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**INSTRUCTIONS FOR
PERFORMING
THE ANNUAL ALLOCATION
OF NON-SITE-SPECIFIC COSTS**

Program Costing Staff
Office of Financial Management

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OF NON-SITE-SPECIFIC COSTS

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SECTION I

INTRODUCTION

OVERVIEW

Two appropriations: CERCLA as amended by SARA (Superfund program) and OPA (Oil Pollution Act) authorize the U.S. Government to recover all response costs associated with cleaning up hazardous waste sites and oil spills. A large portion of EPA's response costs consists of payments to response action contractors. In order for these costs to be adequately supported in cost recovery litigation against the potentially responsible party, a defensible, logical and supportable accounting methodology must be in place that can assign costs to specific sites.

The site-specific portion of the contract costs are accounted for by EPA on a site-specific basis. However, contractors' non-site-specific costs are accounted for in a general account and must be allocated to the sites in order to be recovered. This guidance provides a logical and equitable methodology for the distribution of these non-site-specific costs to the total of all sites with and without Superfund site spill identifier numbers (SSIDs) or OPA incident specific site I.D.s and program-wide non-site activities. This effort is called Annual Allocation. The resulting allocation will yield ratios between the total site specific portion for the superfund and oil sites. This ratio will be applied to all Superfund and OPA sites through the EPA cost recovery process. Completion of Annual Allocation reports by the response action contractors will result in the inclusion of all appropriate costs in the cost recovery effort.

This document has been prepared by the Program Costing Staff (PCS) of the Office of Financial Management. It provides instructions to contractors on how to perform the annual allocation. EPA recognizes that each contract may feature unique situations which may not necessarily be addressed in these instructions. In such cases, the contractor should contact PCS for guidance.

DEFINITIONS OF TERMS

Capital Equipment - EPA purchased equipment with a unit cost of \$5,000.00 or more and with a useful life greater than 1 year.

Direct Site Costs - costs which are attributable to a specific site.

End of Contract costs - costs incurred to shut down a contract - usually occur at the end of the contract. End of contract costs may include such items as equipment removal costs and maintenance.

Program management - contract specific costs and fees incurred for the management of the specific EPA contract as a whole. May be split or wholly funded through the Superfund, OPA or other appropriation.

Non-site activities - costs incurred for activities not charged to specific sites. Examples include training of state personnel, calibrating EPA-owned equipment, and participating in general meetings and/or conferences. Non-site activities are broken down into two broad categories: program-wide and site-support. (See definitions below.)

Pre-SSID costs - costs incurred in connection with particular Superfund locations at which a Site/Spill Identifier (SSID) or OPA identifier has not been assigned. Also known as Sites without SSIDs or 'ZZ' costs. The "ZZ" site identifier is found in the second two digits of the site project field (positions 29 and 30) of the 41 digit EPA accounting code.

Program-wide non-site activities - usually identified with a "00" site identifier. Costs incurred for activities which support the overall Superfund or OPA program. The costs are global in nature and purpose and are **not** eligible for distribution to sites. Examples of program-wide activities include databases developed for use by the Superfund program, training given by the contractor for EPA employees, training to first responders, training of state personnel, and attendance at conferences held to discuss general Superfund or OPA issues.

Project Management - Program management type oversight costs for one or a number of sites within a multi-site work assignment. Multi-site project management costs should be allocated proportionately to the sites charged under the work assignment using a separate column and a backup schedule supporting the allocation of each work assignment (Schedule E). Such costs should be charged to the "00" site account at time of invoicing - if assigned to the "ZZ" account, they should be reassigned to the "00" account at the time of invoicing..

Site-support non-site activities - Usually identified with a "00" site identifier. Costs incurred for those activities other than program management and fees which relate to, support, and/or benefit the sites worked on by the contractor in the aggregate, but which cannot be accounted for readily on a site-specific basis. Examples include training for contractor employees working on sites, equipment maintenance, calibrating EPA-owned equipment, tracking and inventory, and a conference or meeting held to discuss issues related to sites the contractor worked on.

SSID - Site/Spill Site Identifier (Superfund term) or Incident Specific Site (OPA term) - specific two character alpha-numeric designation for each Superfund or OPA site within a region. The SSID or incident-specific number is in the site project field (positions 27-30) of the IFMS 41 digit accounting code. (Note that for Oil sites prior to FY98, the site ID was in the Org code field (pos. 11-17). Attached to the Annual Allocation Instructions is the Accounting code structure and Oil Pollution Accounting Structure memo. This number is used to track all costs incurred on the site.

Start-up Costs - also called mobilization costs-- cost of efforts and activities incurred early in the contract term whose benefits extend for the entire contract period. Examples may include recruitment and relocation of staff, preparation of the contract work plan, establishment of a quality assurance program and certain equipment purchases.

"00" costs - synonymous with "non-site-specific" costs. These are costs which are attributable to more than one site or the program. Examples include program management and fees, equipment, start-up costs, end-of-contract costs and all non-site activities. The "00" represents the second two digits in the site project field (positions 29-30) of the EPA 41 digit account number.

GENERAL REQUIREMENTS

The Annual Allocation process results in the contractor allocating all program management costs; fixed, base and award fees; and some non-site activity costs to sites and activities the contractor worked on during the fiscal year. The contractor submits an allocation report, along with supporting attachments, to the Program Costing Staff (PCS) of the Office of Financial Management (OFM). The amount included in the annual allocation report is the sum of the invoices paid for work performed during the Federal fiscal year, i.e., October 1 - September 30. Indirect and other rate adjustments for prior years paid in this fiscal year should also be submitted with explanation of this fact. If these prior year costs are deemed material by PCS, the annual allocation report methodology would be modified to recover these costs only to the benefitting sites.

