

The background features a large, stylized white 'X' shape on a dark purple field. The 'X' is formed by two intersecting diagonal lines that create a central white diamond and four purple triangles at the corners. The word 'maximus' is written in a white, lowercase, sans-serif font, positioned to the left of the 'X' and partially overlapping its left arm.

**maximus**

Indirect Costs:  
Could it Benefit You?

Cost Allocation Plan Overview

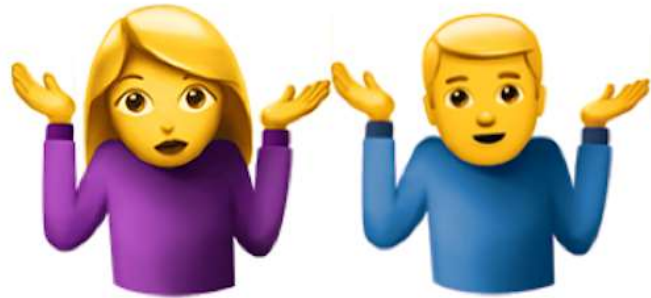
October 2023



# Cost Allocation Plan??

What is a cost allocation plan?

How is a cost allocation plan prepared?



Why have a cost allocation plan?

How do I navigate through a cost allocation plan?

# X What is a Cost Allocation Plan?

A cost allocation plan is a document prepared by an organization that describes the process by which central services costs can be identified and assigned to benefiting cost objectives on a reasonable and consistent basis.

For states, local governments, and Indian tribes, certain services, such as human resources, computer centers, purchasing, accounting, building maintenance & upkeep, etc., are provided to operating agencies on a centralized basis. Since Federal awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefited activities on a reasonable and consistent basis. The central service cost allocation plan provides that process.

Identify, Accumulate, and Allocate indirect costs to final cost objectives



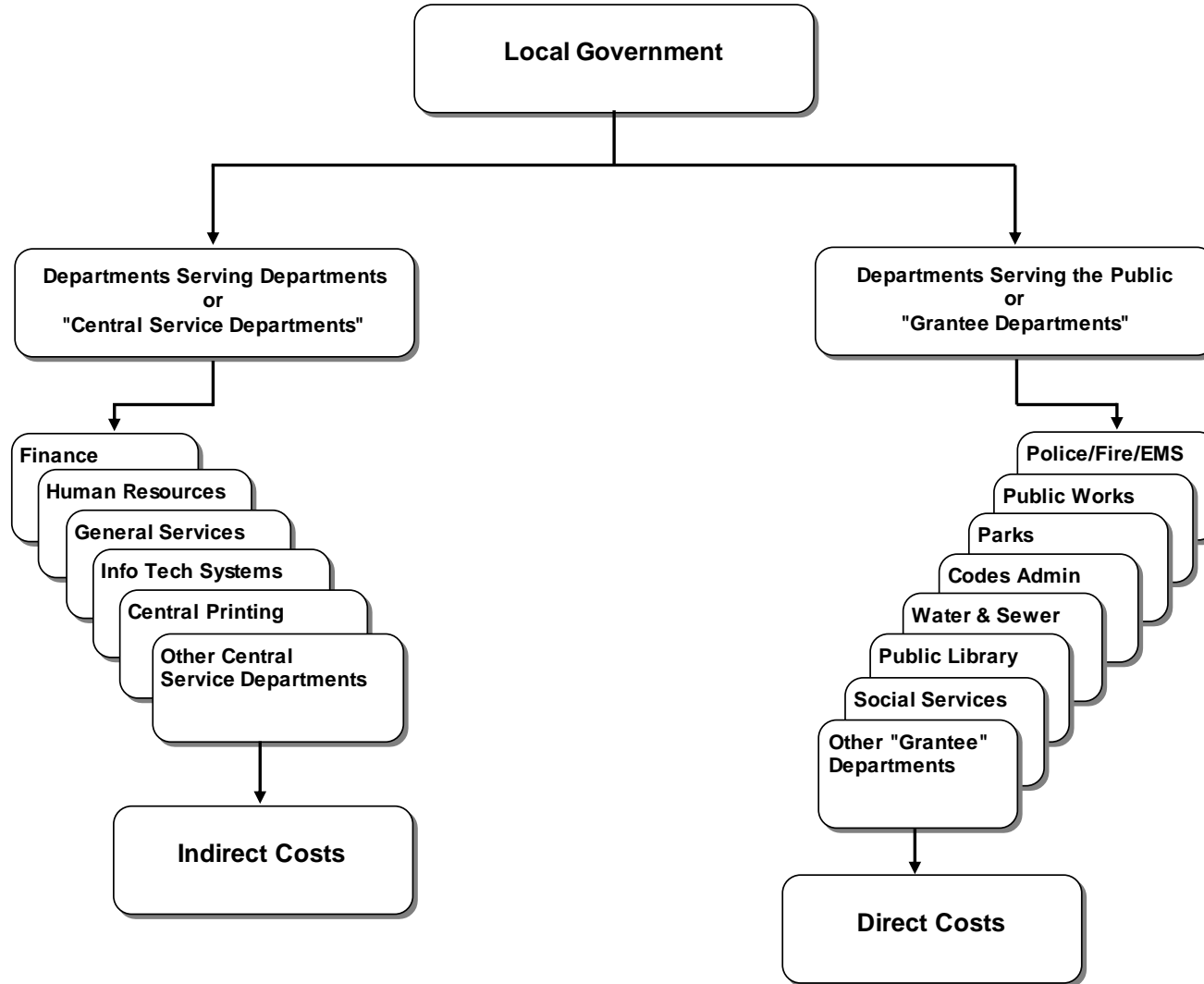
## In Other Words...

