

Cost Allocation Plan

Western States Air Resources Council (WESTAR)
1218 3rd Avenue, Suite 1518
Seattle, WA

Contact Person: Dan Johnson, Executive Director
Email: djohnson@westar.org

A. INTRODUCTION

The Western States Air Resources Council (WESTAR) is a non-profit service organization located in Seattle, Washington. WESTAR was formed to promote the exchange of information between its 15 member States, to serve as a forum to discuss western regional air quality issues of common concern, and to share resources for the common benefit of the member states.

B. COST ALLOCATION METHODOLOGY

This proposal is for a Cost Allocation Plan (Plan) to cover the period beginning January 1, 2014 and ending December 31, 2014. This proposal is based on WESTAR's projected costs in 2014, projections that are based on 1) the most current actual costs for WESTAR operations prior to the merger of the Western Regional Air Partnership (WRAP) into WESTAR, and 2) projected costs for WRAP operations. The U.S. Environmental Protection Agency (EPA) approved WESTAR's previous cost allocation plans included in grant application workplans and budgets since 2001.

WESTAR maintains adequate internal controls to insure that no cost is charged both directly and indirectly to Federal contracts or grants. The effectiveness of WESTAR's financial policies and procedures are audited on an annual basis by an independent CPA.

C. DIRECT COSTS

Direct costs are costs that can be identified specifically with a project and therefore are charged to that project. The accounting system records these costs as they are incurred within the series of accounts assigned for that purpose. Further distribution is not required.

D. INDIRECT COSTS

Indirect costs are costs incurred for common or joint objectives and therefore cannot be readily and specifically identified with a particular project or activity. Indirect costs are grouped into a

common pool and then distributed to benefiting activities by a cost allocation process. WESTAR uses the direct cost allocation method to allocate indirect costs.

E. COST POOL AND BASE FOR DISTRIBUTION

WESTAR has created an Administrative Services (Indirect) Pool consisting of salaries, fringe benefits, overhead, professional services, operating costs, and other costs. This Pool is charged with all the indirect costs as defined above. The Pool is distributed to the various program activities using total direct Personnel costs (salaries, wages, and associated payroll taxes) as a base. Each category of non-Personnel expenditures has been analyzed based on the facts, and the Elements of Cost (Schedule A) explains the allocation between Direct and Indirect Costs.

F. SUPPORTING FINANCIAL STATEMENTS, SUMMARY SCHEDULE AND UNALLOWABLE COSTS

The Schedule of Total Expenditures (Schedule B) contained in this proposal agrees with WESTAR's audit report, Statement of Functional Expenses and IRS Form 990. Costs that are not allowable under the governing OMB Circulars have been excluded from the allocation process.

G. DESCRIPTION OF ACCOUNTING SYSTEM

WESTAR uses an accrual system of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measureable and available). "Measureable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all federally-funded revenue. Expenditures are recorded when the related liability is incurred.

WESTAR is changing its accounting system this fiscal year to reflect an expanded scope of operations and an increased number of employees. As a result, this proposal changes the accounting treatment of the Personnel and Fringe Benefit costs of the Executive Director from direct costs to the indirect cost pool. This change in the allocation methodology is reported in the Elements of Cost (Schedule A). In addition, WESTAR is changing the basis for allocating indirect costs from modified total direct costs to total direct Personnel costs. We anticipate receiving awards from several federal agencies in the coming year and believe that the amount of time spent on the applicable projects and activities would be the most equitable basis for allocating indirect expenses.

H. SALARIES

Salaries for WESTAR's Executive Director and Office Manager, both located in Seattle, are included in the Administrative Services (Indirect) Pool. Both positions support the common or joint objectives of the organization, and their time cannot be readily identified with any

particular project or activity. If either the Executive Director or Office Manager is assigned tasks or activities that can be specifically identified with a project, the hours will be recorded in WESTAR's timekeeping system and the Personnel costs will be assigned to the applicable project as direct costs. The budgeted annual salaries for these positions, including applicable payroll taxes, equal \$154,748.

