COST ALLOCATION DOCUMENTATION **9203**
(New 03/10)

All state departments will document and retain their cost allocation procedures and methodology in a cost allocation plan (CAP). Each CAP will contain detailed information regarding the costs being allocated, the allocation methodology, and the following information:

1. The frequency of allocating various costs to programs.
2. The rationale for selecting an allocation base.
3. How often the allocation base is evaluated to determine its continued accuracy.
4. Anticipated changes in the bases used to allocate costs.

All CAPs should be supported by appropriately cross-referenced working papers or system documentation, updated periodically, and retained for reference and for audit purposes. A sample outline of a CAP is displayed below:

PROGRAM COST ACCOUNTING, COST ALLOCATION PLAN

I. Purpose/Scope/General Overview

II. Definitions

III. Budget Structure

IV. Methodology

Allocation of Indirect Cost Pools-Explain allocation basis
Allocation of Administration

a. Include a description of costs charged to administration.
b. Describe method or methods for allocating each type of costs to programs.

V. Allocation Sequence

VI. Program and Organization Charts in Picture Form Displaying Roll-Up Levels and Coding Schemes

An example of a CAP for a simple CALSTARS department is available on the internet at:
http://www.documents.dgs.ca.gov/sam/pdf/ca_plan.pdf

2009-2010 COST ALLOCATION PLAN

DEPARTMENT OF AIR QUALITY

_____ _____

Approved by the Director Date

I. PURPOSE/SCOPE/GENERAL OVERVIEW:

The purpose of this report is to document the Department's 2009-10 CALSTARS cost allocation plan. Each month the Department of Air Quality allocates all of their administrative costs and some costs that are not practical or convenient to charge to a single program (indirect cost pools). The Department's Administration costs are identified in the Budget Act under Program 30, Element 01. The indirect cost pools are not identified in the Budget Act but are recorded within CALSTARS under Program 96 - Undistributed Multi-Program Costs.

II. DEFINITIONS:

Direct Costs - Any cost that can be identified to a particular program cost center.

Indirect Costs - Costs that are (a) incurred for a common or joint purpose benefiting more than one program cost center, and (b) not easily assigned to those particular program cost centers.

III. BUDGET STRUCTURE:

Program 10 – Research

Program 20 – Enforcement

Program 30 - Administration

Element 01 - Administration

Element 02 - Distributed Administration

Administration contains functions and activities that are directly concerned with establishing the policy and methods and controlling the execution of the Department's role in State government. The functions performed by this program are policy formulation, direction and coordination. This program also contains support and specialized services that are essential to the administration and operation of the department.

IV. ALLOCATION METHODOLOGY

ALLOCATION OF INDIRECT COST POOLS:

Indirect cost pools are identified in the Cost Allocation Table as Program 96.

Program 96 cost pools allocate to the following programs during the cost allocation process:

10 – Research
20 – Enforcement
30.01 - Administration

These costs allocate without Index identification. Use Index Code 0000 in the Cost Allocation Table Key.

Charges to the Program 96 cost pools include:

Training Facility Usage (PCA 96101, Various Object Details)

Distribution Type: 4 - Fixed Percentage
PCA Type: 3 - Redistribution

Charge Information:

PCA	TITLE	OBJECT DETAIL	AGENCY OBJECT
96101	Allocation of Training Facility Usage	Actual	Actual

Distribution: Programs 10, 20 and 30.01
Basis: Fixed percentage of square footage previously determined in Programs 10, 20 and 30.01.

Credit Information:

The Program 96 cost pools will recover back to themselves using the same Object Detail and Agency Object as charged in the initial expenditure coding.

Percent Distribution of Cost Pools to Program PCAs

COST POOL PCA	PROGRAM	PCA	Percentage
96101	10	10101	5%
		10201	5
		10301	10
		10401	13
		10501	17
	20	20199	26
	30.01	30101	24
		TOTAL	100%

ALLOCATION OF ADMINISTRATION

Administrative costs allocate to the following direct programs during the cost allocation process:

10 – Research; and
20 – Enforcement

These costs allocate without Index identification. Use Index Code 0000 in the Cost Allocation Table Key.

The total administration dollars allocate to those programs based on the personal services charged to each direct program.

Distribution Type: 5 - Calculated Pro rata Percentage of expenditures in the allocation range

PCA Type: 5 - Special - Administration

Charge Information:

PCA	TITLE	OBJECT DETAIL	AGENCY OBJECT
30101	Administration	Object Code 427	

Distribution: Programs 10 and 20.
Basis: Total administration dollars allocated based on the personal services dollars charged to each direct program. (Object Detail Codes 003 Agency Object 00 through 137 Agency Object 99)

Credit Information:

PCA	TITLE	OBJECT DETAIL	AGENCY OBJECT
30102	Distributed Administration	Object Code 912	

Allocation Range:

The PCA range of 10101 - 20199 may include Object Detail 427, allocated costs.

