

Form 1304 FR.09 Instructions Cost Allocation Methodologies

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Overview

These instructions accompany 1304 GD.02 Cost Allocation Methodologies Guide and the 1304 FR.01 Cost Allocation Methodologies form. The purpose of the form is to provide a tool to easily allocate costs using the four most commonly used allocation methods: square footage, full time equivalents (FTEs), modified total direct costs (MTDC) of a sponsored project, and proportional benefit. Prior to completing the Cost Allocation Methodologies form, carefully review 1304 GD.02 to better understand how to develop a cost allocation methodology and the do's and don'ts of a cost allocation methodology.

Prior to determining which cost allocation methodology to use, answer the following questions:

1. **What needs to be allocated?**
Research supplies, rent, utilities, and animals
2. **What are the sponsored projects that will benefit from the subsequent charges?**
 - a. Identify the specific PTAOs of the awards that will benefit from the charge.
 - b. Can the proportions be easily determined?
Yes Costs should be allocated to the projects on a proportional basis.
No Costs must be allocated to the benefiting projects on a **reasonable** basis.

3. **What is the basis for allocation that is being used and is it reasonable?**
Does the cost allocation methodology selected logically relate to the type of expense?
For example, square footage would not be used to allocate lab supplies but FTEs could be used.

Commonly used methodologies include:

- **Square Footage** when allocating rent, utilities, and other infrastructure expenses that can be directly charged to a sponsored project.
- **FTEs** when purchasing research supplies that are shared by persons working on multiple projects. When determining the appropriate number of FTEs, the FTE does not necessarily have to be paid directly on the project to which the purchase will be charged. In such cases the FTE must be devoting effort to the project and be paid by a non-sponsored project.
Note: An FTE is the equivalent of one full-time position or two half-time positions, or any combination of appointments that will add to a single FTE. For example, four non-exempt staff work 10 hours each on a single sponsored project would be the equivalent of 1 FTE
- **MTDC** (excluding, if any, the entire subaward not just the first \$25,000) base as a basis for allocation.
- **Proportional Benefit** should be used if the allocation among multiple sponsored projects is obvious.

Once these questions have been answered, the cost allocation methodology must be approved by the Principal Investigator(s) and kept on file in the business office with awards to which the cost allocation methodology applies. The Principal Investigator may also identify a responsible individual to execute the transactions associated with the cost allocation.

After approval has been received from the PI, the cost allocation methodology spreadsheet can be completed.

Cost Allocation Methodology Example

In the example below the PI needs to allocate the purchase of glassware necessary for the conduct of the research on three awards. She has determined that the appropriate method to allocate the glassware is on the basis of the five individuals conducting the experiments on the three awards (FTE basis) and has determined the distribution of FTE for each award.

Instructions for the template:

1. Analyze and determine the appropriate method for the type of expense being allocated.
2. Record the PTAOs of the awards (can be both sponsored and non-sponsored awards) sharing the expense.
3. Fill in the number of FTEs, square footage percentage or the MTDC 9as determined in Step 1.) for each award.

NOTE: The same methodology does not necessarily have to be used for all charges on an award. Rent, latex gloves and mice might each reasonably use a different cost allocation methodology using a single *Cost Allocation Methodology* form.

| COST ALLOCATION METHODOLOGY | | | | TOTALS |
|--------------------------------|--------|--------|--------|--------|
| PTAO | A12345 | A98765 | A76543 | |
| A Square Footage | | | | |
| Allocation | | | | |
| B Number of FTEs | 1.0 | .5 | 3.5 | 5.0 |
| Allocation | 20% | 10% | 70% | |
| C MTDC budget total | | | | |
| Allocation | | | | |



The following template was created to accompany *Yale University Guide 1304 GD.02 Cost Allocation Methodologies*.

The on-line template will compute the percent that each award would be charged for shared expenses.