

- Cost Allocation within ERPs
- Idle Use

March 2022





Agenda

March 2022

- 1.ERP Systems
- 2.Cost Allocation Goals/ Needs
- 3.Pros & Cons of Cost Allocation in ERP System
- 4.Idle Use
- 5.Square Footage
- 6.Questions & Discussion
- 7.Contact Information

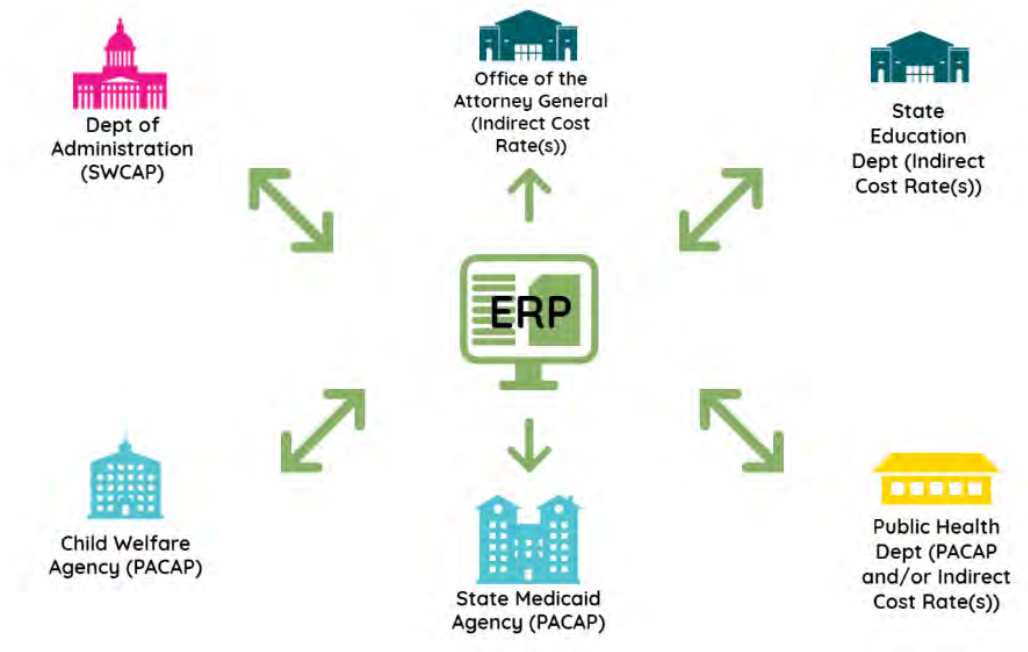


ERP Systems

- **“ERP is an acronym that stands for enterprise resource planning (ERP). It's a business process management software that manages and integrates a company's financials, supply chain, operations, commerce, reporting, manufacturing, and human resource activities.” (Microsoft definition)**
- Systems may be used across agencies or separate ERPs may be implemented at individual agencies
- Requirements for systems may be statewide or individualized

ERP Systems

- Cost allocation is an integral fiscal function and required by federal oversight agencies to receive reimbursement for indirect and administrative costs
- Many government entities attempt to conduct cost allocation within ERP systems
- Cost allocation requirements/ regulations vary by type of entity



Cost Allocation Goals – Central Services/SWCAP



Indirect Costs

Allocate indirect costs to all benefitting departments and select grants/programs; allows for various discrete allocation methods



Direct Costs

Isolate direct costs within allocating departments and receiving departments; perhaps isolate certain grant/ program costs



Unallowable Costs

Identify but do not allocate unallowable costs or costs that do not benefit receiving departments and grants/programs

Cost Allocation Goals – Public Assistance Plans



Indirect Costs

Allocate indirect costs to all benefitting objectives; allows for various discrete allocation methods



Administrative Costs

Identify and allocate costs (direct or applied against statistics) in support of public assistance programs, claimed as “administration” along with associated indirect costs. Costs are allocated down to federal reporting line items



Unallowable Costs

Identify and allocate costs to general funds and unallowable objectives (no costs are “below the line”)



Direct Costs

Allocate direct costs to capped grants and other programs (exceptions may be medical vendor payments and costs of services paid directly to clients)



Segregate Costs for Other Cost Accounting Activities

Identify costs used in other cost accounting processes (e.g., facility cost reports, rate setting, etc.)



Common Needs

Central Service/SWCAP

- Calculated annually
- Two Stepdown Methodology (usually)
- Allocates central/indirect costs
- Often uses data from prior periods (not live)
- Usually calculated only once per period
- Need for carryforward adjustments
- Time tracking

Public Assistance/Other

- Calculated quarterly
- 4+ Stepdown Methodology (usually)
- Allocates all costs (including indirect costs)
- Must use actual data for the current period
- Often rerun more than once to support claiming efforts (e.g., prior period adjustments, etc.)
- Commonly requires adjustments to cost data and cannot use “live” data
- May require use of more detailed salary data to complete cost allocation
- Time tracking

Pros and Cons

Pros

- One system to manage
- Streamlines cost collection
- Supplemental reporting
- Allows for multiple users at various points in the process
- Reorganization of cost pools does not have to be managed in multiple processes

An ERP may work for some cost allocation plans and not others

Cons

- Generally, does not support multiple steps
- May not allow for necessary statistics (especially for public assistance plans)
- May not allow for adjustments/carry forward adjustments
- Usually, cannot be re-run
- Cannot support the records created for multiple stepdowns
- May not comply with all 2 CFR Part 200 requirements necessitating additional adjustments
- Requires customization (most ERPs do not have tools that are specific to government)
- May not be integrated with time reporting/ tracking processes
- Reports may not be what is required by federal oversight agencies
- Different agencies are often dependent on others for processing times, data, etc.