The Contractor shall provide PCS within 120 days after the end of the fiscal year the total amount of each invoice paid for the annual allocation period, separating Superfund, OPA and other non-Superfund costs. PCS will reconcile this payment history against the Agency's contract payment system and a letter confirming the total amount paid for the annual allocation period will be sent to the contractor. The contractor should provide an allocation report within 60 days after the letter confirming the invoice amounts are provided to the contractor. The format the contractor may elect to combine all costs for all prior years not already submitted separately on one allocation report. Otherwise, each fiscal year's costs should be allocated separately.

When the contract performance period ends at other than the end of the FY, the contractor shall provide the invoice listing 120 days after submission of the last invoice following contract expiration.

Draft and Final Reports

The contractor shall submit the draft reports to PCS 60 days after receipt of notification of the total amount paid. PCS has created a lotus spreadsheet for use by the contractor for the preparation of this report. PCS will review the drafts, notify the contractor in writing of any necessary corrections and request submission of a final report. Two copies of the final report are due to PCS 30 days after revision is requested by EPA. The contractor shall provide, as part of the final report, a signed statement certifying that the final report data accurately reflects the costs distributed to the total site amount and is supported by the contractor's accounting records. Additionally, the contractor shall submit a Master Allocation report on a computer disk or electronically through EMAIL in a Lotus format. [PCS has a lotus format available for use by the contractor with all formulas.]

The annual allocation report submission includes the following:
Required Reports:

- Listing of all invoices paid during the Federal fiscal year (with invoice numbers and amounts) broken out between Superfund, OPA and other non-Superfund appropriations
- Master Allocation Schedule (Attachment A)
- Statement of Allocation Methodology
- Certification of Contractor's report - (final report only)

Required, if applicable:

- Schedule of Start-up Costs (Attachment B)
- Schedule of Capital Equipment Depreciation (Attachment C)
- Schedule of Non-Site Activities (Attachment D)
- Schedule of Work Assignment Management costs (Attachment E)

Allocation Methodology

Annual Allocation is a multi-step process that distributes the costs of program management, regional management, work assignment management, base and award fees and other non-site specific expenses to sites and program-wide activities on a pro-rata basis. The distribution of costs is based upon benefits received or support provided by the activities.

The preferred allocation method is the distribution of non-site costs based on a percentage of total costs. However, the contractor may request an alternative method, subject to approval by PCS..

In preparing each year's annual allocation report, the contractor should determine whether any amounts invoiced and paid by EPA during the year relate to prior fiscal years, e.g., indirect cost adjustments, award fees. If the amount of such payments are material as determined by PCS, the contractor should prepare a separate allocation schedule spreading the costs over the benefitting sites and incorporating them on the annual allocation report.

SECTION II

ANNUAL ALLOCATION OF NON-SITE COSTS

ANNUAL ALLOCATION PROCESS

This section describes EPA's preferred annual allocation method. The examples included are designed to incorporate most situations. Certain contracts may not have all types of costs, or activities listed. On the Statement of Methodology describe which costs were not included on the contract.

The allocation package submitted by the contractor should provide the information shown on the Master Allocation Schedule (Attachment A) along with the supporting documentation in Attachments B, C, D and E. Attachment A is the master schedule and summarizes information from the other attachments. In a sense, Attachment A (Master Allocation Schedule) is similar to Internal Revenue Service Form 1040, and the other attachments equate to Schedules A, B, etc. Other supporting documentation is not generally requested but may be required by PCS to support the annual allocation report. Some examples include voucher payment support info if there is a reconciliation difference or a work assignment document with site ID name reference if a site name does not match the EPA listing.

The instructions provided below follow a format which flows from Attachment A to each of the supporting attachments B, C, D and E.

Step 1 - Reconciliation of Amount Paid

The first step in the annual allocation process is the determination of the amount paid for work performed during the government fiscal year. The contractor will provide the amounts paid for work performed during the fiscal year to EPA who will reconcile it to our system and send a letter confirming the total amount paid. The amount paid represents both Superfund and OPA monies and other appropriations. The contractor should provide paid amounts from their records separating Superfund from OPA from other appropriations. For this step, assume the contractor provides a paid amount of \$380,000: a Superfund portion of \$280,000 and an OPA portion of 95,000 and other appropriation amount of 5,000. An example of the reconciliation is shown below:

	SMITH & VAN PELT CORP	START REGION 1&2	68-W5-0032	FY1996		
		Total	OPA	SUPERFUND		
INV	PERIOD OF	PAID	PAID	Paid	OTHER	DATE
#	PERFORMANCE	Amount	AMOUNT	AMOUNT	APPROPR.	PAID
11	10/1/95-10/30/95	\$5,000	2000	3000	0	12/15/95
12	11/1/95-11/31/95	\$31,000	1,000	30000	0	01/15/96
13	12/1/95-12/31/95	\$29,000	5000	24,000	0	02/15/96
14	1/1/96-1/31/96	\$21,800	1,000	20,000	800	03/15/96
15	2/1/96-2/28/96	\$26,400	2,000	24,000	400	04/15/96
16	3/1/96-3/31/96	\$17,000	5000	12,000	0	05/15/96
17	4/1/96-4/30/96	\$23,300	3,000	20,000	300	06/15/96
18	5/1/96-5/31/96	\$24,200	3,000	21,000	200	07/15/96
19	6/1/96-6/30/96	\$31,500	11,000	20,000	500	08/15/96
20	7/1/96-7/31/96	\$42,600	10000	32,000	600	09/15/96
21	8/1/96-8/31/96	\$25,700	10,000	15,000	700	10/15/96
22	9/1/96-9/30/96	\$27,800	10,000	17,000	800	10/15/96
23	* 10/1/94-9/30/95	\$30,200	15,000	15,000	200	11/30/96
27	* 10/1/95-9/30/96	\$44,500	17,000	27000	500	01/15/97
		380000	95000	280000	5000	
	*(Indir. Rate adj)					

There are three important pieces of information in the above example. The first important piece of information is the period of performance and date paid. It is the government fiscal year - October 1 through September 30. Note that the invoices provided represent work performed during the government fiscal year except for invoice 23. When the phrase "*amount paid for work performed*" is used, the government fiscal year is the period of work performed. Invoices paid after the end of the fiscal year that pertain to the fiscal year such as indirect cost rate adjustments and previously suspended costs should be included in

the listing for that year as shown by invoice #27 if these costs have been billed and paid with approximately 120 days after the end of the fiscal year. When prior year indirect rate adjustments were unable to be processed within that time, they may be recovered in the following year. Invoice #23 represents indirect rate adjustments for the prior year. Since these adjustments are not over 5 % of the total amount paid, PCS had determined that these prior year costs can be recovered in this year ' s annual allocation report without requiring a special allocation to just those sites included under the indirect rate adjustment. (In most cases the same sites would be included in both the prior and current year ' s reports.)

