

Eastern Plains Council of Governments

COST ALLOCATION PLAN

Methodology of Budgeting Expenditures
Fiscal Year 2023-2024

Approved June 8, 2022 by the Board of Directors

GENERAL OVERVIEW/FEDERAL REGULATIONS

The Eastern Plains Council of Governments (EPCOG) is a voluntary association of county and municipal governments within the seven counties of New Mexico Planning and Development District IV. The EPCOG is an organization of, by, and for local governments and was established in 1972 to assist in planning for common needs, cooperating for mutual benefits, and coordinating for sound regional development.

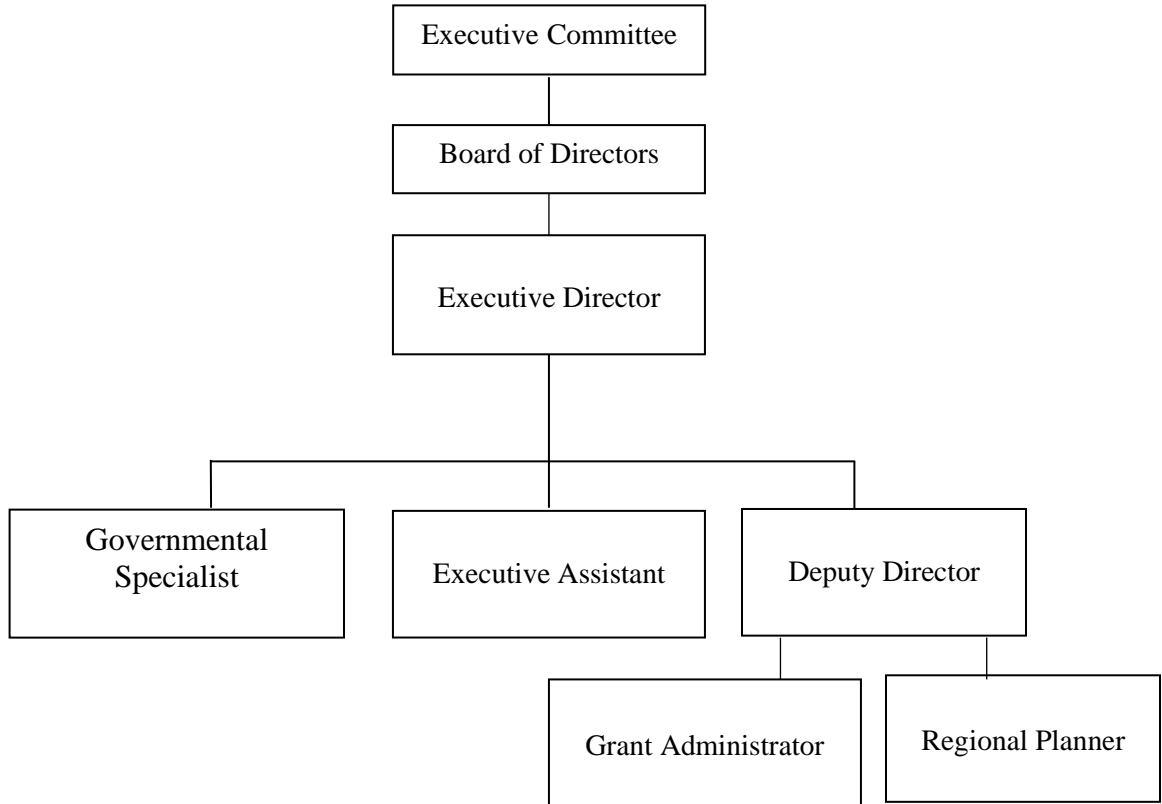
EPCOG has often been referred to as “quasi-governmental”, and as such viewed in varying manners, particularly financially. In accordance with federal regulations, and with funds directly contracted or granted from federal agencies, the EPCOG is defined as a “local government.” According to OMB’s “Common Rule” and the previously applicable OMB Circular A-102, “Local Government means a Council of Governments (whether or not incorporated as a nonprofit corporation under state law).” Further, the IRS has determined that EPCOG is an instrumentality of a political subdivision created pursuant to the provisions of local and state legislation. The IRS has also stated that “You are further authorized to exercise the powers and perform the duties set out in the Acts...and...Inasmuch as you are an integral part of a political subdivision of the State of New Mexico, you come within the purview of Section 115(a) and therefore, have no taxable income.”

Viewed by the State level, the EPCOG was organized under the Regional Planning Act and the Planning District Act. EPCOG is not considered a state agency, but is viewed as an extension of local governments, a recognized District of the State of New Mexico (under the Planning District Act and the Regional Planning Act), and is further recognized as a nonprofit corporation.

Therefore, because of the varying terminology applied to the EPCOG by its various funding sources, an “approved” indirect cost rate by the federal government is not appropriate. At the State level, usually costs that are directly identifiable by varying established line items must be accounted for, and therefore “pooling” joint costs would lose their identity. As a result, a cost allocation plan/system reflects a more equitable and identifiable method for those costs that are shared by the varying programs implemented by the Eastern Plains Council of Governments.

