

# NOAA Commerce Business Systems (CBS) Budget Execution User Guide

## Cost Accumulation & Overheads

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## **5.0 Cost Accumulation & Overheads**

The purpose of this document is to provide an overview of the Cost Accumulation module of the Core Financial System (CFS) for the NOAA general population. This overview briefly describes the steps involved in the planning, accounting and allocating of costs associated with overhead services.

### **5.1 Overview of Cost Accumulation & Overheads**

The Cost Accumulation Management (CA) module is a sub-system within the Core Financial System that provides offset and expense allocation capabilities. The CA module enables NOAA to centrally accumulate, track and allocate costs associated with overhead services.

The CA module supports the following key functions:

- Application of surcharge rates for overhead to the Budget Operating Plans (BOPs) and obligations.

- Redistribution of over/under amounts back to operating programs.

### **5.2 Application of Surcharges**

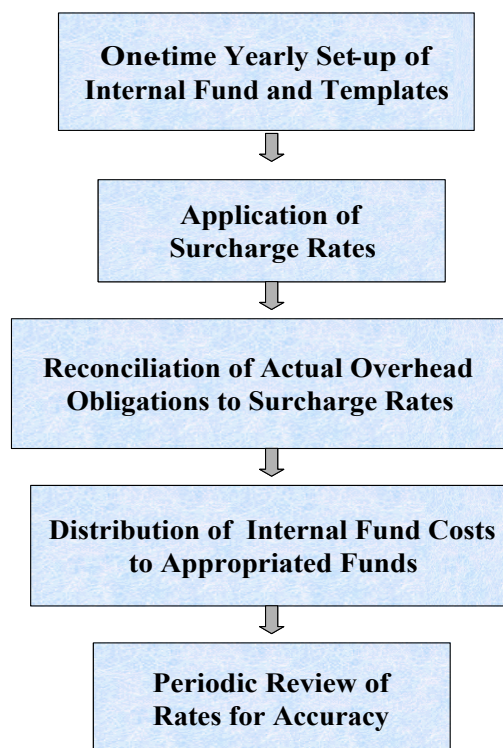
The objective of the surcharge application process is to assess surcharges on various organizations to cover overhead expenses in the internal fund. Surcharges are generally applied at the organization-object levels, but can be applied at lower levels of detail. Surcharges should be assessed on the total obligations recorded in the labor object classes, which represent undelivered orders and expenditures incurred to date. Surcharges are also assessed on month end labor estimates.

For each surcharge, an offset (revenue) project must be specified. This project should be an internal fund income project. When surcharges are created, two sets of entries are recorded, one to record the internal fund offset, and one to record additional costs in the projects being assessed the surcharge.

### **5.3 Redistribution of Over/Under Amounts**

The objective of the over/under process is to determine whether the surcharge application was sufficient to cover the overhead expenses incurred. Monthly comparisons are made between surcharge rate-generated offsets and the actual expenses recorded. When the rate-generated offsets are different from the actual expenses recorded, a variance (over/under applied amount) exists.

The overall cost accumulation process can be presented pictorially as follows:



#### **5.4 Cost Accumulation Process**

The cost accumulation process involves planning and accounting for overhead services. Overhead services include activities which benefit more than one fund (and/or organization), or costs for activities that cannot be equitably charged to a specific fund (and/or organization). An example of an activity that benefits multiple funds and organizations is the service provided by the Budget Office. The Budget Office does not receive a direct appropriation from Congress for its activities, yet all program offices benefit from the guidance provided by the Budget Office. An example of a cost that can not be equitably charged to a specific fund is the leave expense for a manager working on many projects. It would not be equitable for the manager to charge the leave to a specific project, since he or she works on several projects.

In order to track and financially support these overhead activities, an Internal Fund is established, and surcharge rates are developed and applied to the benefiting funds and/or organizations.

The following steps outline this process:

◆ **Establish Internal Fund**

The internal fund is used to centrally accumulate, manage and distribute overhead costs. The internal fund is established on the basis of estimated costs and represents the cost of overhead support to all operational direct and reimbursable programs and projects. There

are no transfers of funds in or out of the internal fund, because no real funding is allotted to it. At the end of the fiscal year actual obligations in the internal fund will be fully reflected as overhead obligations in the operational programs.