The second important piece of information is the paid amount. The contractor amounts show \$380,000 paid by EPA. The contractor may have billed more but EPA only needs to know the amounts actually paid because the annual allocation process uses the total amount **paid** for work performed, not the amount **billed**. Third, note the breakout of Superfund, OPA and other appropriation dollars since PCS is recovering the superfund non-site monies and OPA non-site monies separately if applicable. The Attachment A shows \$280,000 as the Superfund subtotal, 95,000 as the OPA subtotal, 5,000 for other appropriations.

Once the contractor submits this invoice listing, EPA will reconcile it against our accounting system and will contact the contractor if there are any discrepancies, otherwise we will provide a letter stating the agreed upon Superfund (and OPA) amount paid. The contractor then has 60 days to complete the annual allocation report.

Step 2 - Identification of Site-Specific Costs -- Superfund and OPA sites

The next step in the annual allocation process is the conglomeration of the total site-specific costs paid for work performed during the fiscal year for both Superfund and OPA sites with and without SSIDs. Separate the site amounts for the two appropriations into separate sections on the Attachment A. Please note that OPA sites have a "Z" in front of the Region identifier: i.e. "Z345" is the North Fork Oil site in Region 3. The site-specific costs include those sites with EPA SSIDs and those without EPA SSIDs. This total will be entered on *Attachment A, Master Allocation Schedule* (lines 1 and 2 - "Total Superfund sites with and without SSIDs" or line 3 and 4 "OPA incident specific sites"). A detailed breakout of amounts paid on each operable unit within a Superfund site should also be included, if the operable unit did not have its own SSID.

ATTACHMENT A- MASTER ALLOCATION SCHEDULE - SEE LAST PAGE OF DOCUMENT TO ACCESS LOTUS SPREADSHEETS

NAME OF CONTRACTOR:	SMITH & VAN PELT	CONTRACT #68-W 5-	0032	ATTACHMENT	A	FY 1996	J							
CATEGORY OF COSTS PAID		A	B	C	D	E	F	G	H	I	TOTAL			
Row #	SUPERFUND SITE COSTS	S/S ID	Site Name	State	Paid Amount	Pre-SSID Adjustment	Allocation Amounts	Program Management	PROGRAM ASSIGNMENT	WORK ASSIGNMENT	Allocation of Start-Up Costs	EQUIP. Costs	Site-Support Costs	Amounts
					STEPS 2-10	(STEPS2&3)	STEP 4	STEP 10	STEP 10	STEP 10	STEP 11	STEP 12	STEP 13	STEP 14
1	Sites with EPA S/S IDs													
	0101		Picillo	RI	15,000	1,000	16,000	1,270	1,528	3,524	360	2,535	6,928	16,146
	01A2		Fletchers PAI	IA	25,000	1,000	26,000	2,063	2,483		493	3,469	9,480	17,989
			SUB TOTAL REGION 1		40,000	2,000	42,000	3,333	4,012	3,524	853	6,004	16,408	34,135
	02B3		Caldwell Truc	NJ	33,000		33,000	2,619	1,744	7,269	720	5,069	12,666	30,087
	02C4		Sayreville LD	NJ	22,000		22,000	1,746	1,162		402	2,829	7,069	13,208
			SUB TOTAL REGION 2		55,000	0	55,000	4,365	2,906	7,269	1,122	7,898	19,735	43,295
TOTAL	SUPERFUND / SSID				95,000	2,000	97,000	7,698	6,918	10,794	1,974	13,902	36,144	77,430
2	SUPERFUND SITES WITHOUT SSIDS (BY REGION)													
	01ZZ		JOE'S GARAGE	RI	8,000	(2,000)	6,000	476	573		114	801	2,188	4,151
	02ZZ		EAST ORANGE	NJ	3,000		3,000	238	159		55	386	964	1,801
TOTAL	SUPERFUND SITES W/O SSIDS		SITES W/O SSIDS		11,000	(2,000)	9,000	714	732		168	1,186	3,152	5,952
TOTAL	SUPERUFND SITES				106,000	0	106,000	8,413	7,649	10,794	2,143	15,088	39,295	83,382
OPA	OPA SITES													
1A	Sites with EPA SITE IDs													
	Z103		W&S LAUNDRY	RI	10,000		10,000	794	955		189	1,334	3,646	6,919
	Z105		BLADENS RIVER	CT	30,000		30,000	2,381	2,866		568	4,003	10,939	20,757
			SUB TOTAL REGION 1		40,000		40,000	3,175	3,821		758	5,337	14,585	27,676
	Z206		TANKMASTER #1	NY	20,000		20,000	1,587	1,057		365	2,572	6,426	12,007
	Z210		RT 7,ABAND DRUMS	NJ	35,000		35,000	2,778	1,849		639	4,500	11,246	21,012

Step 3 - Identification of Non-Site Costs

The purpose of this step is to identify the non-site costs and the types of activities they represent. The non-site costs can be classified into one of five major categories:

- 1) Program Management- contract activities associated with the management and administration of the contract as a whole. For region specific contracts, there will be one category of Program Management. For Zone or National contracts, Program Management may be broken down into two subcategories -Regional Program Management and Contract-wide or National Program Management.

