

Cost Allocation Series Article Six
*Supplement #367 Service Unit Allocation
and Supplement #381 Special Allocations/Internal Base*

Do you have program costs that benefit a specific set of programs and you are allocating them using an arbitrary base, or worse yet based on budget? If so, one of these supplements may be of great use to your organization. The basic premise of both of these supplements is the same: They give you the ability to create an unlimited number of pools in which to collect costs to be allocated, and then *you identify* which programs are to receive these allocated costs.

Service Unit Allocation uses an external base. This means what drives the allocation of the pooled costs is a result of a base entered into the system, such as units of service provided. For example, you may receive four grants or contracts to provide congregate meals for the elderly. A nutrition pool could be created and into this pool you would charge such program costs as cooks salaries, site managers, raw food costs, supplies, etc. These costs would then be allocated to the four programs based on the number of meals served to qualifying clients.

Special Allocations/Internal Base uses an internal base such as hours worked, personnel costs or total direct costs. Using an internal base would be a more equitable method of allocation when there is no external factor such as units of service provided. *Note: This is the same type of setup that is available in the GMS system for Indirect Costs.* As in the Service Unit Allocation supplement, program costs such as coordination activities, program managers and program supplies are collected in a pool and allocated to specified elements.

Using an accurate and realistic base to allocate these costs rather than an arbitrary method will provide you with financial reports more accurately reflecting the true costs for each program!

Orders for these supplements may be placed on the GMS website [HERE](#).