◆ **Determine what types of services will be included as overhead items in the Internal Fund and the associated cost of each**

The NOAA Budget Office allocates estimated internal fund costs for providing overhead services. All items to be funded by overhead surcharge rates will be specified with an estimated cost prior to the beginning of each fiscal year. These cost estimates will be the basis of the surcharge rates. Any item which can be accurately and efficiently charged directly to an operating project will not be part of overhead.

◆ **Determine estimated costs for labor base**

Initially overhead rates will be applied to labor obligations only. After the first year of implementation, other object classes will be explored as a more accurate base for the application of overhead.

◆ **Compute surcharge rates**

Surcharges are used to allocate overhead costs from the Internal Fund to the other programs that actually use the services and products. The surcharge rates to be applied against the labor base are calculated by dividing the estimated internal fund costs by the estimated labor base. Line offices will use these rates when entering their Budget Operating Plans for the upcoming year.

The overhead categories are as follows:

- Leave
- Employer's contribution to employee benefits
- NOAA-wide support
- Line Office-wide support
- FMC/office-wide support

◆ **Apply Surcharges**

The internal fund will receive the offsets generated by the surcharge. Surcharges will be applied on labor as it is processed. This will generate specific surcharge obligations/expenditures against the operating programs. Surcharges will be applied bi-weekly when the National Finance Center payroll tape is loaded into CBS, and at other intervals determined by the Finance Office. All surcharge rates will be reviewed monthly by comparing the internal fund offset balance by project with the costs recorded in the internal fund expense projects.

*Note: Surcharge rates will be revised as appropriate (but no more than two times per year) so that offsets collected from surcharges equal to expense projects in the internal fund.*

◆ **Over/Under Distribution**

Offsets collected through the surcharge application process will be compared against the costs incurred in the internal fund. When the rate-generated offsets are different from the actual expenses in the internal fund, the over or under applied amounts need to be distributed to the projects that originally paid the surcharges.

**5.5 Transaction Processing**

The following section describes the screens that are utilized as part of the cost accumulation process. The screen reference guide in Section 9 provides descriptions of the fields on the screens listed below.

- ◆ **FM065** Internal Fund Ceiling Transaction Screen
- ◆ **GL011** Surcharge Code Maintenance Screen
- ◆ **GL021** Accounting System Code Maintenance Screen
- ◆ **CM204** Surcharge Application Program
- ◆ **CM012** Over/Under Distribution Template Maintenance Screen
- ◆ **CM202** Over/Under Distribution Control Screen
- ◆ **FM066** Budget Operating Plan Transaction Screen

**5.5.1 Internal Fund Ceiling Transaction Screen (FM065)**

The allocations for the Internal Fund are entered on the Internal Fund Ceiling Transaction Screen (FM065). This screen is used to establish the ceilings for all internally managed funds. Ceilings can be established down to the full ACCS level as needed for tracking purposes. They can also be controlled quarterly. This screen serves a similar purpose for the internal fund as the allotment screen serves for the non-internal funds.



The screenshot shows a window titled "Accounting System Code Maintenance (GL021 VER-1.172.0.0)". At the top, there is a "Code" field with two input boxes. Below this is a table with the following columns: "Code Value", "Description", "Active Status", and "Date". The "Active Status" column contains checkboxes, and the "Date" column contains date input fields. The first row of the table is highlighted in blue. There are 15 rows in total, with the first row being the header and the rest being data rows.

Code Value	Description	Active Status	Date
		<input checked="" type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	
		<input type="checkbox"/>	

### 5.5.3 Surcharge Code Maintenance Screen (GL011)

This screen maintains the surcharge rates, the accounting code classification structure (ACCS) range, and effective dates for each surcharge rate. The rates entered on this screen are used to determine the overhead amounts to be applied to either Budget Operating Plans or obligations.

The screenshot shows a software window titled "Surcharge Rate Maintenance (GL011 VER.2.20.0.1)". At the top, there are several input fields: "Bureau: Code" with a dropdown, "Surcharge: Code" with a dropdown, "Trans Type: G" with a dropdown, "Priority:" with a dropdown, "Applied: < [ ] >" with a dropdown, "Object Class" with a dropdown, "Active: Status N" with a dropdown, "Date" with a text box, and "Fund Code FY: From" and "To" with text boxes. Below this is a section titled "Applied to Following ACCS Ranges" which contains two identical rows of fields. Each row includes: "Surcharge Organization" with a dropdown, "Rate Project-Task" with a dropdown, "Object Class" with a dropdown, "Account No" with a dropdown, "Effective Dates:" with a text box and "to" with a dropdown, and "Project Type < [ ] >" with a dropdown. A vertical scrollbar is visible on the right side of the "Applied to Following ACCS Ranges" section.

