

The Next Generation



FI\$Cal

Financial Information System for California

Cost Allocation Overview

January 13, 2015

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Agenda

- Objective

- Cost Allocations
 - Overview
 - Definitions/terminology
 - Strategy
 - Examples of Cost Allocations
 - Scenarios

Objectives

- FI\$Cal Team: Provide information to departments about what they should collect before their departmental Workshop and collect Cost Allocation plans

Cost Allocations

Overview

Departments have expenses or assets that are held or accumulated in one entity but must be shared by more than one business unit, department, or other entity. These balances can be distributed across the entities within the organization so that the appropriate share of the amounts is recognized.

Examples of Allocation bases:

- Proportionately across the supported Programs (100% / number of Programs)
- Headcount (Full Time Equivalents) in each supported Program
- Office square footage in each supported Program

Definitions/Terminology

- **Allocation Pool:** The pool is the amount to be allocated – This amount can originate from a ledger or other table, or it can be a fixed amount
- **Allocation Type:** This is the allocation's calculation method – It determines what calculations, if any, are performed on the pool amounts
- **Allocation Target:** The target is the ChartField string(s) to which the pool is allocated
- **Allocation Basis:** The basis determines how and in what proportion the pool amounts are distributed to the various targets
- **Allocation Offset:** Offsets are entries that balance the targets (these are the credit entries)

Strategy

1. Identify What to Allocate

- Source criteria (Ledger, Time range & ChartFields) to identify the Cost Allocation Pool

2. Identify How to Allocate

- Cost Allocation calculation method, example: Copy, Prorata etc.
- Criteria (Ledger, Time range & ChartFields) to identify the Cost Allocation Basis

3. Identify Where to Allocate

- Define Ledger, Period and ChartField combination to identify the Allocation Target and Offset

Allocation Example

- Allocation Type: Copy

Copies pool amounts to the target/offset with possible percentage changes

Example: Reclassify \$400 from a central program to another program

Allocation Step	Account	Program	Amount
Pool	RENT	11001	\$40
	OFFICE SUPPLIES	11001	\$80
	TELEPHONE CHRGS	11001	\$80
	CUSTODIAL CHRGS	11001	\$200
Target	RENT	12001	\$40
	OFFICE SUPPLIES	12001	\$80
	TELEPHONE CHRGS	12001	\$80
	CUSTODIAL CHRGS	12001	\$200

Allocation Example

- Allocation Type: Spread Evenly

Divides pool amounts equally by the specified basis fields to derive the target amounts

Example: Allocate \$400 from a central repository to 4 differing programs

Allocation Step	Account	Program	Amount
Pool	RENT	Clearing Program	\$400
Basis		11001	N/A
		12000	N/A
		13000	N/A
		22001	N/A
Target	RENT	11001	\$100
	RENT	12000	\$100
	RENT	13000	\$100
	RENT	22001	\$100

Allocation Example

- Allocation Type: Allocate on Fixed Basis**

Allocates on the fixed allocation percentage specified in the % field in the Value/Node scroll area on the Basis page

Example: Allocate \$400 from a central repository to 4 differing programs

Allocation Step	Account	Program	Amount
Pool	RENT	CLEARING	\$400
Basis		11001	10%
		12000	20%
		13000	20%
		22001	50%
Target	RENT	11001	\$40
	RENT	12000	\$80
	RENT	13000	\$80
	RENT	22001	\$200

Allocation Example

■ Allocation Type: Prorata with Record Basis

Divides the pool amount among the targets based on amounts stored in the basis record

Example: Allocate \$400 from a central repository to 4 differing programs

Allocation Step	Account	Program	Amount	Percent
Pool	RENT	CLEARING	\$400	-
Basis	FLOORS	11001	100 SQF	10%
	FLOORSPACE	12000	200 SQF	20%
	FLOORSPACE	13000	200 SQF	20%
	FLOORSPACE	22001	500 SQF	50%
Target	RENT	11001	\$40	10%
	RENT	12000	\$80	20%
	RENT	13000	\$80	20%
	RENT	22001	\$200	50%

Allocation Example

■ Allocation Type: Arithmetic Operation

Defines the allocation calculation as a mathematical operation between the pool and basis

Example: Allocate \$4 a square foot from a central repository to 4 differing programs – Multiply Allocation Type

