



DEPARTMENT OF
WORKFORCE INVESTMENT

David Mirrione
Director

1205 West 18th Street
Merced, CA 95340
(209) 724-2000
(209) 725-3592 Fax
www.worknetmerced.com

Procedure
For

Equal Opportunity Employer

Allocation of Shared Direct and Indirect Costs

Policy: Departmental Cost Allocation Methodology

As a grantee agency administering funds under Workforce Innovation and Opportunity Act, the Merced County Department of Workforce Investment will determine the status of and allocate its shared direct and indirect costs in accordance with principles and standards established in 2 CFR Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

Dual cost allocation rate systems are maintained to insure equitable allocation bases for both personnel and non-personnel costs. **Salary rates** are used to distribute personnel costs (salaries, wages, and fringe benefits). These rates are derived from reported distributions of employee activity weighted according to the base hourly wage rate of each employee. **Overhead rates** are used to distribute non-personnel costs (all other shared direct and indirect costs). Overhead rates are derived exclusively from reported distributions of employee activity, without regard to differences in hourly wage.

The **Department 55000 Cost Allocation Personnel Activity Report** is the authorized medium for collection of employee activity data. This form is designed to meet the standard for equivalent documentation to personnel activity reports as described in 2 CFR 200.430 (i) - Standards for Documentation of Personnel Expenses.

Procedures:

All employees will fill out a Department 55000 Cost Allocation Personnel Activity Report form once a month. The completed form, countersigned by the employee's supervisor or another management employee, will be turned in to the Fiscal/MIS Division not later than the due date specified on the form.

Employees will attribute all scheduled work time, excluding paid vacation and sick leave, to final cost objectives. Supervisors and support personnel may mark some or all of their time for distribution to intermediate cost objectives, and subsequent re-distribution to final cost objectives on the basis of the reported activities of the employees supervised or supported. Employee utilizing these intermediate cost objectives, and their immediate supervisors, will be made aware of the necessity of directly attributing to an appropriate final cost objective that time for which the allocation basis would be incorrect.

All permanent full time and variable shift employees will attribute hours of paid time off (vacation, sick leave, jury duty, etc.) to a special **Vacation, Sick, etc.** intermediate cost objective. For each employee, time attributed to this intermediate cost objective will be subsequently re-distributed to final cost objectives in the same proportions as time already attributed to them by all other means.

The Fiscal/MIS Division will review all forms for accuracy with regard to employee attendance records and applicability of reported activities to known duties of the employee, and resolve discrepancies with

the assistance of the employee's supervisor. Information from completed, verified forms will be entered in the Time Study Database for subsequent calculations described below.

The base hourly wage of each employee, extracted from the latest payroll for which data is available at the time of calculation, will be multiplied by the number of hours distributed to each final cost objective to quantify the time and effort of each employee as a dollar value. The sum of dollar values for each final cost objective, divided by the total of all dollar values, will be used to derive a salary cost allocation rate, accurate to eight decimal places, for each final cost objective. If required, a rounding adjustment will be applied to the highest rate to insure that the sum of all salary cost allocation rates is unity (1.00000000).

The sum of all salaries, wages, and fringe benefits will be multiplied by the salary cost allocation rate for each final cost objective and the result rounded to the nearest penny to derive a distributed amount. If required, a rounding adjustment will be applied to the largest distributed amount so that the sum of all distributed amounts matches the original total.

The sum of hours attributed to each final cost objective, divided by the total of all hours attributed to all final cost objectives, will be used to derive an overhead cost allocation rate, accurate to eight decimal places, for each final cost objective. If required, a rounding adjustment will be applied to the highest rate to insure that the sum of all overhead cost allocation rates is unity (1.00000000).

Responsible Official: Deputy Director

Reviewed Date: April 12, 2017

Revised Date: April 12, 2017