

**Rio Grande Valley Linking Economic  
and Academic Development  
(RGV LEAD), Inc.**

**Amended Cost Allocation Plan**

**Reviewed and Approved by RGV LEAD's  
Board of Directors on August 20, 2013**

**RIO GRANDE VALLEY LINKING ECONOMIC AND  
ACADEMIC DEVELOPMENT (RGV LEAD), INC.  
AMENDED COST ALLOCATION PLAN  
CURRENT AS OF AUGUST 20, 2013**

**Purpose/General Statements**

This plan was originally adopted by the Board of Directors of Rio Grande Valley Linking Economic and Academic Development (RGV LEAD), Inc. (formerly Tech Prep of the Rio Grande Valley, Inc.) on August 26, 2008, to become effective for the fiscal year beginning September 1, 2008. The plan was amended by the RGV LEAD Board on August 20, 2013. This plan has been tailored to fit the specific policies of RGV LEAD and also the policies of Texas State Technical College Harlingen (TSTC), which handles business office and human resource activities for RGV LEAD in accordance with the terms of a contract made between RGV LEAD and TSTC on April 29, 1994, and amendments thereto.

The purpose of this Cost Allocation Plan is to summarize, in writing, the methods and procedures that RGV LEAD will use to allocate costs to various programs, grants, contracts, and agreements.

This Cost Allocation Plan is designed to meet the requirements of OMB Circular A-122, "Cost Principles for Non-Profit Organizations," as well as the Texas Workforce Commission Financial Manual for Grants and Contracts and U.S. Department of Education's Education Department General Administrative Regulations (EDGAR). OMB Circular A-122 establishes the principles for determining costs of grants, contracts and other agreements with the Federal Government. RGV LEAD's Cost Allocation Plan is based on the Direct Allocation method described in OMB Circular A-122. The Direct Allocation Method treats all costs as direct costs except general administration and general expenses.

Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

Only costs that are allowable, in accordance with the cost principles, will be allocated to benefiting programs by RGV LEAD.

**General Approach**

The general approach of RGV LEAD in allocating costs to particular grants and contracts is as follows:

- A. All allowable direct costs are charged directly to programs, grants, activity, etc.

- B. Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated.
- C. All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, grants, etc. using a base that results in an equitable distribution.

## **Allocation of Costs**

The following information summarizes the cost-allocation procedures that will be used by RGV LEAD beginning September 1, 2008:

- A. Compensation for Personal Services – All RGV LEAD staff that are paid from any federal grant will maintain time-and-effort records that reflect actual time spent on activities. Compensation for personal services is derived from the records on these time sheets, which show time distribution for all employees, and allocated based on time spent on each program or grant. Salaries and wages are charged directly to the program for which work has been done. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s salaries to the total of such salaries (see Example 1). Costs that benefit all programs will be allocated based on the ratio of each program’s salaries to total salaries (see Example 2).
  - 1. Fringe benefits (FICA, UC, and Worker’s Compensation) are allocated in the same manner as salaries and wages. Health insurance, dental insurance, life and disability and other fringe benefits are also allocated in the same manner as salaries and wages.
  - 2. Vacation, holiday, and sick pay are allocated in the same manner as salaries and wages.
- B. Travel Costs - Allocated based on purpose of travel. All travel costs (local and out-of-town) are charged directly to the program for which the travel was incurred. Travel costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s salaries to the total of such salaries (see Example 1). Travel costs that benefit all programs will be allocated based on the ratio of each program’s salaries to total salaries (see Example 2).
- C. Professional Services Costs (such as consultants, accounting and auditing services) - Allocated to the program benefiting from the service. All professional service costs are charged directly to the program for which the service was incurred. Costs that benefit more than one program will be allocated to those programs based on the ratio

of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).

