

SAM - ALLOCATION OF COSTS

COST ALLOCATION PROCESS

9204

(New 03/10)

The following illustrations display the cost allocation process of personal services, operating expense and equipment, service units, and a reconciliation of program costs to the general ledger. Departments must allocate costs to the program level required by their program budget.

Each department will ensure that all costs have been allocated by reconciling the total costs allocated with the total expenditures reflected in the appropriation expenditures account (including accrual expenditures) in the general ledger at June 30.

SAM - ALLOCATION OF COSTS

9204 ILLUSTRATION ALLOCATION OF PERSONAL SERVICES COSTS FOR THE FISCAL YEAR ENDING JUNE 30, ___ 1/

UNITS	DIRECT HOURS	PROGRAMS				PERSONAL SERVICES COSTS ^{2/}	PROGRAMS				ADMIN	
		10	15	20	25		30	10	15	20		25
1	65,000	20,000 30.8%	15,000 23.1%	10,000 15.3%		400,000	123,200	92,400	61,200	123,200		
2					X ^{3/}	630,000				630,000		
3	125,000	40,000 32%	50,000 40%	35,000 28%		750,000	240,000	300,000	210,000			
4	80,000				40,000 50%	540,000			270,000	270,000		
5 & 7 ^{4/}	150,000	10,000 6.7%		100,000 66.6%	40,000 26.7%	960,000	64,320		639,360	256,320		
6	90,000		30,000 33.3%		60,000 66.7%	650,000		216,450	433,550			
ADMINISTRATION						300,000	427,520	608,850	910,560	1,333,550	649,520	300,000
PERCENTAGE OF TOTAL PERSONAL SERVICES						4,230,000	427,520	608,850	910,560	1,333,550	649,520	300,000
PERCENTAGE OF TOTAL PERSONAL SERVICES WITHOUT ADMINISTRATION							10.1%	14.4%	21.5%	31.5%	15.4%	7.1%
							10.9%	15.5%	23.2%	33.9%	16.5%	

Allocation Steps:

- a. Determine the hours charged to each program.
- b. Determine the percentage of direct hours charged to each program to the hours charged to all programs.
- c. Use the percentages in b above to allocate the unit's personal services costs.
- d. After personal services costs of all units are allocated, total the costs charged to each program. Determine percentages of each program to total costs for all programs including administration.

- 1/ Allocation may be made as often as the department desires, with a minimum of once a year at year-end.
- 2/ Personal services costs are the actual amount paid for personal services and staff benefits.
- 3/ Unit 2 personnel do not keep time sheets since all of their time is spent on one program.
- 4/ Units 5 and 7 are combined because their salary mix is the same.

SAM - ALLOCATION OF COSTS

**9204 ILLUSTRATION
ALLOCATION OF OPERATING AND EXPENSE AND EQUIPMENT COSTS
FOR THE FISCAL YEAR ENDING JUNE 30, ____ 1/**

	TOTAL EXPENDITURES	PROGRAMS					ADMINISTRATION
		10	15	20	25	30	
Freight	5,000				5,000		
Consulting Services	25,000		25,000				
Rent	200,000	20,000	35,000	40,000	53,000	45,000	7,000
Travel-in-State	120,000	15,480 12.9%	21,960 18.3%		48,240 40.2%	23,520 19.6%	10,800 9.0%
Other OE&E	700,000	70,700 10.1%	100,800 14.45%	150,500 21.5%	220,500 31.5%	107,800 15.4%	49,700 7.1%
Equipment	40,000			30,000		10,000	
TOTAL	1,090,000	106,180	182,760	220,500	326,740	186,320	67,500

Allocation Steps:

- a Charge to programs those costs which can be identified directly to a program (freight, consulting services, and equipment).
- b Allocate expenses by their allocation bases:
 - 1) Rent is allocated on the basis of square feet.
 - 2) Travel-in-state is allocated on the basis of actual personal services costs charged to those programs which require its personnel to travel.
 - 3) All other operating expenses which cannot be identified directly to a program or allocated more accurately utilizing another allocation basis is allocated on the basis of salaries and wages costs charged to programs.

Note: This example shows different allocation bases used to allocate different types of costs. Departments will use a basis which will allocate each type of cost equitably.

SAM - ALLOCATION OF COSTS

**9204 ILLUSTRATION
ALLOCATION OF SERVICE UNIT AND ADMINISTRATION COSTS TO PROGRAMS
FOR THE FISCAL YEAR ENDING JUNE 30, ____ 1/**

	PROGRAMS					ADMINISTRATION 84
	10	15	20	25	30	
Hours	84	100	335	1,339	59	
Allocation Percentages	4.2%	5.1%	16.7%	66.9%	2.9%	4.2%
Service Unit Costs	10,038	12,189	39,913	159,891	6,931	10,038

ALLOCATION OF ADMINISTRATION COSTS TO PROGRAMS

	PROGRAMS				ADMINISTRATION 84
	10	15	20	25	
ADMINISTRATION					
Personal Services	300,000				
OE&E	67,500				
Service Unit Costs	10,038				
TOTAL	377,538				
Allocation Percentages ^{1/}	10.9%	15.5%	23.2%	33.9%	16.5%
Allocation	41,152	58,518	87,589	127,985	62,294

^{1/} Percentage is calculated by dividing total of program's personal services by the total department's personal services.

SAM - ALLOCATION OF COSTS

9204 ILLUSTRATION
 RECONCILIATION OF PROGRAM COSTS
 FOR THE FISCAL YEAR ENDING JUNE 30, ____ 1/

RECONCILIATION OF PROGRAM COSTS

	PROGRAMS				TOTAL COSTS
	10	15	20	25	
Personal Services	427,520	608,850	910,560	1,333,550	3,930,000
OE&E	106,180	182,760	220,500	326,740	1,022,500
Service Unit Costs	10,038	12,189	39,913	159,891	228,962
Administration	41,152	58,518	87,589	127,985	377,538
Total Program Costs	584,890	862,317	1,258,562	1,948,166	5,559,000
Total Per General Ledger Appropriation Expenditures Account					5,559,000