### 5.5.4 Surcharge Application Program (CM204)

The Surcharge Application Program (CM204) is the batch program that applies the overhead rates specified in the templates established on GL011. The CM204 process is a two step process. The first step, CM204a creates a report that can be reviewed to determine if the process ran properly. If the results match what is expected, the second step (CM204b) is run which posts the general ledger entries.

Rates can be applied using general ledger transaction numbers, transaction dates, or the accounting period. The **Detail Surcharges to Apply** defaults to **Apply All** surcharges, but individual surcharges can be selected.



Selection:  Press [LIST VALUES] for assistance

For: Bureau Code  Name

GL Transaction No:  to

GL Dates: Transaction  to

G/L End Date  to

Detail Surcharges to Apply <  > (Y - Select Surcharges; N - Apply ALL)

Printer:  Copies:  Print Time:

Record Authorization to Begin Process:  (cm204a)

Record General Journal Entries:  (cm204b)

### 5.5.5 Over/Under Distribution Template Maintenance (CM012) Screen

Screen CM012 is used for establishing over/under distribution templates. These templates are used for distributing over or under applied surcharge amounts. Monthly comparisons are made between surcharge rate-generated offsets in the internal fund and the actual expenses recorded in the internal fund. When the rate-generated offsets (income) are different from the actual expenses in the internal fund, the over or under applied amounts need to be distributed to the projects that originally paid the surcharges (Based Upon), along with an adjustment to the internal fund (Contra Entry).

The screenshot shows a software window titled "Over/Under Distribution Template Maintenance (CM012 VER-0.0.0.0)". The window contains the following fields and controls:

- For: Bureau Code:**
- Name:**
- Document: No:**
- Template: Code:**
- Purpose:**
- GJ: Ref:**
- Description:**
- Active: Status:**
- Date:**
- Formula: Priority:**
- Periods:**
- Fund Code FY: From:**
- To:**
- PY:**

Account Range	Project Types	PY Trans Code	Trans Code
Expense: <input type="text" value="&lt; &gt;"/>	<input type="text" value="&lt; &gt;"/>	Annual Direct <input type="text"/>	Direct <input type="text"/>
Income: <input type="text" value="&lt; &gt;"/>	<input type="text" value="&lt; &gt;"/>	Multi/X Direct <input type="text"/>	Reimb <input type="text"/>
Based Upon: <input type="text" value="&lt; &gt;"/>	<input type="text" value="&lt; &gt;"/>	Annual Reimb <input type="text"/>	Contra <input type="text"/>
Contra Entry: <input type="text" value="&lt; &gt;"/>		Multi/X Reimb <input type="text"/>	

**Applied Object Class:**  -  -  -

### 5.5.6 Over/Under Distribution Control Screen (CM202)

The Over/Under Distribution Control Screen (CM202) processes the batch program to create the over/under distributions. The CM202 screen calculates the proper distributions based on the ACCS ranges established on the CM012 screen and places the results in a temporary table in the applied ACCS. The program then calculates the difference in expense and offsets and distributes it to the appropriate projects in proportion to the base.

Over/Under Distribution Control (CM202 VER-2.0.0.0)

G/L Date

G/L End Date Range  |  to

Send Control Report to Printer:  Printer:

Record Authorization to Begin Process:  (cm202a)

Record & Approve General Journal Entries:  (cm202b)

The CM202 process is a two step process. The first step creates a log file and report that can be reviewed to determine if the process ran correctly. If the report appears correct, the second step is run to create the general ledger entries. The entries need to be approved on the General Journal Transaction Screen (GL005) and the General Journal Manager Approval Screen (GL015).

### 5.5.7 Budget Operating Plan Transaction Screen (FM066)

The Budget Operating Plan Transaction (FM066) Screen is used to record Budget Operating Plans. Each Budget Operating Plan can be distributed by effective date, amount or percentage, unit of measure, and object class. Surcharge rates are included in the Budget Operating Plan based on the values entered in the Surcharge Code Maintenance Screen (GL011).

