



ADOA – General Accounting Office

# AZ360 MANUAL: COST ALLOCATION



# Cost Allocation

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All activity demonstrations will be displayed with an icon. Demonstrations will detail which elements to input, but agency data should always be used when processing in AZ360.

# Cost Allocation

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The AZ360 automated Cost Allocation Process provides a flexible mechanism to allocate costs and/or revenues. This process is based on the concept of allocating costs and revenues from entity-defined pool accounting distributions to base accounting distributions.

This manual introduces the processes used to set up and maintain Cost Allocation structures in AZ360, the statewide financial management system. Allocation is the process through which those transactions are initially accumulated, and then later distributed to the appropriate departments or programs.

## Manual Objectives

- Review of AZ360 using pages, transactions, and queries.
- Examine the Cost Allocation features and processes.
- Understand the Cost Allocation Process.

## Cost Allocation Overview

### Section Objectives

In this section, the following processes are introduced:

- List and define the required components of the Cost Allocation structure in AZ360.
- List and define the optional components of the Cost Allocation structure in AZ360.
- Differentiate between a pool and a base.

### Section Overview

The setup of Cost Allocation structures are introduced and the key terms of pool, base, accounting distribution, and inheritance are defined.

The required elements (Cost Allocation Control ID, Cost Allocation Series Setup, Cost Allocation Step Setup, Pool/Base Setup, and Pool/Base Distribution) and optional elements (Pool/Base Offset Requirement, Statistical Unit, and Object Rate Groups) of a Cost Allocation hierarchy are identified.

## The Cost Allocation Process

AZ360 provides several methods to manage the calculation and posting of direct and indirect costs. The method used will depend on the accounting requirements of the state and/or the requirements imposed by the funding source. This topic provides an overview of the features and output of the Cost Allocation processes.

### Cost Allocation Output

The output of the Cost Allocation Process is a two-sided entry to the Accounting Journal (JACTG); however, the purpose of this process is to distribute costs or revenue on a dollar-for-dollar basis rather than to calculate additional, indirect costs. The output of the Cost Allocation can credit either the

original or an offset accounting distribution, and the accounting distribution for the debit entry is partially or totally different from the originating accounting distribution.

The remainder of this lesson will introduce the characteristics and setup of a Cost Allocation structure.

## Cost Allocation Overview

Cost allocation is a flexible process within AZ360 that distributes costs or revenue to various accounting distributions, on a dollar-for-dollar basis. At the time costs are initially recorded in the system, the grant, project, or operational accounting distributions to which those costs should be recorded are not always known. AZ360 tracks these costs, and then later, using the automated Cost Allocation Process, distributes the costs to the proper programs based on instructions defined in the Cost Allocation hierarchy.

For the purposes of this manual, the examples used will refer to allocation of costs, which is the most common type of Cost Allocation; however, the same processes can be applied to revenue, if the ultimate recipients of revenue are not known at the time the revenue is received.

Cost Allocation consists of four steps:

- Establish a Cost Allocation hierarchy in AZ360 to identify the transactions to be allocated, how they must be allocated, and the recipients of the allocation.
- Enter transactions in AZ360.
- Execute the Ledger Engine process to update the ledgers and post the transactions.
- Execute the automated Cost Allocation Process to perform the allocation.

## Cost Allocation Terminology

Unique terms are used to define the components and features of the Cost Allocation Process in AZ360. The following list introduces key terms associated with Cost Allocation:

- Cost Allocation hierarchy – The Cost Allocation hierarchy is the structure in AZ360 that contains Cost Allocation instructions.
- Cost Allocation Process – The Cost Allocation Process is a series of automated batch jobs that perform the allocations in AZ360.
- Accounting distribution – An accounting distribution is a unique combination of Chart of Accounts (COA) elements. It is the mechanism used in the Cost Allocation hierarchy to define the costs or revenue to be captured for distribution (pools) and to define how they should be distributed (bases).
- Pool – The pool identifies the costs or revenues to be allocated. A pool is defined by the pool accounting distributions associated with it. Expenditure or revenue transactions are then identified for allocation, if the COA elements on the transaction Accounting line match the pool accounting distribution.
- Base – The base identifies the departments or programs that are the recipients of the allocation (that will ultimately be charged for the costs). A base is defined by the base accounting distributions associated with it. Expenditure or revenue transactions in the pool are allocated to the accounting distributions associated with the base.
- Offset distribution – The accounting distribution used for the credit from the allocation, when different from the accounting distribution that defined the pool.

