

Capital Area Council of Governments

Fiscal Year 2024 Cost Policy Statement and Cost Allocation Plan

The Capital Area Council of Governments (CAPCOG) uses the cost allocation method prescribed in OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 C.F.R. Part 200; *Review Guide for State and Local Governments State/Local-Wide Central Service Cost Allocation Plans and Indirect Cost Rates*; *U.S. Economic Development Administration Indirect Cost Instructions (8/10/2015, updated 11/12/2020)*; and the Texas Grant Management Standards (TxGMS) to distribute shared costs throughout the grants and programs that it administers. Six direct cost pools have been established for common services: Accounting Services, Payroll & Personnel Services, Information Technology Services, Copier, Telephone, and Office Space. Actual accumulated costs are pooled into separate cost pools and these costs are distributed directly to programs each month. The allocation method for each pool is listed below:

- Accounting Services: number of labor hours per program.
- Payroll & Personnel Services: number of labor hours per program.
- Information Technology Services (ITS): the number of network connections and devices per program.
- Copier: number of copies per program.
- Telephone: number of phone lines, plus direct phone charges per program.
- Office Space: actual square footage per program.

COST POLICY STATEMENT

Basis of Accounting:

CAPCOG uses the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CAPCOG considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenues, state financial assistance, membership dues and interest are susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by CAPCOG.

Indirect Cost Rate Allocation Base:

CAPCOG's indirect rate base is total salaries and wages.

Fringe Benefits:

Fringe benefits are charged to each Program in direct proportion to the total salaries and wages for regular employees (employees whose term of employment is expected to last more than 1 year).

Internal Control:

CAPCOG maintains adequate internal controls to ensure that no cost is charged both directly and indirectly to Federal and State contracts or grants. CAPCOG uses Abila Software's MIP Fund Accounting software which has built in internal control features such as password security, restricted access, levels of authorization, dual entry, date restriction and designated approval processes. In the Navigator mode, accounting transactions are laid out in flow chart fashion so that all steps in a process can be followed.

Accumulated Indirect Costs:

CAPCOG accumulates all indirect costs and revenues in MIP fund account 100 titled, "General Fund," and program codes 110 "General Management."

Other policies and guidelines:

- CAPCOG Fixed Assets Policy
- CAPCOG Fund Balance Policy
- CAPCOG Investment Policy
- CAPCOG Internal Controls Policy
- CAPCOG Personnel Policies
- CAPCOG Travel Guidelines

DESCRIPTION OF COST ALLOCATION METHODOLOGY:**Salaries and Wages:**

All time is accounted for on employee time sheets, reviewed by supervisors and/or managers and submitted electronically to the Finance Department for processing. Timesheets are submitted on a bi-weekly basis. The MIP Fund Accounting software distributes the cost to the general ledger of the appropriate grant or pool. Program salaries are charged directly to the appropriate program budget. Salaries and benefits for the Executive Director's staff or other staff services that benefit all program areas are allocated to Indirect Costs. No payroll costs can be duplicated.

Fringe Benefits Allocation:

The following is a list of fringe benefits paid for all regular employees:

- Payroll Taxes-FICA
- Payroll Taxes – Medicare
- Unemployment Insurance
- Workman's Compensation
- Retirement Contribution (401K match for those participating)
- Health Insurance
- Dental Insurance
- Vision Insurance
- Long Term Disability Insurance
- Term Life Insurance
- Wellness Program
- Merit Pay
- Vacation
- Sick time
- Holidays
- Personal Day
- Other leave time (i.e., administrative leave, bereavement leave, etc.)

A limited set of benefits are paid for temporary employees:

- Payroll Taxes-FICA
- Payroll Taxes – Medicare
- Unemployment Insurance
- Workman's Compensation
- Retirement Contribution (401K match for those participating).

Fringe benefits are tracked through the payroll module of the MIP accounting software. Charges to programs are in direct proportion with compensation charges. Using the Simplified Allocation Method, the total fringe benefits costs are divided by an equitable distribution base. For CAPCOG, the distribution base is the total regular employee salaries and wages. The result of this process is a fringe benefits rate, expressed as the percentage which the total amount of benefits costs bears to the base (total regular salaries and wages). The rate provides a monthly charge to all programs to ensure that all programs are equally charged a proportionate share directly related to the amount of labor assigned to that program.

Release time (annual leave, sick leave, holiday leave, and personal days) is included in the fringe benefit calculation. A wellness program contribution and a finite amount for merit, when available, are also included. The cost of benefits consulting and a carry-forward adjustment from the last audited fiscal year's over-recovery or under-recovery are also included in the fringe pool.

Travel:

Travel is charged directly to the program or cost pool that it benefits. The purpose of the travel is documented by travel request forms, which the employee prepares and signs prior to receiving payment. Travel costs are finalized with an after-travel form that documents final expenses. Travel complies with state and federal guidelines and with CAPCOG's Travel Guidelines.

Copies:

CAPCOG uses leased copiers, each of which has been programmed with preset codes used to identify the program and grant where appropriate using the machine and the number of copies produced. Costs related to this pool are recovered monthly based on a proportional share of copies.

Postage:

Metered postage is charged directly based on actual postage cost. The cost of the leased postage meter is recovered monthly based on a proportional share of the number of items mailed.

Communications:

Telephone service and the costs are computed and allocated to the program to which the employee is assigned. The infrastructure costs are allocated in direct proportion to the number of phone lines used by a program. Cell phone stipends are charged directly to each program where applicable.

