**Washington Technology Solutions**

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| **Enterprise Technology Solutions** |

*Agency Financial Reporting System*

COST ALLOCATION SYSTEM OVERVIEW

*September 2015*

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# Contacts

For help, questions or interest in the Cost Allocation System contact the Solutions Center at solutionscenter@watech.wa.gov or 360-407-9100.

# Overview

The Cost Allocation System is a mainframe product offered and maintained by the Washington Technology Solutions (WaTech). The Cost Allocation System does not use an indirect rate. Cost allocation is based on distributing actual dollars and FTEs; the Agency’s direct and overhead expenditures are cost allocated as incurred.

The Cost Allocation System is offered at a monthly fee that is negotiated with each agency. Mainframe Cost Allocation Reports are charged separately. Most Cost Allocation System reports are available from Enterprise Reporting; these reports are covered under the Enterprise Fee.

The Cost Allocation System is a process to build an Automated Cost Allocation Plan that mirrors the Agency’s written Cost Allocation Plan. The Cost Allocation System uses the Automated Cost Allocation Plan to allocate the Agency Financial Reporting System (AFRS) financial transactions. DSHS and HCA are currently the only agencies using the Cost Allocation System. The DSHS & HCA have federally financed public assistance programs. The cost allocation plan has been federally approved.

The Cost Allocation System is integrated with AFRS. AFRS transactions in the nightly process are identified for cost allocation and are run against the cost allocation system edits. Transactions that do not pass the cost allocation system edits are sent to the AFRS error file. The good cost allocation AFRS transactions have a duplicate transaction created for cost allocation. The original transactions (non-duplicate) continue through the AFRS nightly processing and post to AFRS. The duplicate transactions have the unique codes stripped out and are merged, losing their unique identity. The merged transactions are cost allocated creating the AFRS cost allocation transactions. The merged transactions also create the reversing transactions for the original transactions. The AFRS transactions from the cost allocation system (cost allocation transactions and reversing transactions) are uniquely batch identified and inserted in the nightly processing and post to AFRS. The cost allocation transactions can be included in or excluded from the agency daily AFRS Transaction History reports within Enterprise Reporting.

Cost Allocation System Overview

Program Structure State Assistance Progam

Federal Grant

Annual Written Cost Allocation Plan with Quarterly Updates

Values for a methodology can change each Fiscal Month

Financial data selected and Cost Allocated Daily

Daily AFRS Financial Transactions

Cost Allocation Tables most by Fiscal Month

Automated Cost Allocation Plan by Fiscal Month

Process AFRS Transactions

* The monthly AFRS cost allocation tables are automatically rolled from month to month.
* An Agency up-dates the cost allocation tables in AFRS. Any up-date must pass table edits.
* From the AFRS tables a new cost allocation plan is created for each fiscal month. The Special month (FM99 and FM25) is a copy of FM12 or FM24.
* Cost allocation is run daily in the evening, but can occur on any evening frequency.
* The monthly cost allocation plan can be added to during the month.
* All expenditures and FTEs are cost allocated. The expenditures and FTEs can be charged directly or to a pool.
* To reduce the number of cost allocated transactions, the expenditure and FTE transactions are duplicated; the unique non-cost allocated fields are removed (i.e. current document number, vendor information, etc.); the resulting transactions are merged. The merged transactions are cost allocated. The merged transactions create the reversing transactions for the original AFRS transactions.
* A recalculation process is run to adjust cost allocated accruals and encumbrances to the current month’s cost allocation plan. Accruals and encumbrances are liquidated using the current month’s cost allocation plan.
* The Cost Allocation System reports are available from the mainframe additional reports can be created in Enterprise Reporting.
* The Financial Toolbox application with simulated cost allocation processes is used to ease adjustments / corrections to cost allocated transactions.
* The Enterprise Reporting application has implemented download reports for the Financial Toolbox.

# Operating Environment

The Cost Allocation System is integrated with AFRS and all components (tables, processing and reports) are a mainframe product.

# Operating Hours

The Cost Allocation System is available: Monday – Friday 6:30A – 7:30P Saturday 7:00A – 7:30P

Sunday 7:00A – 1:00P

* Expenditures and FTEs are allocated to cost objectives. The cost objective is a grant or state program. A cost objective has a federal and / or state share. The cost objective table also includes the federal source code.
* A schedule identifies a cost allocation target. A schedule is an intermediary code. It is used to streamline changes to a target. A target is a cost objective or a base (pool of cost objectives).
* The codes on an AFRS transaction that link to a schedule. DSHS & HCA are currently using the combination Program Index + Allocation Code.
* Approved methodologies for distributing a base.
* The base that identifies the allocation methodology.
* The base elements that identify the base targets. The target can be a cost objective or another base. Also entered manually or automated is the amount for the element.
* Automated bases (the system puts in the amounts for each element) have base element sequences. The base element sequences contain the codes (Program Index + Allocation Code) to get the prior-prior month’s amount.
* Appropriation index crosswalk to look-up the federal share appropriation index when the input AFRS transaction has a state appropriation index.

# Cost Allocation Reports

* Reports are available for each cost allocation tables (see – Cost Allocation Tables).
* Under the Reports section:
	+ BASE STEPDOWN AND FINAL ALLOCATION (CAS351) - Reports on the base displaying the step-downs with amounts and percentages. A step-down is when an element target is a base. The cost allocation system allows up to nine step-down levels.
	+ BASE COMPARISON (CAS355)
	+ PRELIMINARY PLAN BUILD - Plan build process error report.