By OMB Circular A-87, “Cost Principles for State and Local Governments,” EPCOG’s allocation plan will be retained at the local level for audit by a designated Federal agency except in those cases where that agency requests that a cost allocation plan be submitted to it for negotiation or approval. Under an EDA contract, which began April 1, 1997, EPCOG’s cognizant federal agency under the U.S. Department of Commerce, requires that a cost allocation plan be submitted pursuant to *2 CFR Part 200*. Though *2 CFR Part 200* requires recipients and sub-recipients of federal monies to submit and retain a cost allocation plan, those recipients with budgets not exceeding \$35 million are not required to submit plans for formal negotiation and formal approval per *2 CFR 200 App. VII §D.1.b*. According to the same section referenced in the prior sentence, recipients of federal funds are required to include a certificate of cost allocation plan. For more information on cost plan requirements, see *2 CFR 200 App. VII §D.1.b* and *2 CFR 200 §200.333*.

ORGANIZATIONAL CHART



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TIMESHEET SAMPLE

Employee Name: _____

Date Submitted: _____

Pay Period

Reporting Date Range

Start: _____ End: _____

Month: _____ Year: _____

Worked Hours

Day																	
Date																	
100																	100
203																	203
204																	204
210																	210
180																	180

Codes

Program Codes

100 Base Budget
203 EDA Planning
204 EDA CARES
210 NMDOT
180 Ute Water

Invoicing Hours

Day																	
Date																	
185																	185
186																	186
187																	187

Codes

Project Codes

185 CDBG Ft Sumner
186 CDBG Vaughn
187 CDBG Curry Co.

Leave Hours

Comments Section if Needed

Start Date	End Date	Code	Hours	Code	Name	Personnel Policy
				A	Annual Leave	Sec. V, (B)
				S	Sick Leave	Sec. V, (C)
				B	Bereavement	Sec. V, (D)(1)
				FMLA	Family Medical Leave	Sec. VII, Sec. V, (D)(2)
				M	Military	Sec. V, (D)(3)
				W/O	Without Pay	Sec. V, (D)(6)
				CL	Civil Leave	Sec. V, (D)(4);(7)
				AL	Administrative Leave	Sec. V, (D)(5)
				H	Holiday	Sec. V, (A)

By checking this box, I affirm that the hours reported in this form are true and accurate to the best of my knowledge.

Before checking the box, review your entries for accuracy.

Employee: _____
Date: _____

Approved By:
Date:

Hours are directly charged for timesheet recording based on the activities of the employee and the applicability of those activities to each program.

METHODOLOGY OF THE COST ALLOCATIONS APPLIED

The Eastern Plains Council of Governments (EPCOG) utilizes the allocation Method whereby all costs are treated as direct costs. Costs are separated into three basic categories: (1) general administration and general expenses; (2) fundraising, which is not applied to any federal program; and (3) other direct functions (including projects performed under Federal awards). Joint costs, usually the first category listed above including general administration and general expenses, are prorated individually as a direct cost to each category/line-item and to each award or other activity using a base most appropriate to the particular cost being prorated.

The Direct Allocation Method allows each joint cost to be prorated using a base that accurately measures the benefits provided to each award or other activity. The bases are established in accordance with reasonable criteria and are supported by current and/or historical data. Generally, four bases are utilized in allocating joint costs as follows:

1. **USAGE ALLOCATION BASE:** This method of allocation is based on usage by each specific program. Use of supporting data to include number of copies used, and vehicle mileage logs for gas and oil costs, etc.
2. **PROGRAM ALLOCATION BASE:** This method of allocation is based on the number of active programs for a designated period, usually for a month. The basis of supporting data is through the Annual Work Program, analysis of staff time through the Executive Director's supervision and delegation of duties to those programs and timesheets, and/or other supporting documentation in ascertaining the activities of the office. The percentage charged by allocation to each program will be based on the average time spent on each program for the preceding quarter compared to the overall total hours worked for that same quarter.
3. **FTE ALLOCATION BASE:** This method of allocation is based on the size of the program(s) and staff. The basis of supporting data is a projection of FTEs (full-time equivalent) and an employee-specific analysis performed during the preparation of the budgets. This is updated monthly, or less often, on a quarterly or semi-monthly basis, if work activities remain constant.
4. **SHARE ALLOCATION BASE:** This method of allocation is based on distributing the cost to more than one program but does not benefit all programs on an equitable basis utilizing one of the allocation bases above. The basis of determining the allocation is by analyzing the benefits to the programs impacted and distributing the costs based on the justified benefit. An example of this is the cost of newspaper subscriptions where the information and other local issues provided can be of use to all programs.

BUDGETING JUSTIFICATION OF DIRECT AND ALLOCATION COSTS:

PERSONNEL: Budgeted utilizing current salaries, annual work program(s), and Executive Director's supervision and delegation of duties to those programs. Actual costs are based on completed timesheets for each employee that reflects the activities that they have directly worked on. Staff persons identify direct hours when working on program-specific efforts and designate general administrative time which is distributed by FTE Allocation Base and the Share Programs Base.