Work Assignment Project management - Program management costs included on multi-site work assignments that benefit any sites under the work assignment. Such costs are allocated on Schedule E (one schedule for each work assignment) and entered in the work assignment column. This allocation is similar to regional program management but the program management is allocated to sites under that work assignment instead of that region. The example below is a work assignment that has two sites - in separate regions. Site 0101 Pocillo has \$16,000 in site costs, site 02B3 Caldwell Trucking has \$33,000 in site costs, their percentage of the total site dollars is shown as the basis for the allocation of \$10,789 of work assignment project management costs of \$10,000 with its loaded program management of \$789 from the Attachment A, Line 4A, columns C and D.

ATTACHMENT E				
SMITH AND VAN PELT				
CONTRACT NUMBER 68-W5-0032				
FY 1996				
WORK ASSIGNMENT				
				ALLOCATION
REGION	SITE	COSTS	PERCENT	W/ASSIGN.
1	1	160000.3335	22.9388	
2	B3	330000.6772	66.0612	
TOTAL		490000.0110	10789	

Program Management costs will be entered onto Attachment A in Step 4. If separate OPA program management is funded under the contract, place the Superfund program management in lines 3, 4 and 5 and OPA program management in lines 10, 11 and 12.

The following costs have been identified as Superfund costs in the example because no OPA contracts have yet been given these types of costs (as of 4/98). However, if OPA funded activities of this nature are included on the contract, place them below the site specific costs and program management costs similar to the Superfund costs:

- 2) Start-up Costs (Also called mobilization costs) Activities incurred generally in the first year and associated with efforts benefitting the entire contract term, e.g., quality assurance plans. Start-up costs will be entered onto Attachment A in Step 5.
- 3) Capital Equipment - equipment with a unit cost of \$5,000.00 and greater and a useful life of greater than one year. Capital equipment costs will be entered onto Attachment A in Step 6.
- 4) Non-Site Activities - activities under the contract, other than program management, start-up, or end-of contract, which are not site-specific. These activities can be broken down into two sub categories:

Site-Support Non-Site Activities - payments for activities which relate to, support, and/or benefit the sites worked on by the contractor; or

Program-Wide Non-Site Activities - payments for activities which support the overall Superfund program beyond the sites worked on under this contract; they are global in nature and purpose. These costs will **not** be allocated to sites in the annual allocation process.

For further information on non-site activities, refer to the next page. Non-site activities will be entered on Attachment A in Step 7.

- 5) Non-Superfund Costs - costs for contract tasks funded from EPA appropriations other than Superfund or OPA (non-recoverable appropriations); e.g., Abatement, Control, and Compliance, Research and Development, or Lust monies. Non-CERCLA or OPA fund costs are not included in the allocation example.

The contractor should evaluate the types of non-site costs that were billed and paid for work performed during the fiscal year and place them in one of the five categories identified above. In the next five steps, these amounts will be identified on supporting schedules and entered on Attachment A as applicable. Once the costs have been entered onto Attachment A, the appropriate non-site costs will be allocated to sites and activities.

Description of Non-Site Activities

There is no comprehensive list of site-support non-site activities and program-wide non-site activities. The determination of a site-support activity or a program-wide activity is based upon the

purpose of the activity itself. A general definition with some examples will provide sufficient guidance for the contractor to identify which of the non-site activities represent site-support activities and program-wide activities.

Site-Support Activities - Activities undertaken for the purpose of specifically assisting in, or supporting the contractor's site response actions, are considered site-support activities. Listed below are some activities which are generally considered to be site-support activities (similar activities may occur under OPA):

- Project planning costs for a multi-site work assignment
- OSHA safety training for site employees
- Site equipment training
- Development of CERCLA site standard operating procedures (SOPs)
- Development of CERCLA site quality assurance plans
- Review CERCLA site sampling procedures

Program-Wide Activities - Activities which are general in nature and are performed for reasons other than supporting site response actions are considered program-wide activities. If the activity benefits the Superfund, or EPA as a whole, it should be considered a program-wide activity. A few examples of program-wide activities are provided below:

- Review of EPA sampling procedures
- Preparation of SOPs for CERCLA and Clean Water sites
- Attendance at a General Superfund Environmental Conference
- CERCLA Title III evaluations
- Regional Database development

The examples given above are certainly not an exhaustive list. However, to summarize the general guidelines and concepts of the examples listed above: if the activity supports or benefits the site response actions worked on under the contract, the activity should be considered a site-support activity; if the activity benefits the Superfund or EPA as a whole, the activity should be considered a program-wide activity. Generally, the costs of the annual allocation report are site allocable or can be included in program management unless there are significant program wide activities.

Step 4- Program Management Costs

The purpose of this step is to enter program management costs onto Attachment A, Master Allocation Schedule. In step 3, the amount of program management costs were identified. Depending on the area of coverage, there may only be one category of program management. For Zone or national contracts, there may be two categories – regional and national program management. Enter the amount of national program management, or contract program management identified in Step 3 on Attachment A, Line 3, Columns A and C. If the contractor has regional program management, enter the amount of regional program management by region, on Attachment A, Line 4, Columns A and C. Note: Multi-site project management should be included on attachment A after National or Regional PM and the allocation should be shown on a separate schedule for each work assignment. Work Assignment Management should be invoiced to the program management account “00” monthly - see invoicing guidance and clause. Multi-site project management costs should be allocated to sites - not left in the obligating account - contact PCS or the RTP Financial Management Center for further information.

In the Attachment A example, \$25,000 has been identified as national program management

as indicated in Line 3, Columns A and C. Attachment A also shows regional program management of \$10,000 and \$7,000 for Regions 1 and 2, respectively, in Line 4, Columns A and C.

Step 5 - Start-Up Costs

Note: If there are no start-up costs associated with this contract, note this on Attachment A and proceed to the next step.

Start-up costs consist of the cost of non-site specific efforts and activities incurred and paid for whose purposes and benefits extend for the entire contract period rather than just the reporting period. These activities may be designated under a "mobilization" work assignment or just be charged to the program management work assignment. Examples may include the recruitment and relocation of staff, preparation of the contract work plan, establishment of a contract quality assurance program, and calibration of equipment. Start-up costs typically will have been charged to the contract as program management only under the superfund appropriation but if there is OPA start-up costs they are treated the same - requiring the schedule B to include OPA costs.