- D. Office Expense and Supplies (including office supplies and postage) - Allocated based on usage. Expenses used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- E. Equipment – RGV LEAD depreciates equipment when the initial acquisition cost exceeds \$5,000. Items below \$5,000 are reflected in the supplies category and expensed in the current year. Unless allowed by the awarding agency, equipment purchases are recovered through depreciation. Depreciation costs for allowable equipment used solely by one program are charged directly to the program using the equipment. If more than one program uses the equipment, then an allocation of the depreciation costs will be based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- F. Printing (including supplies, maintenance and repair) - Expenses are charged directly to programs that benefit from the service. Expenses that benefit more than one program are allocated based on the ratio of the costs to total expenses. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- G. Insurance - Insurance needed for a particular program is charged directly to the program requiring the coverage. Other insurance coverage that benefits all programs is allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- H. Telephone/Communications - Long distance and local calls are charged to programs if readily identifiable. Other telephone or communications expenses that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- I. Facilities Expenses - Allocated following the proration used for staff salaries. Facilities costs related to general and administrative activities are allocated to program based on the ratio of program square footage to total square footage (see Example 2).

- J. Training/Conferences/Seminars – Allocated to the program benefiting from the training, conferences or seminars. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s salaries to the total of such salaries (see Example 1). Costs that benefit all programs will be allocated based on the ratio of each program’s salaries to total salaries (see Example 2).
- K. Other Costs (including dues, licenses, fees, etc.) - Allocated to the program benefiting from the training, conferences or seminars. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program’s salaries to the total of such salaries (see Example 1). Costs that benefit all programs will be allocated based on the ratio of each program’s salaries to total salaries (see Example 2).
- L. Unallowable Costs – Costs paid from federal grants that are unallowable in accordance with OMB Circular A-122, include alcoholic beverages, bad debts, advertising (other than help-wanted ads), contributions, entertainment, fines and penalties. Lobbying and fundraising costs are unallowable, however, are treated as direct costs and allocated their share of general and administrative expenses.

**Examples of Allocation Methodology**

**Example 1**

Expense Amount = \$5,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program’s personnel costs (salaries and applicable benefits) to the total of such personnel costs, as follows:

<b>Grant</b>	<b>Personnel Costs</b>	<b>%</b>	<b>Amount Allocated</b>
A	\$ 20,000	20%	\$1,000
C	\$ 30,000	30%	\$1,500
E	\$ 50,000	50%	\$2,500
<b>Total</b>	<b>\$100,000</b>	<b>100%</b>	<b>\$5,000</b>

**Example 2**

Expense Amount = \$10,000

Costs that benefit all programs are allocated based on a ratio of each program's personnel costs (salaries and applicable benefits) to total personnel costs as follows:

<b>Grant</b>	<b>Personnel Costs</b>	<b>%</b>	<b>Amount Allocated</b>
A	\$ 20,000	13%	\$1,300
B	\$ 10,000	7%	\$ 700
C	\$ 30,000	20%	\$2,000
D	\$ 40,000	27%	\$2,700
E	\$ 50,000	33%	\$3,300
Total	\$150,000	100%	\$10,000

**Example 3**

Expense Amount = \$4,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's expenses (direct costs other than salaries and benefits) to the total of such expenses, as follows:

<b>Grant</b>	<b>Program Expenses</b>	<b>%</b>	<b>Amount Allocated</b>
A	\$ 120,000	30%	\$1,200
C	\$ 130,000	33%	\$1,320
E	\$ 150,000	37%	\$1,480
Total	\$ 400,000	100%	\$4,000

**Example 4**

Expense Amount = \$8,000

Costs that benefit all programs will be allocated based on a ratio of each program's salaries to total salaries as follows:

<b>Grant</b>	<b>Program Expenses</b>	<b>%</b>	<b>Amount Allocated</b>
A	\$ 120,000	18%	\$1,440
B	\$ 110,000	17%	\$1,360
C	\$ 130,000	20%	\$1,600
D	\$ 140,000	22%	\$1,760
E	\$ 150,000	23%	\$1,840
Total	\$650,000	100%	\$8,000

## **Accounting Procedures for Implementation of Cost Allocation Plan**

The procedures through which RGV LEAD's Cost Allocation Plan will be implemented are included in RGV LEAD's Accounting Procedures. Applicable procedures are copied below. References to "Fiscal Agent" are references to Texas State Technical College Harlingen (TSTC), which provides services to RGV LEAD in accordance with the terms of a contract made between RGV LEAD and TSTC on April 29, 1994, and amendments thereto.