To invoke surcharge codes, a ✓ is entered next to the **Surcharge**  **Surcharge Codes** **Code** field.

The appropriate surcharges are selected automatically by system based on the organization code entered. Surcharges will be generated on the BOP when the applicable labor object class is entered and the user selects clicks on the **Apply Surcharge** button.

Surcharge  records on the BOP can also be deleted and recalculated by clicking on the **Delete Surcharge** button in the Budget Detail tab of the BOP.

### 5.6 Report Options

There are two reports available for the CA templates. The reports provide the details of the rate setup on the Surcharge Code Maintenance Screen (GL011) and the Over/Under Distribution Template Maintenance Screen (CM012).

The following section describes the available cost accumulation reports.

- ◆ **GL108** Print Surcharge Code Listing
- ◆ **CM105** Print Over/Under Distribution Template Listing

### 5.6.1 Print Surcharge Code and Rate List (GL108)

The Surcharge Code Listing (GL108) is a report that reflects the surcharge codes and rates recorded in the Surcharge Code Maintenance Screen (GL011). This report can be produced at any time and can facilitate the review of established surcharge rates and their applicability to multiple organizations, projects, object classes and general ledger account and sub-account numbers used within your bureau. The report parameter screen provides the capability to run the report for specific bureaus, template code, or by template status of active or inactive.

Enter Report Parameters for Processing:

Selection:  Press [LIST VALUES] for assistance

Bureau Code  Name

(A)ctive Only; (I)inactive Only; or ALL:

Printer:  Copies:  Print Time:

### 5.6.2 Print Over/Under Distribution Template Listing (CM105)

The Print Over/Under Distribution Template Listing (CM105) is used for listing the distribution level variance recorded in the Over/Under Distribution Template Maintenance Screen CM012) for a specific bureau. The report parameter screen provides the capability to run the report for specific bureaus, or by template status of active or inactive.

Over/Under Distribution Template Listing (CM105 VER-2.0.0.0)

Enter Report Parameters for Processing:

Selection:  Press [LIST VALUES] for assistance

For: Bureau Code  Name

For: Template Code

For: Records with Status  (A)ctive Only; (I)inactive Only; or ALL;

Printer:  Copies:  Print Time:

## 5.7 Responsibilities in the Cost Accumulation Process

The following section describes the roles and responsibilities of the Budget Office, Line Offices, and the Finance Office in the cost accumulation process.

The responsibilities are subject to change after CBS becomes the official system of record.

### 5.7.1 Budget Office

- ◆ Create project codes;
- ◆ Work with line offices (LOs) and the Finance Office in establishing surcharge rates;
- ◆ Enter ceiling for overhead amounts, with input from the Finance Office;
- ◆ Enter surcharge rates into maintenance screen (GL011);
- ◆ Maintain templates for the over/under process (CM012);
- ◆ Work with LOs and the Finance Office to review rates for accuracy and adjust for the next year, if necessary;
- ◆ Record total budgetary resources for the internal fund;

- ◆ Work with LOs to determine allotment and apportionments by quarter; and
- ◆ Record total budgetary resources, apportionments, and allotments by quarter.

### **5.7.2 Line Offices (LOs)**

- ◆ Collaborate with the Finance Office to determine what types of services should be included as overhead items in the Internal Fund and the associated cost of each;
- ◆ Provide labor cost estimates to the Finance Office;
- ◆ Review and approve the overhead items and yearly estimates of cost related to each item;
- ◆ Incorporate surcharge rates when entering Budget Operating Plans for the upcoming year;
- ◆ Develop LO and Financial Management Center (FMC) surcharge rates;
- ◆ Determine which of their employees and their associated costs will be financed through the Internal Fund;
- ◆ Monitor the actual application of the rates to labor and the application of an over/under distribution monthly; and
- ◆ Provide input to the Budget Office on planned obligations by quarter so that Budget can determine allotments, and apportionments by quarter.

### **5.7.3 Finance Office**

- ◆ Establish the Internal Fund;
- ◆ Determine estimated cost for each support service to be covered by cost accumulation process;
- ◆ Determine estimated cost for labor bases;
- ◆ Generate obligations to operating programs by running the surcharge application process (CM204) on labor and other general ledger transactions;
- ◆ At the end of accounting period, run over/under distribution and distribute the over or under amount to all direct programs.