- Inheritance – Inheritance determines if allocated records will receive (inherit) a field’s value from the pool or the base record. Inheritance is set field by field, because different fields will have different rules.

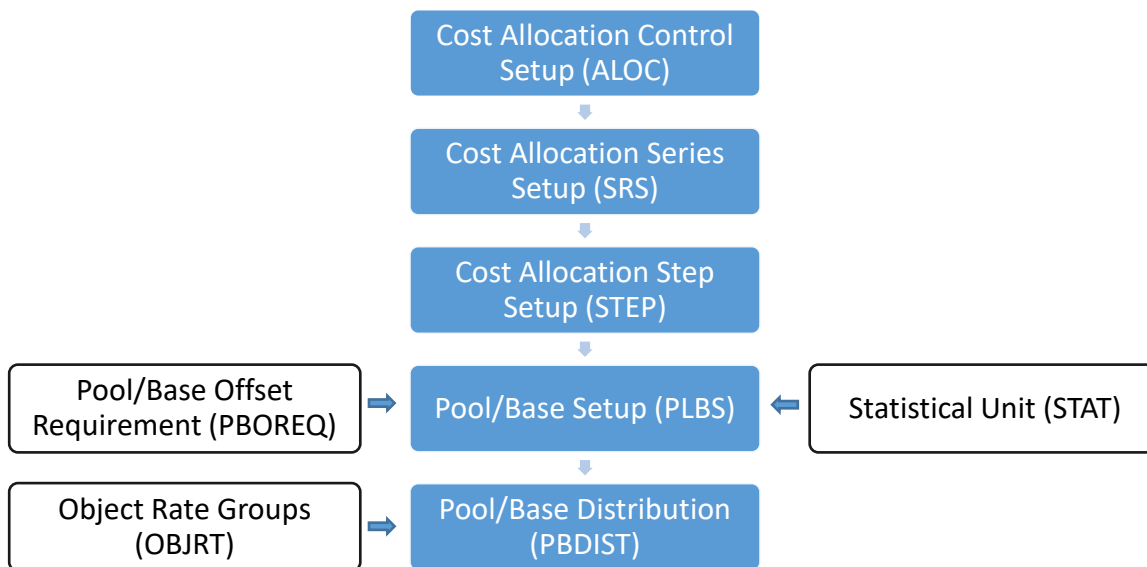
Although other terms and concepts associated with Cost Allocation are introduced in this manual; these terms provide the foundation for learning and understanding how this process works in AZ360.

## Cost Allocation Hierarchy

The Cost Allocation Process begins with the creation of a Cost Allocation hierarchy, which identifies the costs or revenue to be allocated, how the allocation must be made, and the recipients of the allocation. The Cost Allocation hierarchy is based on eight pages in AZ360; five pages are required elements and three pages are optional elements.

Figure 1 illustrates the parent-child structure that exists in the hierarchy and identifies the required pages (shaded boxes) and optional pages (unshaded boxes), in the Cost Allocation hierarchy. Each element is defined below and discussed in more detail in the next section.

Figure 1: Cost Allocation Reference Pages



### Required Cost Allocation Elements

The required elements, and their role in a Cost Allocation hierarchy, are as follows:

- Cost Allocation Control Setup (ALOC) (GAO setup only) – The ALOC page establishes a control record that is the element at the top of the hierarchy: it is the umbrella under which the remaining Cost Allocation elements are organized. The ALOC identifies global characteristics about the allocation.
- Cost Allocation Series Setup (SRS) (GAO setup only) – An entry on the SRS page is commonly called a Series. At least one Series must be established for each Allocation hierarchy. Additional Series are set up when multiple groups of expenditures or revenues must be allocated, during a single run of the automated Cost Allocation Process.