### **4.00 BUDGETS FOR SUBMISSION TO EXTERNAL AGENCIES**

- 4.01 Initial Development. RGV LEAD's Director and Accountant and, when appropriate, other designated staff will work together to prepare budgets for submission with plans to external agencies. Plans and budgets will be developed through a regional planning process that involves input from RGV LEAD's board, committees, and community partners, with input gathered through meetings, public hearings, and communications by email, Internet, fax, phone, and personal visits, as appropriate.
- 4.02 Review by Finance Committee and Fiscal Agent. Once developed, written plans and proposed budgets will be presented to RGV LEAD's Finance Committee and reviewed by Fiscal Agent's grant-oversight staff prior to submission to the Board for approval.
- 4.03 Approval by RGV LEAD's Board. After approval by the Finance Committee, budgets and plans will be presented to the RGV LEAD Board for approval prior to submission of plans to external agencies.
- 4.04 Reports to Board. Reports will be reviewed at Finance Committee meetings, then presented for Board approval at regularly scheduled meetings of RGV LEAD's Board of Directors. Board meetings are posted as open meetings, and notice of Board meetings is additionally posted at several strategic locations throughout the Valley.
- 4.05 Budget Adjustments. Any necessary budget adjustments will be made quarterly. Proposed adjustments will be presented first to the Finance Committee, then to the full Board, for approval. Fiscal Agent's staff will have continuing input and oversight through quarterly meetings between Fiscal Agent's staff and RGV LEAD staff preceding Finance Committee meetings, and by having Fiscal Agent's staff participate at the Finance Committee and Board levels.
- 4.06 Public Hearings. When overall goals and strategies are modified, a public hearing of all members will be held prior to the time those documents are submitted to external agencies.
- 4.07 Accounting to/Ratification by Voting Members. RGV LEAD's Board of Directors is selected in accordance with the corporation's Bylaws and is accountable to the voting members of the corporation (32 independent school districts, 5 colleges and universities, the Region One Education Service Center, and other organizations); and the RGV LEAD Board accounts to the voting members in October of every year. Budgets, plans,

financial reports, and activity reports presented during Board meetings are shared with the members for review and discussion. Voting members have the opportunity for review and comment and to ask questions of the Board at these annual meetings. During these annual meetings, after discussions, voting members vote to ratify actions taken by the Board during the period preceding the annual meeting.

4.08 Splitting Allocations Between Accounts. Budgets submitted to external agencies will reflect allocations between accounts according to the Cost Allocation Plan adopted by the Board of Directors. The appropriate split of shared costs between and among accounts will be recommended by the Finance Committee and then approved by the RGV LEAD Board, following the Cost Allocation Plan adopted by the Board.

4.09 Allocating Payments Between Accounts/Budget Systems. RGV LEAD staff will maintain an internal budget system that tracks all invoices. Accounting Assistant will forward payment requests to Accountant to ensure that invoices have not already been paid, to review invoices against budgets, and to ensure that invoices are allocated to the appropriate accounts.

4.09.A RGV LEAD's Accountant, working with the Accounting Assistant, will review RGV LEAD's internal records and reports from the Fiscal Agent not less than quarterly, to ensure that payments are accurate and have been charged to the appropriate accounts.

4.09.B When necessary, RGV LEAD's Accountant or Accounting Assistant will prepare a memorandum for signature by RGV LEAD's Director requesting journal corrections between accounts. Fiscal Agent's accounting staff will then make appropriate journal entries, working under the authority of the Executive Vice President of Financial and Administrative Services/RGV LEAD Treasurer.