FRINGE BENEFITS: Budget based on personnel distribution by program. Estimates include FICA (6.2%); Medicare (1.45%); retirement (6%) (after one year of service completion); health/dental/vision insurance costs at current rate; a rate of .33% assessed on State Unemployment up to- **\$24,200**. Actual costs are based on the personnel distribution of salaries and the percentages applied to each program and individual staff member.

PER DIEM: Budgeted based on historical costs and planned work activities. Actual costs are applied according to completed travel vouchers and the explanation of the travel report and are usually a direct cost. Allocated travel is usually for EPCOG Board meetings and traveling for more than one purpose. The distribution is made on the Share Allocation Base, which analyzes the reason and purpose for the staff person's travel, the program impacted, and the justified benefit. Travel per diem and mileage is figured in accordance with the NM Mileage and Per Diem Act and EPCOG Board approval.

VEHICLE EXPENSE: This line item is budgeted based on a historical analysis of costs and a review of the age and condition of the vehicles. Actual costs are applied to the programs based on mileage usage of the vehicle, which is reviewed at the end of each month through a mileage log and fuel log from Wright Express thereby using the Usage Allocation Base. Other costs, such as registrations and insurance, are a benefit to all programs and are therefore distributed as a Share Programs Base.

INSURANCE: Budget based on historical costs and planned activities for the new fiscal year, with revisions throughout the year as required by State law and additions of equipment and other factors. For bonding, errors and omissions, and property coverage and taxes, the FTE Allocation Base is utilized since the larger programs usually have more property and staff bonding to cover. Vehicle insurance is an FTE Allocated cost since this is considered protection of the asset. Worker's compensation insurance follows the personnel allocation methods stated earlier.

PROFESSIONAL SERVICES: Professional service costs will be allocated based on direct or shared cost methods depending on the program and its applicability to the programs. Professional services include accounting, audit, legal, and contracted services.

OFFICE SUPPLIES & EXPENSES: An allocated and direct cost, this line item is budgeted with a historical review of past costs and specific program requirements. During the year, specific program expenditures are handled as direct costs as each staff requests their needs. Small inventory items such as pencils, paperclips, and file folders are distributed based on the FTE Allocation Base. This also includes leases of equipment within the office required for the operation

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of a program or programs. Direct costs are applied to leases where such costs can be identified. Shared cost method is applied to leases where the leased item is used and applicable to multiple programs.

ADVERTISING: Usually a direct cost, this line item budget is based on each program's history and projected activities.

TELECOMMUNICATIONS AND UTILITIES: The method of distribution is based on the FTE Allocation Base since most staff areas are relatively comparable. This budget group includes gas, electricity, garbage, water, telephone and internet services, and any other utilities applicable.

OTHER: Usually a direct cost for specific needs. Under the Base Budget/Special Projects Program, this line item covers items not regularly attributable or allowable to other programs, as well as costs associated with Board Meetings.

BUILDING IMPROVEMENTS: Throughout the fiscal year, capital improvements may be presented for the Board's authorization. This is usually a direct cost and is charged directly to the program that it is purchased for.

SUBCONTRACTS: This budget is based on the funding agencies and EPCOG Board approvals for the various programs requiring subcontracting services. A direct cost, this line item is program-specific.

SUBGRANTEES CONTRACTS: This is budgeted based on the funding agencies. A direct cost, this line item is program-specific. All subgrantees will be required to maintain a uniform and unified Cost Allocation Plan (CAP), which will be submitted along with each budget. The CAP should describe the subgrantee's method of allocating all costs. These costs must be allocable based upon program benefits and in conformance with OMB-A-21, A-122, A-87, and 2 CFR Part 200 as appropriate.

EPCOG, for fiscal year 2023, which follows the New Mexico fiscal year, is expected to receive federal funds from the following agencies:

- US Economic Development Administration
 - Operates on calendar year
 - Is a direct federal grant to EPCOG with payments given in advances
 - The grant agreement is for three (3) years
- New Mexico Department of Transportation (NMDOT)
 - NMDOT acts as a passthrough agency
 - This is a cooperative agreement and on a reimbursement basis
 - The agreement operates on the federal fiscal year for two (2) years

All audits of EPCOG are retained by the New Mexico State Auditors office and is can be found on the office's website at <https://www.osa-app.org/auditreportsearch.aspx>. The most recent audit at the time of this plan is the fiscal year 2021 audit. The most recent audit was given an unmodified opinion with no findings.

Certificate of Cost Allocation Plan

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal June 8th, 2022, to establish cost allocations or billings for July 2022 through June 2023 are allowable in accordance with the requirements of this Part and the Federal award(s) to which they apply. Unallowable costs have been adjusted for in allocation costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the Federal awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.
- (3) The covered telecommunications and video surveillance services or equipments mentioned in Section 889 of the National Defense Authorization Act of 2019 and covered at §2 CFR Part 200.216, which are unallowable, were not charged as part of the indirect cost proposal directly or indirectly to Federal awards.

I declare that the foregoing is true and correct.

Governmental Unit: **Eastern Plains Council of Governments**

Signature:



Name of Official: **Sandra (Sandy) Chancey**

Title: **Executive Director**

Date of Execution: **June 8, 2022**