

---

## Cost Allocation Plans

### Fact Sheet

#### What?

##### **Is the different between a Cost Allocation Plan and an Indirect Cost Rate proposal?**

A Cost Allocation Plan summarizes, in writing, the methods and procedures that an organization uses to allocate costs to grants and programs. When determining an appropriate base for allocating costs, include the relative benefits received, the materiality of the cost, and the amount of time and cost to perform the allocation. A Cost Allocation Plan is different from an Indirect Cost Rate Proposal.

#### Why?

##### **Is it advantageous to have a Cost Allocation plan?**

A Cost Allocation Plan assists an organization to equitably distribute costs to program.

#### When?

##### **Is the ideal time to create a Cost Allocation Plan?**

Ideally, a Cost Allocation Plan is created as part of the annual budgeting process.

#### How?

##### **Is a Cost Allocation Plan created?**

A Cost Allocation Plan needs to be tailored to the specific policies of the organization. All allowable general and administrative costs are allocated to programs and grants based on a labor distribution (timesheet) method. Organizations need to incorporate the Cost Principles requirement that time distribution records must reflect an after-the-fact determination of the actual activity of each employee. Only costs that are allowable can be allocated to the benefiting programs. Allocation must also be made to nongrant activities.

#### What to include:

- An organizational description that includes how each program fits within the organization's operations and structure.
- A written description of the methods and calculations used to create the allocation pools and determine how expenses incurred by the organization could be apportioned to each program, including all CNCS Programs.
- A written description of the financial system and accounting methods that will be used to keep track of CNCS program funds and to keep track of the match portion of relevant grants.

#### Samples:

You can find a variety of sample plans on the internet using a search engine. Be sure to tailor the examples to your specific organization policy and structure.