RGV LEAD's Accountant or Accounting Assistant will maintain copies of memos requesting journal entries. The Accountant or Accounting Assistant will verify entry into appropriate budget records at the time such memos are processed.

4.10 Internal Audit of Expenditures. RGV LEAD's Accountant will meet at least quarterly with Fiscal Agent's Executive Vice President of Financial and Administrative Services/RGV LEAD Treasurer and/or Fiscal Agent's Director of Accounting with grant/contract oversight responsibility to review the allocation of costs between and among accounts. During this meeting there will be a review of personnel compensation to compare actual time spent on projects with budget projections, as discussed more fully in Section 6.0. In addition, during this meeting there will also be a review of the allocation of other costs to costs centers, to determine the appropriateness of the budget allocations and to agree on any recommended budget adjustments or modifications



through journal entries, if any. If any budget adjustments are required, these recommendations will be brought to the RGV LEAD Director, then to the Finance Committee, and finally to the RGV LEAD Board for approval.

4.10.A Prior to meeting with Fiscal Agent's staff, RGV LEAD's Accountant will prepare necessary documentation for an effective review of records. If necessary, RGV LEAD's Accountant will forward the agenda in advance so that any necessary revisions can be made to the agenda and also so that any necessary records (such as copies of purchase orders, vouchers, etc.) can be assembled prior to the meeting.

4.10.B Prior to the time that RGV LEAD's Accountant meets with Fiscal Agent's staff to review expenditures for preparation for fiscal year closeout and preparation of end-of-year reports, and in preparation for this meeting, RGV LEAD's Accountant and Accounting Assistant will review all past expenditures to ensure that those expenditures have been charged to the appropriate accounts.

4.11 External Audit. In addition to the internal audit work described above, the following external audits will be performed:

4.11.A RGV LEAD's accounts will be reviewed as part of the audit of all accounts maintained by Fiscal Agent.

4.11.B In accordance with the terms and conditions of RGV LEAD's contracts funded by federal funding sources, those contracts are subject to an external audit performed by a Certified Public Accountant as in compliance with the federal Single Audit Act. The necessary RGV LEAD programmatic or Single Audit report will be prepared in accordance with applicable laws and regulations, as required. Any and all audits will be performed with collaboration between RGV LEAD's staff and Fiscal Agent's staff.

## **5.00 EXPENDITURE REPORTS FOR EXTERNAL AGENCIES**

5.01 Preparation of Expenditure Reports. To facilitate the accurate preparation of expenditure reports, RGV LEAD's Accountant and Fiscal Agent's staff will meet together to review all expenditures for appropriateness on a quarterly basis.

5.02 Program Closeout Reports; End-of-Year Reports. At the time program closeout reports and/or end-of-year reports, are prepared, RGV LEAD's Accountant, working closely with Fiscal Agent's staff, will prepare any necessary requests for journal corrections to ensure that general ledger reports and final expenditure reports are aligned. This work will be done under the authority of RGV LEAD's Director in collaboration with Fiscal

Agent's Executive Vice President for Financial and Administrative Services/RGV LEAD Treasurer.