Idle Use

- 2 CFR Part 200 §200.446 addresses idle facilities and idle capacity
- Changes to facility use and the workforce due to the pandemic may impact compliance with 2 CFR Part 200
- Agencies need to be mindful of changes and watch for guidance
- Agencies may struggle with how to allocate costs as many of the costs still exist (e.g., buildings exist even if staff are working at home) and may for some time even if the agency has plans to change

- “idle facilities means completely unused facilities that are excess to the non-Federal entity’s current needs”
- “idle capacity means the unused capacity of partially used facilities”
- Generally, these costs are unallowable
- Costs are allowed for a “reasonable period of time” and/or seasonality

Cost Savings from Work at Home and hybrid models may not outweigh the loss of statewide federal revenue (at least initially)

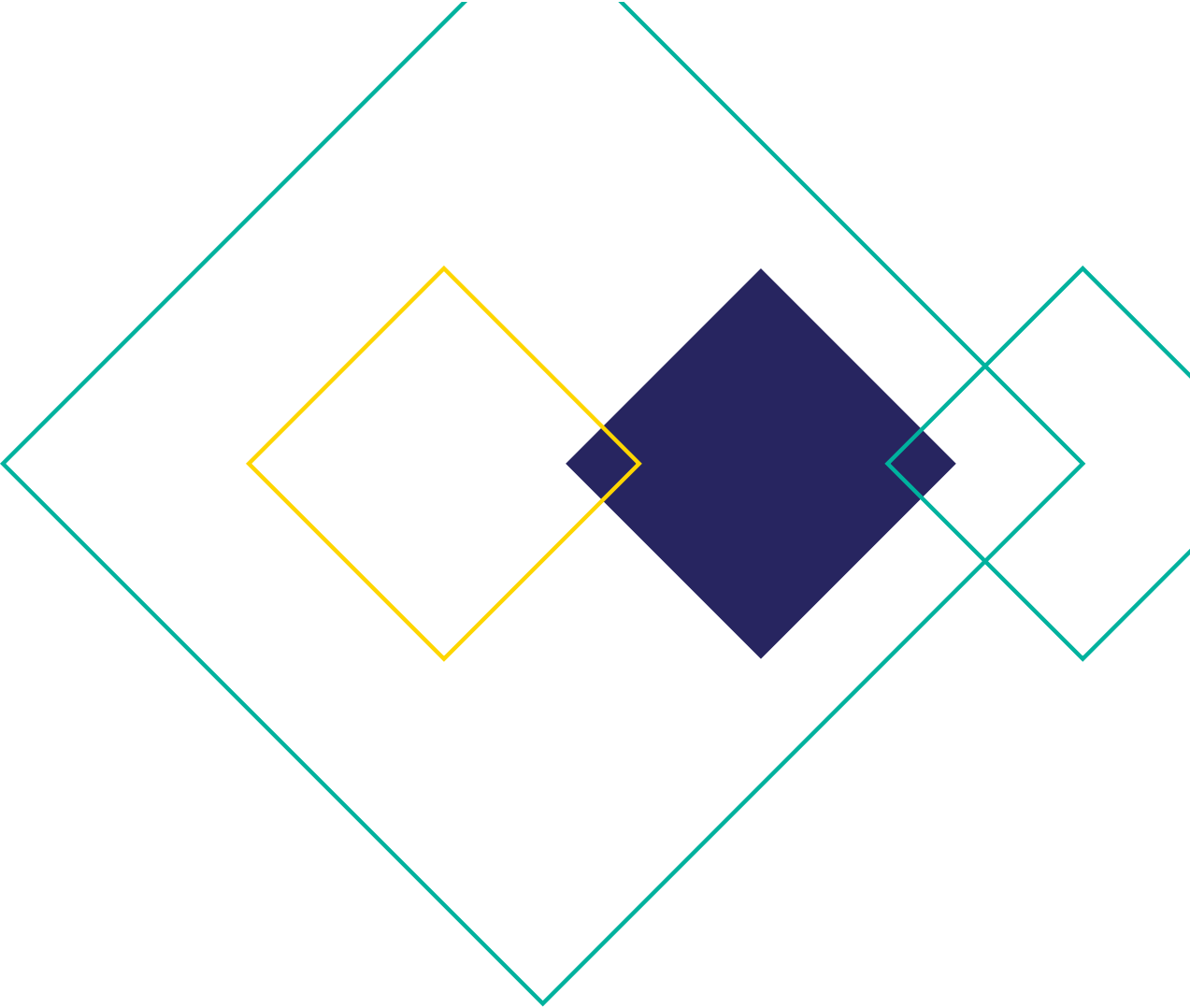
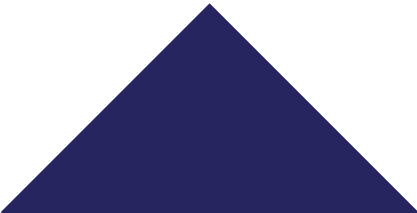


Square Footage

- Many cost allocation plans and indirect cost rates use square footage statistics to allocate costs
- For entities where staff have not returned to the office and/or are planning to remain remote and/or use hybrid staffing models, square footage may no longer be an appropriate method

Entities should review where square footage is utilized and identify alternate methodologies

Questions & Discussion



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