Any start-up costs incurred during this annual allocation period were identified in Step 3. In Step 5, the total start-up costs applicable to this period will be identified and incorporated into the annual allocation process.

Attachment B, Schedule of Superfund Start-Up Costs, is the schedule used to determine start-up costs applicable for this annual allocation period. The information on this schedule will be used for all annual allocation periods. The following information should be entered on the schedule:

- A) Schedule Heading - complete the heading for this schedule by entering the fiscal year of the annual allocation, contractor name, and contract number.
- B) Fiscal Year Incurred - enter the Federal fiscal year for this annual allocation period.
- C) Start-Up Costs - enter the amount of start-up costs incurred and paid by each annual allocation period (fiscal year) of the contract. Also enter the amount of start-up costs incurred and paid this annual allocation period on Attachment A, Line 5, Column A.
- D) Number of Years Allocated - enter the number of years over which the start up costs will be allocated (amortized). Generally, this represents the number of years remaining on the contract. The amortization should be based upon a straight-line or percentage of level-of-effort basis. In this example, a straight-line amortization of five years (the life of the contract) is used for illustrating the amortization. Another Start-up amortization methodology that PCS recommends is the ratio of current year level of effort expended over total LOE allowed (including option years) on the contract. This method would ensure 100% recovery in case LOE was used faster than expected.
- E) Amount Amortized Each Year - the amount of start-up costs amortized in this annual allocation period, by fiscal year. This fiscal year amount (straight-line method) is determined by dividing the amount identified in the Start-Up Costs column by the amount in the Number of Years Allocated column.
- F) Total Amount to be Allocated This Annual Allocation Report - the total of all costs in the column, Amount Amortized Each Year. Enter this amount on Attachment A, Line 5, Column C.

Step 6 - Equipment

Note: If there are no equipment costs, please note this in Attachment A and proceed to the next step.

Cost-reimbursed EPA owned equipment represents capital equipment with a unit price of \$5,000.00 or greater and a greater than 1 year useful life. Most new contracts do not have this type of cost but may have been provided used EPA equipment that was transferred into the contract in which case, the remaining life from the previous contract should be depreciated if possible - contact PCS for more information. The cost of this capital equipment should not be allocated to sites during a one-year period, but rather, depreciated over its useful life. The preferred depreciation basis is an actual usage basis or straight-line method. If the contractor has another accepted accounting method of equipment depreciation, that procedure may be substituted for the straight-line or actual usage basis.

This schedule applies only to non-site-specific capital equipment. Expendable equipment or capital equipment purchased and consumed at a Superfund or OPA site (and paid as a site-specific cost by EPA to the contractor) should not be included on this schedule. Site-specific capital equipment originally charged to the "00" program management site account can be recovered site specifically through the annual allocation process by adding a column to the spreadsheet and allocating the site specific equipment to the benefitting site (not shown on the example).

Any new capital equipment costs incurred during this annual allocation period were identified in Step 3. In this step, the capital equipment costs purchased during this annual allocation period will be entered on Schedule C, Schedule of Capital Equipment Depreciation, and the total capital equipment depreciation applicable to this period will be identified. The total capital equipment depreciation applicable to this period includes the depreciable amount of capital equipment purchased this annual allocation period plus the applicable depreciation of capital equipment purchased in previous annual allocation periods - including prior contracts.

Attachment C, Schedule of Capital Equipment Depreciation, is the schedule used to determine capital equipment costs applicable for this period. The information on this schedule will be used for all annual allocation periods. The following information should be entered on the schedule:

- A) Schedule Heading - complete the heading for this schedule by entering the fiscal year of the annual allocation, contractor name, and contract number.
- B) Date Charged to Contract - enter the month and year the equipment was charged to the contract for all equipment items depreciated this annual allocation period.
- C) Capital Equipment - enter the name of each capital equipment item.
- D) Purchase Price - enter the amount charged to the contract for each capital equipment item. For equipment items purchased this annual allocation period, compute and enter the total amount billed and paid and enter that amount on Attachment A, Line 6, Column A.
- E) Useful Life - enter the useful life of the equipment. If the straight-line depreciation method is used, enter the useful life in number of years. If an actual usage basis is used, enter the actual usage unit; i.e., number of hours, number of days, etc. The useful life may extend beyond the term of the contract.

- F) Beginning Balance - enter the amount of undepreciated equipment costs. For equipment purchased in previous fiscal years, this amount will be the Ending Balance (See H) in the previous year's annual allocation report. For equipment purchased this fiscal year, the amount will be the purchase price.
- G) Depreciation Amount - the depreciation amount to be allocated this annual allocation period. This amount represents the purchase price (D) divided by the useful life (E). For this report, assume no residual or salvage value.
- H) Ending Balance - enter the amount of undepreciated equipment cost. This amount represents Beginning Balance (F) less Depreciation Amount (G). This amount is carried over to the next annual allocation report.
- I) Total Amount to be Allocated in this Annual Allocation Report - sum the amounts entered into the Depreciation Amount Column (G). Enter that sum on Attachment A, Line 6, Column C.

In the Attachment C example, the straight-line depreciation method was used for all equipment items. In the example, there are three capital equipment items, each purchased in a separate fiscal year and initially reported in a separate annual allocation period.

Entries for Items A - D are self-explanatory. In this example, Step D results in the entry of equipment purchased during this annual allocation period on Attachment A, Line 6, Column A.

The entry for Useful Life (E), may be somewhat difficult to determine. The contractor's own experience should be used in setting the useful life. However, the contractor may rely on manufacturer estimates or specifications. If the manufacturer does not publish useful life figures, or a standard industry useful life has not been established, use the standard IRS depreciation tables for useful life.