- Cost Allocation Step Setup (STEP) – An entry on the STEP page is commonly called a Step. The Step defines the sequence of allocation calculations within a Series and identifies the method that is used to calculate the allocation.
- Pool/Base Setup (PLBS) – The PLBS page establishes the pool and base records within the hierarchy.
- Pool/Base Distribution (PBDIST) – The PBDIST page identifies the accounting distributions and accumulation distributions that define each pool and base (accumulation distributions are defined in more detail in the next section).

### Optional Cost Allocation Elements

The optional elements, and their roles in a Cost Allocation hierarchy, are as follows:

- Pool/Base Offset Requirement (PBOREQ) – The PBOREQ page is used to support a Cost Allocation hierarchy that requires offset distribution. The credit from the allocation must be posted to an accounting distribution different than that of the pool accounting distribution. The entry on PBOREQ identifies if a change to each COA element on an offset distribution is required, prohibited, or optional.
- Statistical Unit (STAT) – The STAT page establishes numeric values for state-defined statistics used to calculate an allocation percentage for a Cost Allocation hierarchy, using the Statistical Base Type.
- Object Rate Groups (OBJRT) (GAO setup only) – The OBJRT page establishes groups of object codes that are all eligible, or ineligible, for allocation. Object Rate Groups are used to simplify data entry, when creating Cost Allocation hierarchies.

A Cost Allocation hierarchy can be as simple or as complex as needed to meet the allocation needs of the state. For each Cost Allocation structure, there must be at least one entry on each of the required pages identified above; however, there may be multiple Series, Steps, Pools, and Bases identified, in order to fully define the allocation requirements. Many Cost Allocation hierarchies are required to accommodate the allocation needs of the state.

# Cost Allocation Hierarchy

## Section Objectives

In this section, the following processes are introduced:

- Identify the three levels of the Cost Allocation hierarchy at which inheritance rules can be established.
- List and define the Base Types available to assign or calculate Cost Allocation percentages.
- Differentiate between an accounting distribution, an accumulation distribution, and an offset distribution.

## Section Overview

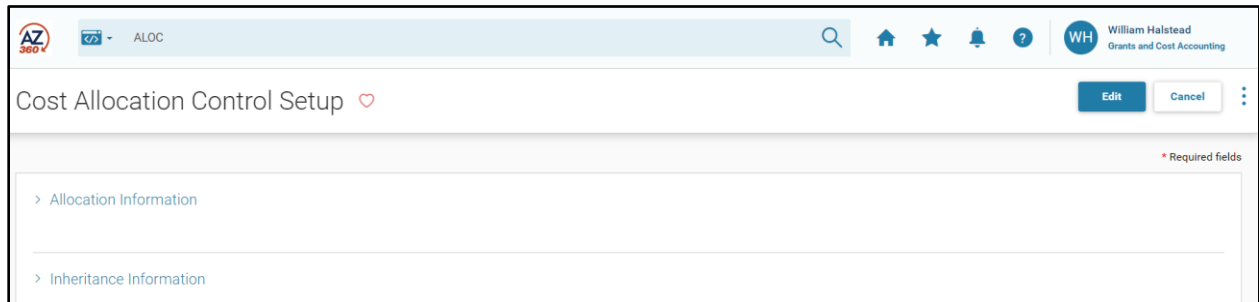
A Cost Allocation hierarchy is established by entering data in the required and optional pages, listed below. The optional pages are utilized, if necessary, for the requirements of the specific allocation.

- Cost Allocation Control ID (ALOC) - required
- Cost Allocation Series Setup (SRS) - required
- Cost Allocation Step Setup (STEP) - required
- Pool/Base Setup (PLBS) - required
- Pool/Base Distribution (PBDIST) - required
- Pool/Base Offset Requirement (PBOREQ) - optional
- Statistical Unit (STAT) - optional
- Object Rate Groups (OBJRT) - optional

In addition to reviewing each of these pages in detail, this lesson will define the key concepts of Base Type and accumulation distributions, while further exploring the concepts of inheritance and offset distributions.

## Cost Allocation Control Setup (ALOC)

The ALOC page establishes a control record that is the element at the top of the hierarchy: all related elements fall beneath this element in the hierarchy. The ALOC consists of the Allocation Information and Inheritance Information sections. ALOC records are added and maintained by the General Accounting Office (GAO).