## **6.00 PERSONNEL ACTIVITY RECORDS**

- 6.01 Preparation of Personnel Activity Records. All RGV LEAD personnel that are paid from any federal grant will maintain personnel activity records (PARs) that reflect after-the-fact records of work done. PARS will reflect the total activity for which each employee is compensated and will reflect actual effort, not estimated effort. Employees will be instructed to consult supporting documentation (calendars, work products, time logs, etc.) in preparing PARs. PARs will be signed and dated by employees.
- 6.02 Review of Personnel Activity Records. Time-and-effort records on PARs will be reviewed internally by RGV LEAD's Accountant and compared with budget estimations. This review will be conducted at least quarterly and included in agendas for quarterly meetings of RGV LEAD's Accountant with Fiscal Agent's staff. The review with Fiscal Agent's staff will include a review of Fiscal Agent's general ledger to ensure that the Fiscal Agent's general ledger accurately reflects the records on file in the RGV LEAD offices.
- 6.03 Budget Adjustments for Personnel Compensation. If the difference in the budget for personnel activities and actual time spent by staff is 10 percent or more, necessary adjustments will be made quarterly. If the difference is less than 10 percent, necessary adjustments will be made annually. The necessity of budget adjustments will be discussed in the meeting between RGV LEAD's Accountant with Fiscal Agent's staff. Summary reports will be submitted to RGV LEAD Director with recommendations for any necessary budget adjustments. Any recommended adjustments will be brought to the Finance Committee for consideration and for recommendations to the RGV LEAD Board of Directors.
- 6.04 Allocating Benefits and Taxes. Taxes will be prorated by Fiscal Agent using the prorations applicable to compensation. Budget adjustments for fringe benefits that cannot be prorated through the Fiscal Agent's system will be made at least quarterly.
- 6.05 Copies Maintained by RGV LEAD Copies of personnel activity records (PARs) will be maintained in RGV LEAD's offices, and a summary log of time recorded on PARs for comparison with budgets and Fiscal Agent's ledgers will be maintained in RGV LEAD's budget system by the Accountant.
- 6.06 Records to Fiscal Agent. Personnel activity records will be made available to Fiscal Agent upon request.

## **11.0 SPLIT OF NON-PERSONNEL COSTS BETWEEN COST CENTERS**

- 11.01 Review of Allocation Between Cost Centers: RGV LEAD staff will maintain an internal budget system that tracks all invoices. There will be a process to review invoices to be sure that costs are charged to the appropriate account. RGV LEAD staff will review RGV LEAD's internal records and reports and compare them with the Fiscal Agent's records at least quarterly to ensure that payments are accurate and have been charged. RGV LEAD staff will make written requests for journal corrections between accounts when necessary.

Fiscal Agent's Executive Vice President of Financial and Administrative Services or other institutional leader named by the President of Texas State Technical College Harlingen will serve as RGV LEAD's corporate Treasurer and Finance Committee Co-Chair. In addition, Fiscal Agent's accounting director charged with responsibility for grants oversight will serve as a member of RGV LEAD's Finance Committee. The Finance Committee will meet prior to Board meetings to review both detailed and summary reports prior to the time those reports are presented to the Board. The Finance Committee will review proposed budgets prior to the time they are presented for approval to the Board and the appropriate funding agency.

In addition, RGV LEAD staff and Fiscal Agent's designee serving as RGV LEAD's corporate Treasurer and/or the grants administrator serving on the RGV LEAD Finance Committee will meet quarterly to review the allocation of costs between cost centers to determine the appropriateness of the allocations and recommended changes, if any, to be presented to the Finance Committee, and then to the RGV LEAD Board of Directors, for approval.

- 11.02 Review of Cost Allocation Plan and Accounting Procedures: RGV LEAD staff will maintain RGV LEAD's Cost Allocation Plan as well as RGV LEAD's accounting procedures and will present both the plan and the procedures to the Fiscal Agent for review annually and for recommendations regarding any requested modifications, if any. Prior to the time that RGV LEAD staff and TSTC staff meet to review expenditures for preparation of the end-of-year report, RGV LEAD staff will review all past expenditures to ensure that those expenditures have been charged to the appropriate account and will prepare written notice to TSTC of any journal entries that need to be made to make necessary adjustments between contracts, if any. This annual review will ensure that all travel, equipment, and operating costs are charged to appropriate cost centers. Any recommended modifications to the Cost Allocation Plan will be brought to the RGV LEAD Director, and then to the RGV LEAD Finance Committee, followed by the RGV LEAD Board of Directors, for approval.