The entries for the Beginning Balance (F) represent the remaining balance of depreciation at the beginning of the annual allocation period. The Gas Chromatograph has a purchase price of \$80,000 and a beginning balance of \$48,000. The gas chromatograph was purchased in FY 1995. The current annual allocation period is for FY 1996. There have been two annual allocation reports prior to this year. The difference between the purchase price and the beginning balance of \$32,000 represents the depreciation included in the two prior years' annual allocation reports. The same holds true for the mobile lab. The mobile lab was purchased in the prior annual allocation period. Therefore, the beginning balance represents the purchase price less one year's depreciation amount. The third item shown, Tractor, was purchased in this annual allocation period. The purchase price and the beginning balance are the same.

The Depreciation Amount (G) represents the Purchase Price (D) divided by the Useful Life (E). In this example, number of years were used. Also in this example, there is no proration of the depreciation amount for purchases made during the fiscal year. As an example, the Tractor was purchased in November 1995. It was used for eleven months of this annual allocation period. The depreciation for this annual allocation period is one-third of the total purchase price, or one of the three years' useful life, not 11/36 of the purchase price. If the contractor chooses to depreciate the equipment based upon the number of months available during the fiscal year, that is an acceptable practice. However, this example uses the full year basis.

The Ending Balance (H) represents the Beginning Balance (F) less Depreciation Amount (G). For the FY 1997 annual allocation report, this amount would be entered into the Beginning Balance column (F) for all equipment items depreciated during the FY 1997 annual allocation period.

Attachment C provides the total amount to be allocated for this annual allocation period in Step I. The amount is the sum of the amounts entered into the Depreciation Amount (G) column. Total the amounts entered in this column and enter the amount on Attachment A, Line 6, Column C.

This example shows the straight-line depreciation method for equipment depreciation. If the contractor has another acceptable accounting procedure for depreciation, that procedure can be used. The resulting schedule may appear in a different format than presented in the example. However, the basic information should still be presented.

STEP 6		ATTACHMENT C				
COST-REIMBURSED EQUIPMENT COSTS TO BE ALLOCATED						
Fiscal Year 1996						
CONTRACT NO.						
NAME OF CONTRACTOR:						
Date Charged			Useful			
(month/year)	to Contract	Capital Purchase	Life in	Beginning	Depreciation	Ending
	Equipment	Price	Years	Balance	Amount	Balance
**Jan '94	Gas Chromatograph	80,000	5	48,000	16,000	32,000
(TRANSFERRED TO CURRENT CONTRACT 11/95)						
Oct '94	Mobile Laboratory	49,000	7	42,000	7,000	35,000
Nov. '95	Tractor	45,000	3	45,000	15,000	30,000
TOTAL AMOUNT TO BE ALLOCATED THIS REPORT:						38,000
TOTAL AMOUNT TO BE ALLOCATED IN SUBSEQUENT ANNUAL REPORTS:						97,000
**TRACED FROM PRIOR CONTRACT- RECOVERING REMAINING VALUE OF ASSET.						

Step 7 - Non-Site Activities

Note: If there are no non-site activities, please note this in Attachment A and proceed to the next step.

Non-site activities represent efforts and activities which either support contractor site response actions or support the Superfund or OPA program as a whole. The non-site activities can be efforts generated by separate contractual instruments (Work Assignments, Technical Directive Documents, Delivery Orders, etc.) or general components of the general non-site portion of the contract.

Attachment D, Schedule of Non-Site Activities, is the schedule used to identify and list the activities by site-support activities or program-wide activities. In Step 3, these activities were identified. Activities should be grouped and listed by allocability type and area of applicability.

- A) Schedule Heading - complete the heading for this schedule by entering the fiscal year of the annual allocation, contractor name, and contract number.
- B) Determination of Allocability - enter the allocability determination for each identified activity as either site-support or program-wide.
- C) Area of Applicability - enter the sites, or grouping of sites, over which the costs will be allocated; i.e., Region 1 Superfund sites, all Region 1 sites (including OPA), or not allocable. For region specific contracts, all sites would be entered for site-support costs.
- D) Description of Activity - enter the description of the non-site activity. The description should provide for a complete description of the activity and if applicable to both Superfund and OPA .
- E) Amount of Activity - enter the amount of the non-site activity.
- F) Amount to be Allocated This Annual Allocation Report - Sum the non-site activities by Area of Applicability (C) and by Determination of Allocability (B). For site-support activities, enter the amount on Attachment A, Line 7 (Superfund), Column A and Column C. For program-wide activities, enter the amount on Attachment A, Line 8,(Superfund) Column A and Column C.

In the Attachment D example, there are examples of the two types of non-site activities. First, there is \$55,000 of Superfund site-support costs. These Superfund site-support costs are further broken down into regional activities, \$25,000 of Region 1 superfund site-support activity and \$30,000 of Region 2 Superfund site-support activity. These amounts are entered onto Attachment A, Line 7, Columns A and C, for each respective region. Second, there is a total of \$22,000 of program-wide activities and these costs are identified as not allocable. This amount is entered onto Attachment A, Line 8, Columns A and C. Note: if there are OPA or Superfund activities that only benefit the same appropriation 's sites, allocate these activities to these sites only and create either a back up schedule or add another column to show this allocation.

STEP 8 Attachment D

Schedule of Non-Site Activities - FY 1989

Determination of Allity	Activity Description	Dollar Amt.
site-support	Region 1 Sites	Worker safety training for regional personnel
		25,000

	SUBTOTAL REGION 1 SITES	25,000
site-support	Region 2 Sites	Worker safety training for regional personnel
		28,000
site-support	Region 2 Sites	NPL training
		2,000

	SUBTOTAL REGION REGION 2 SITES	30,000
		=====
	TOTAL ALLOCABLE ACTIVITIES	55,000
program-wide	Not allocable	Training of first responders
		10,000
	Not allocable	Review State agency safety requirements
		12,000
		=====
	TOTAL NON-ALLOCABLE ACTIVITIES	22,000

Step 8 - Non-Superfund /Non-OPA Costs

Certain Superfund response action contractors may perform efforts other than Superfund or OPA activities. These efforts are paid from other than the Superfund appropriation. The annual allocation process deals with Superfund monies only as shown in the invoice listing. Unless the non-Superfund non-OPA monies are greater than 5% of the total contract, do not include non-Superfund monies in this annual allocation report.