### ALOC – Allocation Information Section

The Allocation Information section establishes the global characteristics of the allocation hierarchy, including the Allocation Control ID, which is the unique identifier for the Cost Allocation hierarchy. Key fields in this section are:





- Allocation ID – The unique identifier for the allocation record.
- Allocation Frequency – Identifies how frequently the allocation is executed. Options in this field are Daily, Monthly, Quarterly, and Annual. All allocations in the State are run monthly at this time.
- Description – A description of the allocation’s purpose may be entered.
- Allocation Type – The allocation may be for expenditures (cash expenditures and/or charges), revenue, or charge back. Select ‘Yes’ on the toggle in the appropriate field to identify the type of allocation. All other allocation types must be set as ‘No’ unless otherwise stated. The options are:
  - Cash Expenditures – Select ‘Yes’, if expenditures are to be allocated. Charges may be selected with Cash Expenditures in the same allocation; however, the Cash Expenditures may not be selected in combination with Collected Revenues or Charge Back flags.
  - Collected Revenues – Select ‘Yes’, if revenues are to be allocated. No other allocation type may be selected in combination with the Collected Revenue check box.
  - Charges – Select ‘Yes’, if Charges (and Revenue Credits) are to be allocated. Charges may be selected with Cash Expenditures in the same allocation; however, Charges may not be selected in combination with Collected Revenues or Charge Back flags.
  - Charge Back – Select ‘Yes’, if the allocation is being used for processing indirect costs. No other allocation types may be selected in combination with the Charge Back.

<p>▼ Allocation Information</p>		
<p><b>Allocation ID</b> ADA01</p>	<p><b>Allocation Frequency</b> Monthly</p>	<p><b>Department</b> -</p>
<p><b>Description</b> Cost allocation during current month (soft close)</p>	<p><b>Cash Expenditures</b> Yes</p>	<p><b>Collected Revenues</b> No</p>
<p><b>Charges</b> Yes</p>	<p><b>Charge Back</b> No</p>	

### ALOC – Inheritance Information Section

The Inheritance Information section on the ALOC page establishes default inheritance rules for each COA element type. Inheritance rules instruct AZ360 to use the COA value from either the pool source transaction Accounting line or as defined on the base accounting distribution, when creating the base accounting line for the allocation transaction. Inheritance is set on a field-by-field basis, because inheritance rules may vary based on the COA element used.

Two options exist for each field in the Inheritance Information section of the ALOC record: Pool or Base. If the COA element should be inferred from the pool accounting line on the source transaction, select **Pool**; if the COA element should be inferred from the base accounting distribution on the Pool/Base Distribution page, select **Base**.

Inheritance rules established in the Inheritance Information section of the ALOC record are the default values for the entire Cost Allocation hierarchy; however, these inheritance rules may be modified at Series or Step levels of the hierarchy. When setting up the Allocation ID record, at least one of the inheritance type fields must be set to Base.



<p>▼ Inheritance Information</p>		
<p>Fund Inheritance Pool</p>	<p>Object/Revenue Inheritance Pool</p>	<p>Balance Sheet Account Inheritance Pool</p>
<p>Appropriation Inheritance Pool</p>	<p>Department/Unit Inheritance Pool</p>	<p>Location Inheritance Pool</p>
<p>Activity Inheritance Pool</p>	<p>Function Inheritance Base</p>	<p>Reporting Inheritance Pool</p>
<p>Dept Object/Revenue Inheritance Pool</p>	<p>Task Inheritance Pool</p>	<p>Task Order Inheritance Pool</p>
<p>Major Program/Program Inheritance Pool</p>		

Pool/base inheritance is best explained by looking at a single COA element, for example, Fund.

- Pool Inheritance – If indirect costs are initially recorded to Pool A where Fund = A, then the indirect costs for this accounting distribution will be allocated to another base accounting distribution where Fund = A. In other words, where a COA element is set up with Pool Inheritance, then the costs or revenues will not be re-allocated to another value for that COA element. Most allocations will be set up so that the majority of COA elements are set to ‘Pool’ inheritance.
- Base Inheritance – If indirect costs are initially recorded to Pool A where Fund = A, then the indirect costs for this accounting distribution will be allocated to another base accounting distribution where Fund is not A. Cost Allocation involves the re-distribution of costs or revenues to an accounting distribution that is different from the original distribution. For this to occur, at least one COA element must be set up with ‘Base’ inheritance.

