

Accounting-Financial External Procedures Cost Allocation Plans

Information:

The purpose of a cost allocation plan (CAP) is to guide the allocation of costs, assuring that:

- All activities of the transit agency (TA) have been considered.
- The distribution of indirect costs is based on method(s) reasonably indicative of the amount of services provided.
- The level of costs incurred is reasonable.
- Costs of centralized government services are charged in conformance with government-wide cost.
- Costs claimed are allowable in accordance with the Revenue and Expense Manual.

A CAP must be formulated by the TA and the methodology submitted to their project manager for approval. The following identify some of the conditions that determine if a CAP is required:

If the TA has any of the following conditions, a CAP should be submitted:

1. The TA provides charter service.
2. The TA has multiple funding sources that require separate accounting.
 - The TA has more than one Michigan Department of Transportation or Federal Transit Administration operating funding source or project. For example: The TA receives Local Bus Operating Assistance, New Freedom, and/or Specialized Services.
 - The TA provides urban and nonurban service.
3. The TA provides services to outside agencies.
 - The TA rents space to outside agencies (i.e. concession stands, space rental).
 - The TA sells maintenance services or other services.
4. The TA is part of a local (city or county) government and has joint costs with other units of the local government.
 - The TA is not organized as an authority under Act 196 or 7 or any other legal authority.
 - The TA purchases services and commodities, such as insurance, fuel, copier service, computer time, etc., from a local unit of government, including another TA, and the purchase is based on bulk pricing (such as county-wide, or shared with other units of government). For example: The county purchases insurance for county-wide vehicles including the transit vehicles. A CAP plan is required to determine how the insurance is allocated among units (i.e. total number of vehicles per unit of government). If the purchase is measured (hours, gallons, etc.) and charged per the measured amount, a CAP is NOT required. For example: If the TA purchases fuel from the county and the fuel is charged per gallon, a CAP is NOT required.

5. A CAP is NOT required if the employee has joint job responsibilities between intercity bus and public transportation; the employee's time is an eligible expense.

Note: This list of conditions is only illustrative and not all-inclusive; other conditions may require a CAP.

Approved CAPs are reviewed for compliance by the TA's Certified Public Accountant (CPA) and/or Commission Audit during the audit of the TA to determine allowable costs; noncompliance is noted in the CPA management letter.

The approved CAP is in effect until:

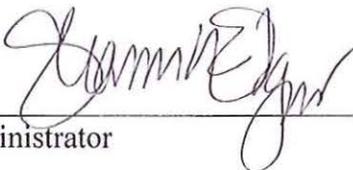
1. It is revised by the TA and the new plan is approved by Office of Passenger Transportation (OPT).
And/or
2. OPT is advised by the TA that the CAP is no longer in use.
And/or
3. The CAP is not listed as current in the TA's external audit.

Actions Needed:

- Determine if a plan is needed. If a new or revised CAP is needed, submit to your project manager. For a list of OPT-approved CAPs, go to <http://www.michigan.gov/mdotptd>, go to resource box, click on Audit/Accounting Information, scroll down to Cost Allocation Listing.
- If it is not clear whether or not your TA needs a CAP, please refer to the Local Public Transit Revenue and Expense Manual and your project manager.
- CAPs must be submitted in the form of a written methodology (Attachment A); submitting a plan using actual data will not be acceptable. However, it is advised that the plan include an example using actual data (Attachment B).
- When the OPT letter of approval is received, keep in file with CAP for your auditor.

Contact: If you have any questions on this procedure, contact your project manager.

Approved:



Administrator

11/7/13

Date

Attachments: Attachment A – Example of Written Methodology Letter to Project Manager
Attachment B – Example JARC Contract Apply CAP

Attachment A

(Example of Letter to Project Manager)

DATE

Address your letter to your project manager, Office of Passenger Transportation, Michigan Department of Transportation

Re: Cost allocation plan (CAP) methodology for the Job Access/Reverse Committee (JARC) grant.

GoBus County Transit submits for approval a JARC cost allocation plan methodology. The JARC program will use only volunteer drivers at this time. Therefore, direct costs will include the Volunteer Services rate per mile. All other expenses and ineligible expenses except for those listed below are indirect and will be allocated based on JARC vehicle miles divided by total system vehicle miles. The vehicle miles for the JARC service will be tracked.