Step 9 - Summary of Amounts

Sum all of Attachment A, Column A and enter that total on Attachment A, Line 9, Column A. This amount should equal the amount identified in Step 1, unless there are non-Superfund and non OPA costs equaling less than 5% of the contract. Otherwise, if it does not, please re-check your figures. In the Attachment A example, this amount equals \$380,000.

With these final entries, the annual allocation process can begin. The next four steps provide an illustration of the annual allocation process for each of the allocable costs: program management, start-up costs, equipment, and site-support activities.

Step 10 - Allocation of Program Management Costs

Program management costs are allocated to the total of all sites with and without EPA SSIDs, non-site activities, and other non-Superfund efforts, if over 5% of the contract. The allocation should be based upon a method which equitably reflects the benefits provided by the program management. Again note that multi-site project management should be allocated to sites in a separate column on the Attachment A after Regional PM with Attachment E as support.

In this example, a modified cost base is used for the allocation of program management costs. Also, two types of Program Management costs are included in this example - National Program Management and work assignment Program Management. All contracts may not have all types of program management (contract-wide, regional or work assignment management), but this instruction document is designed for all types of contracts and may have examples or illustrations which do not apply.

Program management is allocated to the sites and activities based upon the percentage of the particular site or activity's costs to the total cost of all sites and activities. Both Superfund and OPA funded program management should generally be combined into one cost pool and allocated to all sites (as shown in the example Attachment A). Please note that equipment is not included in the allocation base. Generally, equipment does not receive the same level of support that sites and other activities receive. Because the support provided would not reflect the causal/beneficial relationship, equipment is excluded.

An example is provided below on the allocation to the Total of sites with and without SSIDs. The allocation to program-wide activities is performed in the same manner. Using the EPA provided Lotus or Excel spreadsheet, once the contractor fills in columns A and B, the whole spreadsheet should automatically calculate the amounts since the formulas are embedded. Just copy the formulas for the additional sites and activities. However, if necessary, a contractor can create the spreadsheet from scratch. The following pages provide the formula calculations.

Program Management Allocation

Formula:

$$\frac{\text{Program Management Amount}}{\text{Allocation Cost Base}} \times \text{Site or Activity Amount} = \text{Allocable Share}$$

$$\frac{\$25,000 \times \$16,000}{315,000} = \$1270$$

Allocation of Costs:

In the example shown above, the Program Management amount of \$25,000 is identified on Attachment A, Line 3, Column A. This is the amount to be allocated.

The site or activity amount, in this example the Pocillo site, equals \$16,000- the amount shown in Attachment A, Column C.

The allocation cost base of \$315,000 (the total shown in Column C of \$378,000 less the \$25,000 of Program Management Costs and the \$38,000 of Equipment Costs) represents the sites and activities which receive a portion of allocated program management. The allocable share of \$1270 is entered on Attachment A, Line 1, Column D for this site. Repeat this calculation for all sites and activities. A credit to the Program Management amount in the amount of \$25,000 will appear on Attachment A, Line 2, Column D.

Allocation of Regional Program Management Costs

The allocation of regional program management costs is similar to the allocation of program management costs shown above, except it is on a regional level. The regional program management costs are allocated to the regional site total line and activities in that region.

Regional Program Management Allocation

Formula:

$$\text{Allocable Share} = \frac{\text{Regional Program Management Amount} \times \{\text{Site or Activity Amount}\}}{\text{Total Regional Cost Base}}$$

$$\begin{array}{rcl} \$10,794 & \times & \frac{17,270}{121,968} \\ & & = \$1,528 \end{array}$$

In the example shown above, the Region 1 Program Management amount of \$10,794 represents the sum of the Regional Program Management identified on Attachment A, Line 3, Column A of \$10,000 plus the \$794 allocable share of Program Management costs identified in Column B.

The site or activity total amount, in this case the Region 1 total site amount, equals \$17,270. The amount includes the \$16,000 shown on Attachment A, Column A plus the allocable share of Program Management costs of \$1270.

The total regional cost base of \$121,968 represents the sum of total site amounts (with and without SSID) (42,000+3333)+(6,000+476) in Region 1, including any previous allocations of costs (Program Management Costs) plus any Region 1 specific non-site activity costs (25,000+1984) and OPA costs.(40,000+3,175). If there were regional start-up costs, these amounts would also be included in the total regional cost base. In this example, start-up costs are considered contract-wide costs. Regional program management costs are allocated to region-specific costs only. Repeat this calculation for non-site activity lines if necessary. The allocable share for each site or activity is entered on Attachment A, Column E on the corresponding line. In this example for site 0101 the allocable regional program mgt. of \$1,528 is placed in column E, line 1.

Multi-site project management is allocated proportionally to the sites under that work assignment, just as regional and national program management and placed in column F.

Step 11 - Allocation of Start-up Costs

The allocation of start-up costs proceeds in the same manner as program management costs. The start-up costs are allocated to the total site line, equipment and non-site activities lines which receive a benefit from the start-up costs.

In this example, start-up costs are allocated to all sites and activities, excluding equipment. The example below provides the basis for allocating the start-up costs to all sites and activities, excluding equipment:

Start-up Cost Allocation

Formula:

$$\text{Start-up Cost} \times \left\{ \frac{\text{Site or Activity Amount}}{\text{Allocation Cost Base}} \right\} = \text{Allocable Share}$$
$$\$5,397 \times \left\{ \frac{\$22,322}{\$334,603} \right\} = \$360$$

Allocation of Costs:

In the example shown above, the start-up cost amount of \$5,397 represents the sum of Columns C and D of Line 5 (\$5,000 and \$397, respectively). The total site amount, in this example the total site amount for site 0101 in Region 1, equals \$22,322 - the sum of the amounts shown in Columns C, D and E and F of Line 1 (\$16,000, \$1,270, \$1,528, and \$3,524). The Total Cost Base is \$334,603 which represents all costs from Column C, Line 1 of \$378,000 (because start-up costs are allocated to all sites and activities, excluding equipment) less the start-up cost amount of \$5,397 and equipment of \$38,000. The allocable share of \$360 for site 0101 is entered on Attachment A, Line 1, Column G for this site. Repeat this calculation for all other sites and activities. The allocable share for all sites and activities is entered on Attachment A, Column G on the corresponding line.