V. ALLOCATION SEQUENCE

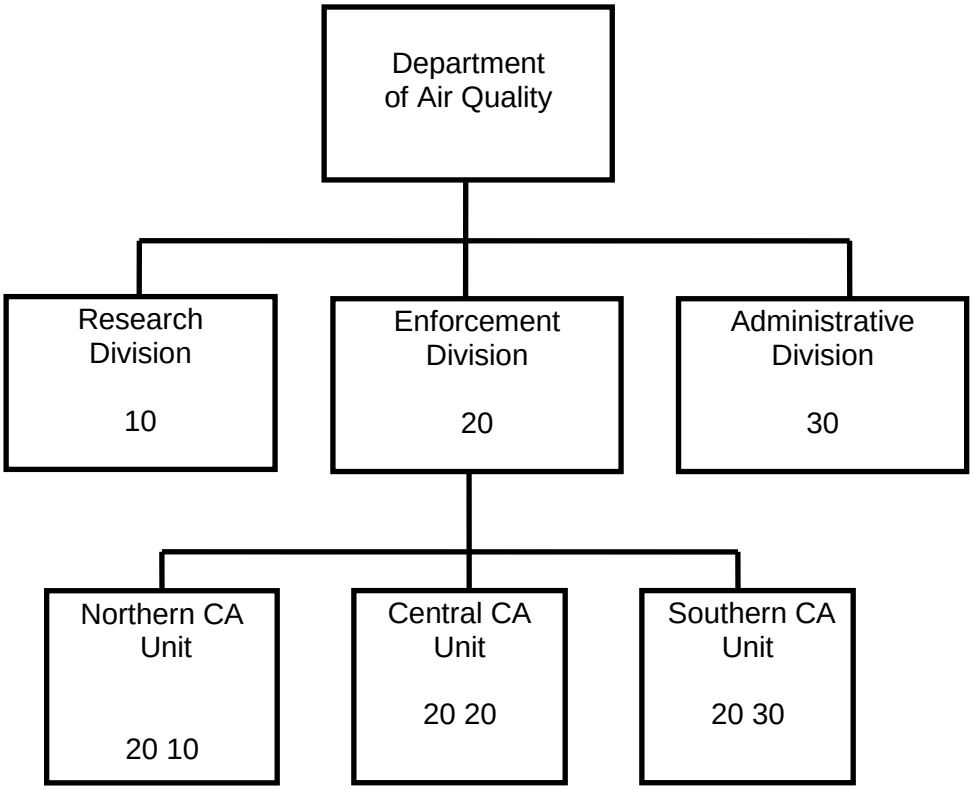
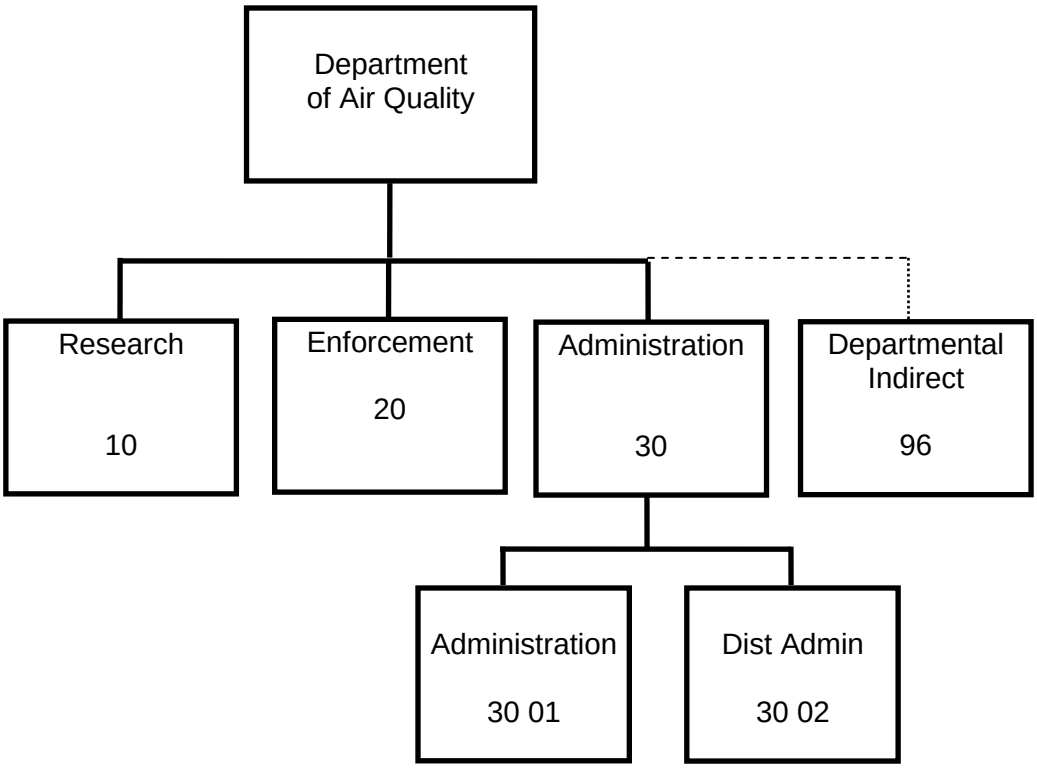
Indirect Cost Pools - These costs allocate during Step 1 of the month-end Cost Allocation/Fund Split process.

Administration Costs - These costs allocate during Step 2 of the month-end Cost Allocation/Fund Split process.

VI. PROGRAM AND ORGANIZATION STRUCTURE

The Department's Program and Organization structure is identified on the following pages.

ORGANIZATION STRUCTURE



PROGRAM STRUCTURE