Space Costs:

Office rental is allocated based on actual square foot costs of space used by each program. This rental cost includes proportionate share of conference room used for Committee meetings, etc., and ancillary areas. Average rental cost and estimated Common Area Maintenance charges are at an annual rate of \$29.01 per square foot (monthly at \$2.42 per square foot). Any overage for Common Area Maintenance charges or costs for maintenance or repairs are pooled and charged out monthly in proportion to the space used by each program.

Other Expenditures:

The remaining expenditure categories (such as consumable supplies, meeting registrations, dues, membership and publications, etc.) are costs for which each program directly pays. Documentation to

support program allocations includes items such as purchase requisitions, payment authorizations, receiving reports and vendor invoices.

Capital Equipment:

Equipment purchases are expensed directly to programs. Documentation to support program allocations includes items such as purchase requisitions, payment authorizations, receiving reports and vendor invoices. Capital purchases are made in accordance with the CAPCOG Procurement Policy and are maintained in the fixed asset inventory.

Contracts:

Contracts procured for the benefit of grants, programs or cost pools are charged directly to the grants, programs or cost pools that they benefit. Costs are supported by signed contracts in accordance with CAPCOG's Procurement Policy.

Accounting Services Allocation:

These services comprise the overall financial management function for all grants and programs. These services include: recording all cash receipts, processing vendor and subcontractor disbursements, accounts receivable, invoicing, periodic reporting to funding agencies and internal management; budget support, cash management, purchasing and procurement functions, and support for all independent fiscal and operational audit teams and monitoring teams from all funding agencies. Audit fees are allocated to the grants or programs through the Accounting Services allocation. Costs are allocated monthly, based on the number of labor hours per program.

Information Technology (IT) Allocation:

Services for this function primarily relate to the Information Technology (IT) support of the local and wide-area computer network systems, which are centralized at CAPCOG's offices. IT support includes all maintenance of the network servers, all peripheral equipment used in the connectivity of the local and wide-area computer network systems, maintenance of all network and PC operating systems and all software applications, maintenance of all PC workstations at all locations, ensuring proper licensing, the maintenance of the software library, Geographic Information Systems (GIS) technical support, and providing technical support and some software training to all employees of CAPCOG. Costs are allocated monthly based on the number of network connections and devices supported in each program or grant.

Payroll and Personnel Services Allocation:

These services comprise payroll and human resources functions for CAPCOG. These include the physical processing of a bi-weekly payroll run, disbursement and periodic payroll tax reporting, orientation for new employees, organizing required training, enrollment support for all benefits paid by CAPCOG, maintenance of a CAPCOG-sponsored defined contribution retirement plan, maintenance and control of all personnel records, and compliance with all federal and state employment laws. The allocation method for Payroll & Personnel Services is the number of labor hours per program.

Geographic Information Systems (GIS) Cost Allocation:

The Geographic Information Systems (GIS) Cost Center is used to provide mapping, geographic data analysis, and geographic data management support to CAPCOG programs. CAPCOG bills each program a monthly fee for GIS support based on estimated workload in support of that program for the year, and to serve as stand-by capacity for such support.

Indirect Costs Allocation:

The Indirect Cost pool is used to allocate the general costs of the CAPCOG that cannot be directly assigned to a specific department, program or grant. The Indirect Cost Pool is established in compliance with the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200, and further defined by TxGMS for state funds. These services comprise the overall management function for all grants and programs.

The budget for the indirect cost pool includes salary and benefits for staff providing general management of the agency, including the CAPCOG Executive Director, the Deputy Executive Director, Member Services Coordinator/Public Information Coordinator, Executive Assistant within the Executive Director's office, Front Office Coordinator, and Director of Administration. Employee development and training, executive travel, training, general insurance, general membership dues, Executive Committee meetings and travel, General Assembly meetings costs, postage and printing for announcements, meetings and general mailing, software maintenance and direct supplies are also included in the indirect cost pool.

Costs that can be readily identifiable as associated with a particular program or cost pool will be directly charged to that program. Indirect costs are allocated based on the actual accumulated expenditures in the indirect cost pool. Using the Simplified Allocation Method, the total allowable indirect costs are divided by an equitable distribution base. For CAPCOG, the distribution base is the total salaries and wages, including contracted temporary employees. Salaries from cost pools, cost centers, and the Emergency Communications district are excluded from the distribution base. The result of this process is an indirect cost rate, expressed as the percentage which the total amount of allowable indirect costs bears to the base (total salaries and wages). The rate provides a monthly charge to all programs to ensure that all programs are equally charged a proportionate share of the Indirect Costs.

CAPCOG uses the Indirect Cost with Carry forward method.

Allocations within individual programs:

Indirect costs and other cost allocations are made at the program level. In some cases, such as in Aging Services programs, costs must be allocated between various funding streams within a program which permit the same expenditures. When this is necessary, the individual programs have developed allocations that are acceptable to their granting agencies.

Allocations to the Emergency Communications District:

The Capital Area Emergency Communications District (CAECD) is a distinct entity from CAPCOG that CAPCOG manages, and its contribution to cost pools and cost centers (indirect, accounting, IT, payroll/personnel, and GIS) is determined through the CAECD budget process.

Pass Through:

Pass Through is the distribution of goods and services directly for the benefit of the intended purpose of the grants or programs where the contracting entity acts merely as a conduit. Since CAPCOG exercises total administrative, managerial and financial control and oversight, very little of its funds can be considered as pass through funds.

Unallowable Costs:

CAPCOG recognizes that unallowable costs, as defined by OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200 and TxGMS, unless exempted or otherwise allowed, cannot be charged to state or federal awards and has internal controls in place to ensure that this is followed.