

Cost Allocation Series Article Seven

Supplement #389 Cost Allocation Locks

Do you have grants and contracts that end at various times during your fiscal year? Are you required to submit final financial reports for these programs prior to your fiscal year ending? Do you use actual rates determined by using a year-to-date base for any of the allocation pools such as leave, fringe benefits, indirect costs and/or special allocations?

If the answer to these questions is “Yes” and your grantor will not accept a revised final financial report once your fiscal year has ended, then you may want to consider using the Cost Allocation Locks supplement.

As you are aware, when using a year-to-date base to allocate your pools, the allocation rates will fluctuate on a month to month basis. If you have a program that ends during your fiscal year and you prepare the final report to the funding source based on that month’s Revenue & Expenditure report, chances are in the subsequent months the allocation rate(s) will fluctuate in either direction.

As the rates fluctuate you will see the result of this fluctuation as small amounts charged to the programs that you have already “closed”. By the end of your organization’s fiscal year, these amounts are going to have to be dealt with. The Cost Allocation Locks supplement is an excellent way to accomplish this!

When a program ends and you finalize the allocation amounts, you can move the subsequent amounts caused by the rate(s) fluctuation to another program. Typically, you would move these amounts to the following grant or contract for the same program. This is done very simply by identifying the “final” allocated amounts, locking them at those amounts, and specifying the program element to which the fluctuation amounts are to be transferred. GMS highly recommends that you send a letter to your grantor agency informing them of this accounting practice prior to finalizing each of the grants/contracts.

This is a great way to deal with one of the characteristics of a year-to-date base for pools when your programs have differing years than your organization’s fiscal year and your grantor agencies will not accept a revised final financial report.

Please see the GMS Help Manual for more details on this supplement and its methodology. Orders for this supplement may be placed on the GMS website [HERE](#).