Allocation Step	Account	Program	Amount
Pool	RENT	CLEARING	\$4
Basis	FLOORSPACE	11001	10 SQF
	FLOORSPACE	12000	20 SQF
	FLOORSPACE	13000	20 SQF
	FLOORSPACE	22001	50 SQF
Target	RENT	11001	\$40
	RENT	12000	\$80
	RENT	13000	\$80
	RENT	22001	\$200

Scenario – 1

Scenario – 1: Allocation of Indirect Cost Pools

Allocate rent based on the square footage of each individual program

Description: The example agency allocates Indirect Cost Pools (Rent, Natural Gas, Electric and Telephone) based on square footage amounts

Scenario Detail

- Type: Allocate on Fixed Basis
- Pool: Expenditure Cost charged to Program 96
- Basis: Total square footage by Program (1010, 1020, 2010)
- Target: Debit Expense to Programs (1010. 1020. 2010)
- Offset: Credit Expense to Program 96

Scenario – 1

Expected Results

Allocation Step	Account	Program	Amount	Percent
Pool	RENT	CLEARING	\$1,000,000	100%
Basis		1010	1000 SQF	10%
		1020	2000 SQF	20%
		2010	7000 SQF	70%
Target	RENT	1010	\$100,000	10%
	RENT	1020	\$200,000	20%
	RENT	2010	\$700,000	70%

Scenario – 2

Scenario – 2: Allocation of Cost based on Personnel Dollars

Allocate administration costs based on the total Personnel Dollars by individual programs

Description: Total administration costs allocated based on the Personnel Dollars charged to each direct program

Scenario Detail

- Type: Prorata with Record Basis
- Pool: Total Administration Costs charged to Clearing Program
- Basis: Total amount of total Personnel Dollars by Programs
(1010, 1020, 2010)
- Target: Debit Expense to Programs (1010, 1020, 2010)
- Offset: Credit Expense to Clearing Program (96)

Scenario – 2

Expected Results

Allocation Step	Account	Program	Amount	Percent
Pool	ADMIN COST	CLEARING	\$1,000,000	100%
Basis		1010	\$ 400	20%
		1020	\$ 700	35%
		2010	\$ 900	45%
Target	ADMIN COST	1010	\$200,000	20%
	ADMIN COST	1020	\$350,000	35%
	ADMIN COST	2010	\$450,000	45%

Scenario – 3

Scenario – 3: Allocation of encumbrance based on Personnel Service Dollars

Allocate encumbrance based on the total Personnel Dollars by individual programs

Description: Total encumbrance is allocated based on the Personnel Dollars charged to each direct program

Scenario Detail

- Type: Prorata with Record Basis
- Pool: Total encumbrance charged to Clearing Program
- Basis: Total amount of total Personnel Dollars by Programs
(1010,1020, 2010)
- Target: Debit encumbrance to Programs (1010, 1020, 2010)
- Offset: Credit encumbrance to Clearing Program

Scenario - 3

Expected Results

Pool, Basis and Target	Account	Program	Amount	Percent
Pool	ADMIN COST	CLEARING	\$1,000,000	100%
Basis		1010	\$ 400	20%
		1020	\$ 700	35%
		2010	\$ 900	45%
Target	ADMIN COST	1010	\$200,000	20%
	ADMIN COST	1020	\$350,000	35%
	ADMIN COST	2010	\$450,000	45%

Fund Split - PCA

A PCA is used to distribute costs based on pre-determined criteria. The PCA functionality will not exist within FI\$Cal. The FI\$Cal system will utilize other functionality to replace PCAs.

Solutions which will replace PCA functionality:

- ❑ Direct Charge Amounts
- ❑ AP Speedchart
- ❑ Project Costing Funds Distribution
- ❑ Allocation Scenarios:
 - Labor Distribution
 - Direct Transfer
 - Inter-Agency – Billed Party
 - Reimbursable Amounts
 - Indirect Cost

What to bring to the working Sessions?

- Allocation Working Session Template
 - Complete one template for each allocation
 - Complete as much of the template as you can – we can complete the elements and values in the working session
- Knowledge of Cost Allocations
 - Cost Allocation Plans
- PCA Information
 - Known PCA Materials

Questions