Costs not allocated because they are not associated with the JARC program:

- 50101 Operators Salaries & Wages - operations function only
- 50200 Other Fringe Benefits - operations function only
- 50201 Pensions - operations function only
- 50401 Fuel & Lubricants
- 50402 Tires & Tubes
- 50404 Major Supplies
- 50603 Liability Insurance
- 50800 Purchased Trans Service (will be direct cost when used with any program)
- 51300 Depreciation
- 55007 Ineligible Depreciation
- 55010 Other Ineligible Expense Associated w/Auxiliary & Nontransportation Revenue

Attached is a spreadsheet using the JARC CAP.

Sincerely,

Ima Manager
Transportation Director
GoBus County Transportation

Example:

JARC Contract Apply CAP

Regular Service Miles	429,061	83.8527%
JARC Miles	82,623	16.1473%
Total Miles	511,684	100.0000%

Attachment B

Code	Description	Total System Operations Expenses	Total System Maintenance Expenses	Total System Gen. Admin. Expense	Total System Expenses
50101	Oper. Sal & wage	336,500			336,500
50102	Other Sal & wage		131,300	111,500	242,800
50103	Dispatch	106,000			106,000
50200	Other Fringe	152,000	34,000	36,000	222,000
50201	Pensions	0	0	0	0
50302	Advertising Fee			7,600	7,600
50305	Audit Cost			6,000	6,000
50399	Other Services	45,000	5,000	2,000	52,000
50401	Fuel & Lubricant	215,000			215,000
50402	Tires & Tubes	7,000			7,000
50404	Major Supplies	5,300			5,300
50499	Other Mat. & Supp.	30,000	6,700	13,800	50,500
50500	Utilities			24,600	24,600
50603	Liability Ins.	104,000			104,000
50700	Tax	200			200
50800	Purchases Trans Servi	99,548			99,548
50902	Travel	77	500	5,484	6,061
51300	Depreciation	200,000	7,000		207,000
	Total Expenses	1,300,625	184,500	206,984	1,692,109
55007	Ineligible Depreciation	198,000	5,000		203,000
55010	Other Ineligible Expense Associated w/Aux. & Non trans.	46,000	100	200	46,300
57402	Ineligible RTAP			0	0
	Total Ineligible Exp.	\$244,000	\$5,100	\$200	\$249,300
	Total Eligible	\$1,056,625	\$179,400	\$206,784	\$1,442,809

JARC Operations	JARC Maintenance	JARC Gen. Admin.	Total JARC Allocated Expenses
15,000	0	0	15,000
	21,201	18,004	39,206
17,116	0	0	17,116
3,000	5,490	5,813	14,303
0	0	0	0
	0	1,227	1,227
	0	969	969
7,266	1,000	323	8,589
20,000	0	0	20,000
800	0	0	800
0	0	0	0
4,844	1,082	2,228	8,154
	0	3,972	3,972
3,000	0	0	3,000
32	0	0	32
			0
12	81	886	979
0	0	0	0
71,071	28,854	33,422	133,348
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
\$71,071	\$28,854	\$33,422	\$133,348

Regular Service Operations	Regular Service Maintenance	Regular Service Gen. Admin.	Regular Service Expenses
321,500	0	0	321,500
0	110,099	93,496	203,594
88,884	0	0	88,884
149,000	28,510	30,187	207,697
0	0	0	0
0	0	6,373	6,373
0	0	5,031	5,031
37,734	4,000	1,677	43,411
195,000	0	0	195,000
6,200	0	0	6,200
5,300	0	0	5,300
25,156	5,618	11,572	42,346
0	0	20,628	20,628
101,000	0	0	101,000
168	0	0	168
99,548			99,548
65	419	4,598	5,082
200,000	7,000	0	207,000
1,229,554	155,646	173,562	1,558,761
198,000	5,000	0	203,000
46,000	100	200	46,300
0	0	0	0
244,000	5,100	200	249,300
\$985,554	\$150,546	\$173,362	\$1,309,461