

# TERRAPIN HOUSING AUTHORITY

## COST ALLOCATION POLICY

The Terrapin Housing Authority (THA) will maintain a cost allocation plan that meets OMB's requirements (2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

A cost allocation plan will be prepared each fiscal year on the same schedule as the operating budgets. The operating budgets will be based on the new cost allocation plan. The cost allocation plan will be provided and approved by the Board of Commissioners, on the same schedule as the operating budgets. The approved cost allocation plan will be used to allocate costs at the beginning of the THA's fiscal year.

The cost allocation plan will include the direct and indirect costs for each project and program. **Direct costs** are costs that can be directly traced to a project or program and will be charged to the respective project or program accordingly. **Indirect costs** are those costs that may benefit several projects or programs and cannot be specifically traced to any one project or program; for example, the executive director's salary for an agency administering multiple programs.

The cost allocation plan will demonstrate the method used to spread (i.e., allocate) costs to multiple projects or programs. Demonstration includes a description of the methodology(s) to be used, the mathematical calculation(s) and the underlying data used in the calculation. The cost allocation plan and documentation will be maintained in accordance with the THA's documentation retention policy and treated as an accounting record.

To ensure costs are allocated in a fair and equitable manner, multiple cost allocation methods (e.g., direct labor hours, work orders, units, etc.) may be used. The THA shall minimize the number of cost allocation methods that are used but result in an equitable distribution of costs that meet all other OMB and HUD requirements, e.g., supportable and allocating only eligible costs.

If the THA changes its service delivery model, the cost allocation plan will be reviewed, updated and implemented. For example, if the THA receives a new program mid-year, the cost allocation plan would need to be updated to make sure the new program is charged its fair share of indirect costs.

The PHA is prohibited from allocating or charging costs based on a methodology that considers the available resources of the programs; such a methodology is non-compliant with OMB rules.

## COST ALLOCATION PROCEDURES

The following procedures related to cost allocation and the cost allocation plan are provided below.

- Examination of Costs
- Cost Allocation Methodology
- Cost Allocation Plan

### **Examination of Costs**

Annually all costs of the THA will be reviewed by the appropriate finance and program staff to determine if program and project costs that are charged or proposed to be charged are accounted for correctly as a direct versus an indirect cost and if the methodology used to allocate costs is fair and reasonable.

- **Employee Costs.** Each employee's job duties will be examined to determine the proper placement and accounting of the costs. The examination of job duties will be based on the written description and the actual duties currently performed by the individual. From this analysis, a Schedule of Salaries, Benefits and Positions will be prepared showing the placement of the costs and the cost allocation method used to base the cost distribution (if necessary). The schedule will list each employee and will provide the current salary and benefits and the proposed salary and benefits. The schedule will be provided as part of the overall budget approval process.
- **Other Costs.** Other costs associated with the programs and projects will be examined to determine if each cost is accounted for as a direct or indirect cost. If a cost is determined to be an indirect cost, management will complete a cost/benefit analysis to determine if the activity and associated cost could be obtained differently and accounted for as a direct cost. If the cost is determined to be indirect, the cost allocation method should be determined and documented.

### **Cost Allocation Methodology**

To limit the number of cost allocation methods to be maintained and applied, the PHA should group similar costs and establish one cost allocation methodology for each group.

In the case of the same employee providing services to various programs and projects where the program and projects are different, (i.e., does not provide for a per unit allocation), a time study will be conducted annually for a one-month period to arrive at allocation rates. The time study should be conducted in an average month prior to the beginning of the fiscal year to allow for operating budget development, analysis and approval. The time study will capture the direct time of each project, program, and time that cannot be associated with a specific project or program. If all an employee's activity is indirect, an alternate cost allocation method will be developed and applied to the employee.

### **Cost Allocation Plan**

The cost allocation plan will provide a list of each type of costs and the basis for the allocation between the programs. The cost allocation plan is to be completed prior to the beginning of the fiscal year, prepared in conjunction with the preparation of the PHA's operating budgets, and finalized before the presentation of the operating budgets to the Board of Commissioners. The plan will be signed and dated by the Finance Director, where applicable, as well as the Executive Director.

The cost allocation plan will document the method used to allocate the program's share of **indirect costs** by cost item, a description of the methodology(s) used, the mathematical calculation(s) and the underlying data used in the calculation. The cost allocation plan and documentation will be maintained in accordance with the PHA's documentation retention policy and treated as an accounting record.

If the PHA changes its service delivery model, the cost allocation plan will be reviewed, updated and implemented as needed to ensure costs are charged fairly. If the fee accountant is preparing the cost allocation plan in conjunction with the budget, the PHA will support the cost allocations by sending and retaining needed documentation, such as a time study.

Service Type	Methodology
Salaries	Annually, a salary study will be performed to determine the average hours to allocate to each program. The study will be done before the fiscal year begins to incorporate into the upcoming budget.
Benefits	Employee benefits will follow the allocation of salaries.
Internet – Main Office	Costs will be allocated based on the salary allocation.
Software	Modules specific to a program will be allocated to that specific program. Other modules will be allocated based on the salary allocation.
Software – Zoom, MS, Go To My PC	Licensing costs will be allocated based on salary allocations.
Website	Website hosting costs will be allocated based on salary allocation.
Property Insurance	Costs will be allocated by square footage, when not directed allocated
General Liability Insurance	Costs will be allocated by square footage, when not directed allocated
Auto Insurance	Auto insurance will be allocated based on the car usage log for property the car was benefiting.
Sexual Misconduct	Cost will be allocated based on salary allocation.
D&O Insurance	Cost will be allocated based on salary allocation.
Crime Insurance	Cost will be allocated based on salary allocation.
Office/Stationary Expense	Cost will be allocated based on salary allocation.
Postage	Postage costs will be allocated based on postage meter.
Copies	Copier costs will be allocated based on number of copies for each program monthly. It will be monitored by the copier code entered.
Copier Rental	Rental costs will be based on the allocation of actual copies made.
Cars and related operating costs	Car costs will be allocated based on a usage log. Related operating costs will be based on the car usage log.

Legal Fees	Legal fees will be allocated based on program benefited. If the legal fee is just a monthly retainer, the allocation will be based on revenue for each program. HAP funding will not be included.
Fee Accounting	Accounting fees will be allocated based on revenue for each program. HAP funding will not be included.
Bank Fees	Bank fees will be allocated based on the revenue for each program. HAP funding will not be included.
Payroll Service Fees	Allocation will be based on salary allocation
Training and related travel	Training cost that are considered indirect will be allocated based on time accumulated for program that it benefited. Or, costs will be allocated based on the salary allocation for each employee if the cost cannot be allocated to a program.
Travel	Travel cost that are considered indirect will be allocated based on time accumulated for program that it benefited. Or, costs will be allocated based on the salary allocation for each employee if the cost cannot be allocated to a program.
Advertising	Advertising expense will be allocated based on allocation of salaries.
Membership Fees	Membership fees will based on baseline units.

## **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 [identify date] to establish cost allocations or billings for [identify period covered by plan] are allowable in accordance with the requirements of this Part and the Federal award(s) 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 Federal 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.

Name of PHA:

Signature:

Name of Official:

Title:

Date of Execution: