



COST ALLOCATION PLAN

For the

**INDIANA HOUSING and COMMUNITY
DEVELOPMENT AUTHORITY**

2022



PURPOSE

The purpose of this cost allocation plan is to summarize the methods and procedures that the Indiana Housing and Community Development Authority (hereinafter referred to as "IHCDA") uses to allocate costs.

The Omni Circular, "OMB Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" includes the principles for determining costs of programs, grants, contracts and other agreements with the Federal Government. IHCDA's Cost Allocation Plan is based on the Direct Allocation method. The Direct Allocation Method treats all costs as direct costs except general and administrative expenses. Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are costs jointly incurred and not readily identified with a particular final cost objective.

BACKGROUND

IHCDA was created in 1978 by the Indiana General Assembly and is a quasi-public financially self-sufficient statewide government agency. IHCDA's programs are successful in large part because of the growing network of partnerships IHCDA has established with local, state, and federal governments, for-profit businesses and not-for-profit organizations. For-profit partners include investment banks, mortgage lenders, commercial banks, corporate investment managers and syndicators, apartment developers, investors, homebuilders, and realtors. Not-for-profit partners include community development corporations, community action agencies, and not-for-profit developers.

IHCDA has five funds. These funds include the General Fund, the Program Fund that consists of all of IHCDA's State and Federal programs, the Single Family Fund, the Home First Fund, and the MBS Pass-thru fund. The cost allocation plan encompasses all funds. Hereafter, these funds and any subcomponents of the fund, e.g., programs, will be referred to as **cost pools**.

FINANCIAL SYSTEM

IHCDA accounting uses Microsoft Dynamics as its financial system. The system provides the flexibility to allocate costs on both fixed and variable bases. Management Reporter is the report writer that is used for internal and external reporting requirements.



I. GENERAL APPROACH

The general approach of IHCDA in allocating costs is as follows:

- A. All direct costs are charged directly to each applicable cost pool.
- B. Direct costs that can be identified to more than one cost pool are prorated individually as direct costs using a base most appropriate to the particular cost being prorated.
- C. All other general and administrative costs (costs that benefit all cost pools and not attributable to a specific cost pool) are allocated using a base that results in an equitable distribution. The equitable distribution is determined given the circumstances of the cost being allocated, e.g., which pools may have shared the costs, matching the timeframe of the cost and the usage units, matching the basis with the type of cost and resultant usage units, etc.
- D. Costs must be deemed reasonable for the purpose in which it is incurred.
- E. Costs are reviewed for allow ability by the program manager or director prior to submission for reimbursement.
- F. Costs are not approved for reimbursement in a manner to overcome fund deficiencies, to avoid restrictions imposed by statutes, regulations, or terms and conditions of an award. However, this does not preclude IHCDA from shifting costs that are allowable under two or more awards in accordance with existing statutes, regulations, or terms and conditions of the awards.

II. DIRECT COSTS

Direct costs include those costs that are incurred for a specific function. IHCDA identifies and charges these costs exclusively to each cost pool.

- A. Each invoice is coded with the appropriate account number reflecting which cost pool received direct benefit from the expenditure. Invoices are approved by the appropriate Program Director / Manager and reviewed by the Senior Financial Accountant, Senior Accounting Manager or Director of Accounting.
- B. Timesheets are submitted on a biweekly basis reflecting employees' work and which cost pool is directly benefited from their effort. Time sheets are the basis for charging salaries to the applicable cost pool, e.g. labor distribution units.
- C. Equipment purchased for exclusive use on a Federal award and is reimbursed by a federal agency shall be accounted for as a direct cost of that program / award. The IHCDA's



capitalization policy is employed unless it conflicts with the allow ability of the program. In that case, the treatment is consistent with the program allow ability.

III. ALLOCATION OF JOINT COSTS

All joint or shared cost is directly charged to the benefiting cost pools. The allocation method for the cost distribution is based upon IHCDA's consideration of reasonable allocation.

