

# Oklahoma Employment Security Commission



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## OKLAHOMA EMPLOYMENT AND TRAINING ISSUANCE # 10-2002

**TO:** Grant Recipients

**FROM:** Terry Watson, Director  
Employment and Training Division

**DATE:** September 10, 2002

**SUBJECT:** Cost Allocation Plan Policy

**PURPOSE:** To disseminate the new Oklahoma Cost Allocation Plan Policy.

**MESSAGE:** The State requires all Cost Allocation Plans to meet the minimum requirements contained in this policy.

**ACTION:** This issuance is to become a part of your permanent records. Please distribute to appropriate personnel.

TW/aw

Attachment:  
Cost Allocation Plan Policy

# Cost Allocation Plan Policy

## Cost Allocation Plans

The cost allocation plan (CAP) is a document that identifies, accumulates, and distributes allowable direct and indirect costs under grants and contracts, and identifies the allocation methods used for distributing the costs. A plan for allocating joint costs is required to support the distribution of those costs to the grant program. Formal accounting records to substantiate the propriety of the eventual charges must support all costs included in the plan.

## Types of Allocation Plans

A distinction is made between two types of cost allocation plans:

Plans needed to allocate organization-wide and central services costs to individual departments within the organization is a **(Indirect Cost Plan)**, i.e. organizations that have multipliable funding sources, and

Plans needed to allocate costs within a department to different grants and other final costs objectives concerning those grants (**Cost Allocation Plan**), i.e. WIA Adult, WIA Dislocated Worker, WIA Youth, Welfare to Work, Title V, TANF

**Indirect Cost Plan.** The indirect cost plan identifies and distributes the costs of services provided by support organization (such as personnel, treasury, security, and legal) to departments or units administering Federal grants or contracts. Indirect cost/central service CAPs are usually approved by a cognizant Federal agency.

**Cost Allocation Plan.** The second type of cost allocation plan distributes the administrative or other joint costs incurred within a performing (subrecipient or contractor) department or unit, together with the services costs allocated to it under the indirect cost proposal, to all work performed by the department or unit. This type of plan is developed by the unit that directly operates the WIA programs to allocate costs between its WIA and non-WIA programs and between titles and costs categories within WIA. This type of plan is commonly referred to as a Cost Allocation Plan.

## Contents of the Cost Allocation Plan

The CAP should include at least the following elements:

- Organization chart that identifies all departments, types of services provided, and WIA and non-WIA staff functions of the organization.
- Description of the types of services provided and their relevance to WIA projects - generally called a Statement of Function and Benefit. These would include all WIA and non-WIA revenue sources and cost objectives.

- Copies of official financial statements or budgets of the organization.
- Expense items included in the cost of the services. This would include all joint or pooled costs needing to be allocated. Example: A staff person whose work benefits more than one cost objective, cost pools established for administrative costs and other types of pooled costs, and all other costs that cannot be readily assigned to a single cost objective.
- The methods used in distributing the expenses to benefiting cost objectives. This requires identifying the basis for allocating each type of joint or pooled cost, and the documentation for supporting each basis for allocation.
- Certification by an authorized grant recipient official that the plan has been prepared in accordance with WIA or other authorizing legislation, regulations and State or other applicable requirements.

For WIA entities that are charged indirect or central services costs, the CAP should also include:

- Identification of the departments rendering the service costs to benefiting departments
- Summary schedule of the allocations of central service costs to operating departments.

The following suggestions should also be considered when developing a CAP:

- **Keep it Simple.** The simplest and least costly method possible, based on a measure of relative benefit received, that will produce an equitable allocation of costs to programs and cost categories, should be used.
- **Make it Replicable.** The process that is developed must be able to be duplicated at any time, and with changes in the organization or funding levels.
- **Simplify the Organizational Structure.** The organizational structure of the CAP should be made no more complicated than necessary to allocate costs.
- **Consider What is Required.** The required structure and capabilities of the accounting system must be considered in designing an operable cost allocation process.
- **Make Changes Prudently.** Changes in an organization's CAP that result in a retroactive redistribution of costs to the benefiting cost objective are allowable where the change results in a more equitable distribution of costs. Such changes in allocation methodology should be rare, should receive the necessary prior approvals and should be justified and well documented.