Step 12 - Allocation of Capital Equipment Costs

Capital equipment costs are allocated to those sites and activities which receive a benefit from the equipment. The preferred method of allocating capital equipment costs to sites and activities is on a direct usage basis; i.e., as capital equipment is used on each site or activity, those costs are captured and identified with that specific site or activity. This method would result in the most equitable cost accounting treatment of capital equipment costs. However, other allocation procedures may be used if they provide a sound cost accounting treatment of capital equipment costs. The allocation of capital equipment costs should be based upon a procedure which results in the equitable allocation of costs and is based upon information from the contractor's accounting system. For this example, the straight-line depreciation method is used.

Capital Equipment Cost Allocation

Formula:

$$\text{Capital Equipment Cost Amount} \times \frac{\text{Site or Activity Amount}}{\text{Total Cost Base}} = \text{Allocable Share}$$

Allocation of Costs:

$$\$38,000 \times \frac{\$22,682}{\$340,000} = \$2,535$$

In the example shown above, the capital equipment cost amount of \$38,000 represents the sum of the Capital Equipment line item, Columns C, D, E, F and G (\$38,000, \$0, \$0, \$0 and \$0, respectively, because capital equipment does not receive any allocations). The site or activity amount, in this example the SSID amount for the Picillo Site (0101), equals \$22,682 - the sum of the amounts shown in Columns C, D, E, F and G (\$16,000, \$1,270, \$1,528, \$3,524 and \$360, respectively). The Total Cost Base amount equals \$340,000 and represents all costs of \$378,000 (because in this example capital equipment costs are allocated to all sites and activities) less the capital equipment cost amount of \$38,000. The allocable share of \$2,535 for site 0101 is entered on Attachment A, Line 1, Column H for this site. Repeat this calculation for all other sites and activities. The allocable share for all sites and activities is entered on Attachment A, Column H on the corresponding line.

Step 13 - Allocation of Site-Support Costs

Site-support costs represent those activities which support site response actions in the aggregate, but by their nature cannot be accounted for on a site-specific basis. In this example, all site-support costs are region specific costs which benefit both Superfund and OPA sites. Site-support costs may also be contract-wide costs, i.e., allocated to all sites on the contract and may only benefit Superfund/ or OPA sites. The allocation of site-support costs is shown below:

Site-Support Cost Allocation

Formula:

$$\text{Stackalign} \left\{ \begin{array}{l} \text{Site-Support Cost Amount} \\ \text{Regional Site Amount} \end{array} \right\} \times \left\{ \begin{array}{l} \text{Regional Site Amount} \\ \text{Total Regional Cost Base} \end{array} \right\} \text{ over } \left\{ \begin{array}{l} \text{All Allocable Share} \end{array} \right\}$$

Allocation of Costs:

$$\$33,182 \times \left\{ \begin{array}{l} \$25,217 \\ \$120,781 \end{array} \right\} \text{ over } \left\{ \begin{array}{l} \$120,781 \end{array} \right\} = \$6,928$$

In the example shown above, the Region 1 site-support cost amount of \$33,182 represents the sum of the Site-Support line item, Columns C, D, E, F, G and H (\$25,000, \$1,984, \$2,388, \$0, \$474 and \$3,336 respectively).

The Regional Site Amount, in this example the SSID amount for the Picillo Site, 0101, equals \$25,217 - the sum of the amounts shown in Columns C, D, E, F, G and H (\$16,000, \$1,270, \$1,528, \$3524, \$360 and \$2,535 respectively).

The Total Regional Cost Amount is \$120,781 and represents all Region 1 site costs - sites with EPA SSIDs (\$ 59,726 for the 2 sites) and Pre-SSID costs (\$7,964) and OPA sites (\$53,091), including any allocations incorporated in Columns D, E, F, G and H. The allocable share of \$6,928 for site 0101 is entered on Attachment A, Line 1, Column I for this site. Repeat this calculation for all Region 1 sites and activities. The allocable share for other sites is entered on Attachment A, Column I on the corresponding line. Repeat these same calculations for Region 2 until all site-support costs are allocated to sites.

Step 14 - Completion of Master Allocation Schedule

The purpose of this step is to complete Attachment A, Master Allocation Schedule by summarizing the allocation. Attachment A is completed by adding the amounts entered in Columns D, E, F, G, H and I for each site and activity and entering the sum in Column J. These amounts represent each site's and activity's total share of allocated costs. The Column J site totals are used by EPA to calculate the Annual allocation rate(s) for this contract which are entered into EPA's cost recovery system, SCORPIOS.

All amounts shown on Attachment A, Master Allocation Schedule, are whole dollars. EPA prefers the amounts shown in this format. Because the amounts are shown in whole dollars and there are numerous calculations, some rounding differences will occur. The rounding difference can be shown as a separate line item, or, as in this example, is simply incorporated into the schedule.

The contractor shall submit the Master Allocation Schedule report via email using Lotus 1-2-3, Excel or ASCII format. (Note: PCS can provide a Lotus 1-2-3 or Excel disk with all formulas for the Master Allocation Schedule and backup schedules. Our website: <http://www.epa.gov/ocfo/finstatement/finstatement.htm> has the spreadsheets and instructions.) Or you may contact our office at 202-564-4984 OR EMAIL US AT VANPELT.TINA@EPAMAIL.EPA.GOV.) One hard copy of the report should be provided with original signatures if signatures cannot be provided in the internet version of the certification letter.