IV. SHARED ADMINISTRATIVE COSTS

IHCDA shared costs are those costs that either benefit more than one cost pool or that are necessary for the overall operation of IHCDA (management and general costs). IHCDA allocates these costs to the various cost pools benefiting based upon an equitable method. *(Typically, this is historical labor distribution units for the benefiting parties, e.g., split of time between programs during the reasonable timeframe of incurrence of the cost. Currently, the timekeeping system is maintained on our Paycom system. Time is entered by each employee based upon where the time was spent for that pay period and is approved by the supervisor/management of the area.)*

Examples of the types of expenditures normally included as shared are:

- Pooled Salaries, Taxes and Benefits
- Building expenses
 - Leased Building Depreciation
 - Lease Interest Expense
 - Maintenance & Repairs
 - Parking
- General insurance
- General Office Expenses
 - Supplies
 - Beverages
 - Printing & Copying
 - Postage & Shipping
- Equipment and Software expenses
 - Equipment Rental
 - Other Office Services
- General telephone costs
- Payroll processing
- Accounting & Audit services

V. Cost Treatment

- A. **SALARIES and WAGES** – Costs are charged directly based on the functions performed by each employee, as documented on the employee's timesheet. The majority of the

employees at IHCDa charge their time directly since their work is identifiable to a specific cost pool. This includes all payroll costs, including fringe benefits and payroll taxes which are charged to the cost pool where the employee spends their time. The Executive Director, other designated IHCDa Officers, central services: Director of IT and IT personnel, Director of Operations, Financial Operations, Program Accounting, Accounting, Legal, Front Desk Assistant, Internal Audit Director, and others as designated, are responsible for multiple cost pools. Their salaries and wages are allocated on an equitable basis. That equitable basis primarily is based upon distributing the pooled hours on a percent to total of direct hours. All hours are recorded and approved in the timekeeping system. When pooled or non-pooled employees are assigned to a program or project that time should be charged directly to that program or project, with remaining time charged to pooled.

- B. EMPLOYEE BENEFITS and RELATED EXPENSES** – Costs include allowances and services provided as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefits.

IHCDa incurs costs for the following statutory and non-statutory benefits:

- FICA
- Unemployment insurance
- Worker’s compensation
- Health insurance
- Dental insurance
- Life insurance
- Disability insurance
- Contributions to pension and savings plans

Since IHCDa’s accounting / Paycom system(s) track employee benefit costs by individual employee, each cost is charged directly in proportion to each individual’s salary for those that are salary based, and are charged based upon actual elections for those that are election based.

- C. TRAVEL & MEALS & MEETINGS** – Costs include expenses for transportation, lodging, sustenance, and related items incurred while the employee is in a travel status on official business of the IHCDa. Costs are charged based on actual cost, not a per diem.

A conference/meeting is an event where the primary purpose is the dissemination of technical information beyond IHCDa and is necessary and reasonable for successful performance of the organization and its purpose. To the extent possible, all travel, meals, and meeting costs are charged directly to the program that benefits from them. Food costs are charged to the extent possible to the program that requires this item for their program. Costs that benefit more than one cost pool are allocated equitably to the cost pool receiving



benefit from the activities. . (Typically, this is historical labor distribution units for the benefiting parties, e.g., split of time between programs during the reasonable timeframe of incurrence of the cost.)

- D. **TRAINING** - Costs associated with employee education and development are charged directly to the cost pool that benefits from the services. Costs that benefit more than one cost pool are allocated equitably to the cost pool receiving benefit from the activities. . (Typically, this is historical labor distribution units for the benefiting parties, e.g., split of time between programs during the reasonable timeframe of incurrence of the cost.)

- F. **BUILDING EXPENSES** – Costs include lease depreciation, lease interest, and maintenance and repairs. Monthly depreciation and interest and related pass through expenses are allocated using labor distribution units to allocate both of these costs to the IHCDA departments and programs. Maintenance costs are charged directly to the cost pool benefited. Any maintenance costs that are shared are allocated based upon labor distribution units.

- F. **GENERAL INSURANCE** - To the extent that insurance premiums are associated with insurance coverage for a specific cost pool, those costs are charged directly. All insurance costs that are shared are allocated based upon labor distribution units.

- G. **GENERAL OFFICE EXPENSES (SUPPLIES, BEVERAGES, PRINTING & COPYING, POSTAGE & SHIPPING)**
 - 1. Supplies – Office supplies and materials ordered for a specific cost pool are charged directly to the cost pool that uses the supplies or materials. Costs that benefit more than one cost pool are allocated equitably to those receiving benefit from the activity(s) based upon labor distribution units.

