

NEW YORK STATE OFFICE FOR THE AGING

GRANT POLICY MEMORANDUM

COST ALLOCATION

Costs that benefit more than one program or objective must be properly allocated among the available funding sources. This includes direct costs such as program staff salaries and related fringe benefits, rent and utilities for program space, program supplies, equipment, and food. It also includes administrative or indirect costs such as executive staff or bookkeepers' salaries and related fringe benefits, rent and utilities for administrative office space, and audit costs.

The method used to allocate costs must be reasonable and result in charges that are commensurate with the benefits derived by the program. The New York State Office for the Aging (NYSOFA) will reimburse grantee organizations for properly allocated costs except for those costs that are otherwise prohibited (e.g., loan interest, fines, penalties, charitable contributions).

There are various methods that can be used to allocate costs. For personnel, a common method of distributing costs is based on time allocation, utilizing time and effort or activity reports. Rent and construction/renovation costs are generally allocated based on space utilization (i.e., square footage and/or amount of time occupied by each program). Indirect costs such as an audit expense are normally allocated on a percentage of funding basis since these costs are not identified with a particular grant or program. In addition to the usual required supporting documentation for expenditures (e.g., invoices, canceled checks), documentation of the method used to allocate each cost must be maintained in the grantee organization's files.

The cost allocation samples included below show how a grantee receiving funding from various sources for several programs might allocate rent and audit costs on a direct billing basis. These samples show the amounts that should be allocated to each program/funding source. However, if other aging program/funding sources cannot be used for these costs, additional grant funds may be used. For example, if 50% of a grantee's total funding is for older adult programs, then our Office may allow reimbursement of up to 50% of the cost of an audit, provided other aging programs/funding sources **will not reimburse these costs.**

Indirect Costs

Expenditures that cannot easily be associated with service activities but relate to the development and management of the organization should be identified as indirect or administrative costs. These include accounting, budgeting, data processing, preparation of funding applications and reports, general insurance coverage, administrative office space and equipment, legal expenses, employee bonding, and general supplies.

NYSOFA will reimburse direct costs based upon either a direct billing method as described above or an indirect cost rate based on historical cost data that is applied to all programs. Indirect cost rates must be approved in advance by NYSOFA. If a grantee organization utilizes a federally approved indirect cost rate, then submission of a copy of the authorization or rate approval from the appropriate Federal agency (e.g., DHHS) is usually sufficient documentation for NYSOFA, provided that the federally approved rate has been calculated by some type of cost basis.

Before NYSOFA will approve an indirect cost rate, the grantee must submit documentation used to determine the rate. The most recent audited financial statements must be used as part of this

documentation. A breakdown of all expenses by category as well as a comparison of the total direct costs and the total indirect costs must also be provided (the Statement of Functional Expenses from your organization's most recent audited financial statements). The indirect cost rate requested should be calculated by dividing the total indirect costs by the total direct costs (less any distorting items). Examples of distorting items are large capital outlays (e.g., purchase of vehicle, construction costs) and food costs for a meal program. Distorting items are excluded from the calculation of the indirect cost rate in order to ensure that indirect costs are allocated to programs commensurate with the benefit derived. Note that costs that are not allowable as direct costs (e.g., interest, fines, penalties, contributions) are not allowable as indirect costs. If such costs are included in the breakdown of expenses, they should be treated as distorting items.

Once the required documentation has been submitted, an indirect cost rate will be approved by NYSOFA for use by the grantee

Indirect cost rates must be determined as a percentage of the direct costs and will be reimbursed in the same manner. The indirect costs will be calculated by first determining the total reimbursable direct costs and then multiplying these costs by the approved rate. This method will ensure that indirect costs are equitably distributed and reimbursed by all programs/funding sources. The allocation of indirect costs must also be documented by either payment or journal transfer in order to be reimbursed by our office.

For additional assistance with the allocation of indirect costs, please contact our office at (518) 473-4808.

COST ALLOCATION SAMPLES

The cost allocation samples included below show how a grantee receiving funding from various sources for several programs might allocate rent and audit costs on a direct billing basis. These samples show the amounts that should be allocated to each program/funding source. However, if other aging program/funding sources cannot be used for these costs, additional grant funds may be used. For example, if 50% of a grantee's total funding is for older adult programs, then our Office may allow reimbursement of up to 50% of the cost of an audit, provided other aging programs/funding sources will not reimburse these costs.

Funding Source	Use	Amount of Funding	% of Total Funding	Amount to Charge
State Grant #1 i.e. – Grant-in-Aid	Older Adult	\$120,000	12%	\$1,200
State Grant #2	Older Adult	80,000	8%	800
State Respite Program	Older Adult	80,000	8%	800
Various Local Funding	Older Adult	180,000	18%	1,800
Various State & Local Funding	Non OA	240,000	24%	2,400
Various State & Local Funding	Non OA	200,000	20%	2,000
Various Federal Funding	Older Adult	100,000	10%	1,000
Total		\$1,000,000	100%	\$10,000

2) If a grantee requests reimbursement for rent totaling \$3,000 per month, the following amounts would be chargeable under the space utilization method:

Program	Use	Square footage	% of Total Space	Amount to Charge
Older Adult Outreach Program*	Older Adult	\$1,200	8%	\$240
Meals-on-Wheels Program*	Older Adult	2,100	14%	420
Respite Program*	Older Adult	8,100	54%	1,620
Youth Outreach Program	Non OA	3,600	24%	720
		\$15,000	100%	\$3,000

* Funded by State grant funds and other sources