitted herewith and to the best of my knowledge and belief:

1. All costs included in this proposal to establish cost allocations or billings are allowable in accordance with the requirements of OMB Circular A-87, "Cost Principles for State and Local Governments," and the Federal awards (projects) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the Cost Allocation Plan.
2. All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct.

Governmental Unit: CAPITOL REGION COUNCIL OF GOVERNMENTS

Signature: \_\_\_\_\_

Name of Official: LYLE D. WRAY

Title: EXECUTIVE DIRECTOR

Date of Execution: \_\_\_\_\_