Position and % Indirect	Function	Salary ¹
Executive Director (100%)	General Management	\$ 115,995
Office Manager (100%)	General Management	38,753
Total Administrative Services (Indirect) Pool Salaries		\$ 154,748

I. FRINGE BENEFITS

Fringe benefits associated with the positions within the Administrative Services (Indirect) Pool include federal and state withholdings, insurance (health, life, vision, dental), and retirement contributions. Fringe benefits for WESTAR's Executive Director and Office Manager, both located in Seattle, are included in the Administrative Services (Indirect) Pool. Both positions support the common or joint objectives of the organization, and their time cannot be readily identified with any particular project or activity. If either the Executive Director or Office Manager is assigned tasks or activities that can be specifically identified with a project, the hours will be recorded in WESTAR's timekeeping system and the fringe benefit costs will be assigned to the applicable project as direct costs. The budgeted annual fringe benefit costs for these positions, including FICA, State unemployment insurance, Health and life insurance, and Retirement plan, equals \$39,810.

J. SUMMARY OF INDIRECT COST ALLOCATION

Schedule C shows how budgeted indirect costs (the Administrative Services Pool) will be allocated over the term of this Cost Allocation Plan. The following chart summarizes how these indirect costs will be allocated based on current budget estimates for anticipated grant awards in 2014. Actual allocations will be based on actual indirect and Personnel expenses.

<u>Fund Source</u>	<u>Project</u>	<u>Estimated Allocation</u>	<u>Notes</u>
EPA	Total	72%	
NPS	3-State Data Warehouse	17%	Award expected 1/1/14
BLM	PMDetail	4%	Award expected 1/1/14
BLM	NO2 Study	6%	Award expected 11/1/14

¹ Includes associated payroll taxes

Schedule A Elements of Cost

Element of Cost	Allocation Method
Personnel	
Salaries and associated payroll taxes	Project staff – direct cost Director and admin staff – indirect cost
Fringe Benefits	
Insurance, leave, pension	Project staff – direct cost Director and admin staff – indirect cost
Travel	Direct cost
Supplies	Direct cost
Contractual	Direct cost
Other Direct	
Printing	Direct cost when identified with project
Postage	Direct cost when identified with project
All other project costs	Direct cost
Indirect	
Printing	Indirect cost if not tied to a specific project
Postage	Indirect cost if not tied to a specific project
All other overhead costs	Indirect cost

Schedule B
Schedule of Total Expenditures

The following is excerpted from WESTAR's most recent financial audit

Western States Air Resources Council
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Contract Number	Total Award	Federal Expenditures
U S Environmental Protection Agency Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities to the Clean Air Act	66.034	00T68001	<u>\$2,353,461</u>	<u>\$815,921</u>

BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards includes the federal grant activity of Western States Air Resources Council and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Schedule C
Allocation of Indirect Costs
 January 1 – December 31, 2014

<u>Direct Personnel Costs</u>	<u>Budget Estimate</u>
EPA Grant	\$208,870
NPS Cooperative Agreement	\$48,780
BLM Cooperative Agreement (PMDetail)	\$12,195
BLM Cooperative Agreement (NO2 Study)	\$18,292
Total Direct Salaries and Wages	\$288,136

<u>Indirect Costs (Pool)</u>	<u>Budget Estimate</u>
Indirect Salaries and Wages	\$154,748
Indirect Fringe Benefits	\$39,810
Other Overhead Costs	\$102,340
Total Indirect Costs	\$296,898

<u>Allocation of Indirect</u>	<u>Estimated Percent</u>	<u>Estimated Amount</u>
EPA Grant	72%	\$215,222
NPS Cooperative Agreement	17%	\$50,262
BLM Cooperative Agreement (PMDetail)	4%	\$12,566
BLM Cooperative Agreement (NO2 Study)	6%	\$18,848
Total Indirect Costs		\$296,898