There are services provided by certain departments within the County that benefit all other departments. For example: IT, Finance, and Facilities.

The cost allocation plan aims to determine a fair and equitable distribution of those costs to benefitting departments using statistical data or other metrics.



# Cost Allocation Components





## Reasons for Cost Allocation

- **Management tool to assist with funding level decisions and employee effort**
- **Required for reimbursement of eligible costs for Federal purposes**
- **Recover costs from non-general fund programs**
- **Project costs for inter-governmental agreements**
- **Estimate costs on proposed grants**
- **Determine the full cost of a cost objective or service**



## Allocating Indirect Costs

- Activities/Functions: For each Central Service Department, we determine applicable functions (also called activities) for use in grouping expenditures within those departments
- Functions are assigned an appropriate allocation basis based on the type of expenditures



## Allocating Indirect Costs

- Time Distribution Surveys: For some Central Service Departments, we request a distribution of employees' estimated effort for each identified activity
- Effort is weighted based on each employees' annual salary, totals by activity are calculated, and a proportion by activity is determined





# Allocating Indirect Costs

- Example for Finance Department:

Employee	Salary	G&A		General Accounting		Payroll	
		%	\$	%	\$	%	\$
Employee "A"	\$40,000			50%	\$20,000	50%	\$20,000
Employee "B"	\$50,000			50%	\$25,000	50%	\$25,000
Employee "C"	\$60,000	100%	\$60,000				
Total	\$150,000		\$60,000		\$45,000		\$45,000
<b>% of Total</b>			<b>40%</b>		<b>30%</b>		<b>30%</b>



# Allocating Indirect Costs

- Allocation Bases: The methodology or statistical measure by which central services (indirect) costs are distributed to other benefitting central services or receiving departments.
- Examples:
  - Number of Employees
  - Number of Transactions Processed
  - Square Footage
  - Salaries and Wages of Benefitting Units
  - Direct Assignments



# Allocating Indirect Costs

## Example: Centrally Located Copier

- Costs (Direct) to Operate include:
  - Lease Payments
  - Repair & Maintenance
  - Toner
  - Paper
  - Supplies



# Allocating Indirect Costs

## Example: Centrally Located Copier

- Costs (Indirect) include:
  - Electricity used to operate
  - Occupied space
  - Staff time paying related bills (Leases, Supplies)
  - Arranging deliveries/servicing



# Allocating Indirect Costs

## Example: Centrally Located Copier

- How do we allocate copier costs to the departments?
  - Good - Equal Distribution to each department
  - Better - Number of staff using the copier
    - Department A – 12 staff (30% of allocable costs)
    - Department B – 6 staff (15% of allocable costs)
    - Department C – 22 staff (55% of allocable costs)
    - Total Staff: 40
  - Best - Number of Prints/Actual usage of the copier



# Cost Allocation Plan Process

- Information Requirements:
  - Organization Charts
  - Chart of Accounts
  - Time Distribution Surveys
  - Expenditure Detail
  - Payroll Data
  - Direct Billings
  - Interviews (if necessary)
  - Central Service Department Statistical Data/Metrics
  - Financial Audit





## Cost Allocation Plan Process

- Processing:
  - Compile data provided by the county into workpapers
  - Enter data from workpapers into proprietary software, MAXCAP
  - Generate cost allocation plan and review



## Cost Allocation Plan Process

- Project Review
  - Draft is sent to Administrator/Finance Director for review
  - Any revisions requested are made
  - Cost Plan is finalized and submitted to necessary parties





## Timeline for Cost Allocation Plan Process

- Project initiation begins on an agreed upon time between Maximus and Client.
- Average amount of time to complete is 3 to 6 months.
- Completion varies based on requests and client response
- Goal is for the report to be ready for use in the budgeting process or other needs
- Plan completed using 2023 financials will be for use in 2025

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