 - 2. Beverages - are charged directly to the General Fund as direct charges to the Financial Operations department.

 - 3. Printing & Copying – External printing costs are charged directly to the benefiting cost pool. Internal printing is allocated based upon usage units. Photocopying costs include all copy supplies. Costs that benefit more than one cost pool are allocated equitably to those receiving benefit from the activity(s) based upon usage units.

 - 4. Postage & Shipping – Postage and shipping costs are charged directly to the benefiting cost pool based upon postage usage reporting. Costs that benefit



more than one cost pool are allocated equitably to those receiving benefit from the activity(s) based upon usage units.

- H. **FURNITURE and FIXTURES** – Costs include lease depreciation, and lease interest expense. Monthly lease depreciation and interest expense are allocated using labor distribution units to allocate both of these costs to the IHCDA departments and programs.
- I. **EQUIPMENT and SOFTWARE EXPENSES** - Costs include software, licensing / maintenance agreements, hardware generally under the capitalization policy threshold or as permitted by the cost pool; equipment rental /maintenance for copiers and scanners; other office services for courier, shredding, storage, etc. Direct costs are coded directly to the cost pool of benefit. Costs that benefit more than one cost pool are allocated equitably to those receiving benefit from the activity(s) based upon labor distribution units.
- J. **SUBSCRIPTIONS and MEMBERSHIPS** - Costs include IHCDA's memberships in business, professional, and technical organization and periodicals. Costs are directly charged to the cost pool of benefit. Costs that benefit more than one cost pool are allocated equitably to those receiving benefit from the activity(s) based upon labor distribution units.
- K. **OUTREACH** – Costs include those activities dedicated to maintaining the image of IHCDA or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public. These would include the costs of communicating with the public and press pertaining to specific activities or accomplishments which result from the performance of an award and costs of conducting general liaison with the news media and government public relations officers, to the extent that such activities are to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc. Costs are directly charged to the cost pool of benefit. Costs that benefit more than one cost pool are allocated equitably to those receiving benefit from the activity(s) based upon labor distribution e units. Allow ability is reviewed and approved by program manager or director upon claim submission.
- L. **INDIANA OFFICE of TECHNOLOGY** - Communications costs include the costs of local telephone and long distance telephone charges, including charges associated with telephone calls, facsimile transmissions, and Internet connections, etc. Costs are directly charged to the cost pool of benefit. Costs that benefit more than cost pool are allocated equitably to those receiving benefit from the activity(s) based upon labor distribution units.
- M. **LEGAL** – Legal fees shall be charged directly to the cost pool that benefits from the services. Costs that benefit more than one cost pool are allocated equitably to those receiving benefit from the activity(s) based upon labor distribution units.
- N. **ACCOUNTING** – Costs associated with the A-133 Single audit is charged directly to the cost pool that the audit covered. Costs associated with the Financial Statement audit are allocated based upon units that coincide with the development of the annual audit.



- O. **TRUSTEE/BANK** – Fees are charged to the cost pool that benefits from the services. Billing reports from the bank are used as the basis for direct charges.
- P. **RECORDING** – Recording fees are charged directly to the cost pool that utilized the service. Any costs that are shared are allocated based upon labor distribution units.
- Q. **PROFESSIONAL SERVICES** - Professional service contracts are charged to the specific cost pool that utilized the service. Any costs that are shared are allocated based upon labor distribution units.
- R. **MISCELLANEOUS EXPENSES** – This category is used minimally. Costs are charged directly to the cost pool that benefited from the charge. Any costs that are shared are allocated based upon labor distribution units.
- S. **CAPITAL EXPENDITURES** - Capital expenditures include equipment, and software purchased generally in the amount greater than five thousand dollars (\$5,000) or as a specific cost pool permits. Capital expenditures are charged to the cost pool which it is utilized by to the extent allowed. IHCDA depreciation and lease interest costs are allocated based upon labor distribution units. In the event that the asset is solely for a federal program’s usage and is allowable under the terms of the program, that asset is recorded in that programs assets within the program’s unique chart of accounts.