The individual COA inheritance can be set up as Pool/Base at the Control level and defaulted on Series and Step levels. However, if for a specific Series/Step, the inheritance needs to be different than the Control level, they can be set up to Pool/Base in Series/Step. The Cost Allocation Process will read each COA Inheritance Type from one of the three-setup pages.

The Cost Allocation Process will first read the inheritance type setting on Cost Allocation Step setup. If the value is ‘Pool’ or ‘Base’, then the process will assume that value for the allocation.

If the Cost Allocation Step setup value is ‘default’, then the process must look to the inheritance type setting on Cost Allocation Series setup. If the value is ‘Pool’ or ‘Base’ on the SRS page, then the process will assume that value for the allocation.

If both the Cost Allocation Step setup and Cost Allocation Series setup values are ‘default’, then the process must look to the inheritance type setting on Cost Allocation Control setup. There is no default option on the ALOC page, so the value must be ‘Pool’ or ‘Base’. The process will assume that value for the allocation.

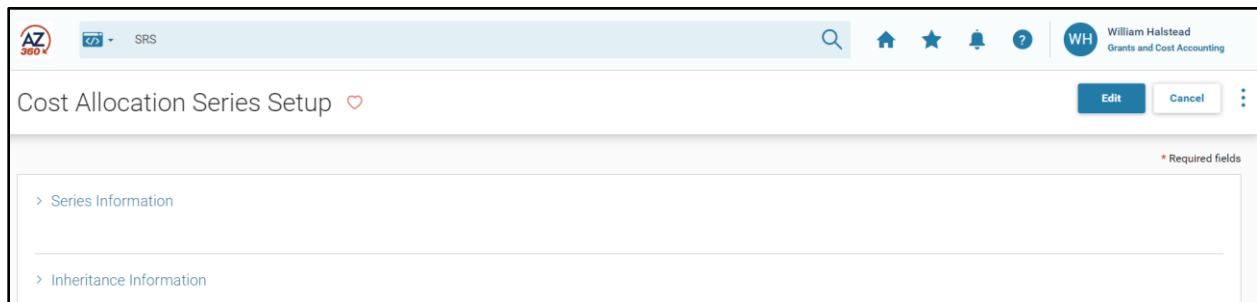
Pools and bases are initially defined on the PLBS page. The key fields on this page includes Cost Allocation ID, Series ID and Step ID so that the user is aware that the pools and bases are being associated with an allocation step. Pool records specify the source accounting distributions that contain the costs to be allocated to different distributions (bases). Base records specify the destination accounting distributions in which pooled costs will be allocated. At least one Pool record is required before a Base record can be defined for a step. Otherwise, there is no source for an allocation. Multiple Pools and Bases can be defined for any step, each Pool and Base being uniquely identified by a system-generated pool/base sequence number.

All Pool records should be set up with an allocation percentage of 100%. Depending on base type, the allocation percentages for each base record may or may not be defined.

- If the Base type = Fixed Percentage, then the allocation percentage for each base in the step must be defined. The sum of the allocation percentages for all bases in a single step should equal 100%.
- For steps where the base type = Statistical, the allocation percentage cannot be defined at setup time. Instead, the allocation percentages are calculated during the Cost Allocation Process. For this base type, statistical records must first be created on the STAT page. Users are required to enter the Statistical Group and Statistical Record ID. The Statistical Unit(s) are automatically inferred on the PLBS table from the STAT table. The PLBS table is linked to the STAT table so that if there is a change to a record on the latter table, then the Statistical Unit value is automatically updated on PLBS page. The technical term for this relationship is that PLBS’s Statistical Unit field is a ‘maintained’ replicate from the same field on the STAT page.
- For steps where the base type = Direct Financial or Direct and Instream Financial, both the Allocation Percentage and Statistical Unit fields must be left blank at the time of initial setup. For all base types except Fixed Percentage, the allocation percentage for base records will be calculated during the Cost Allocation Process.

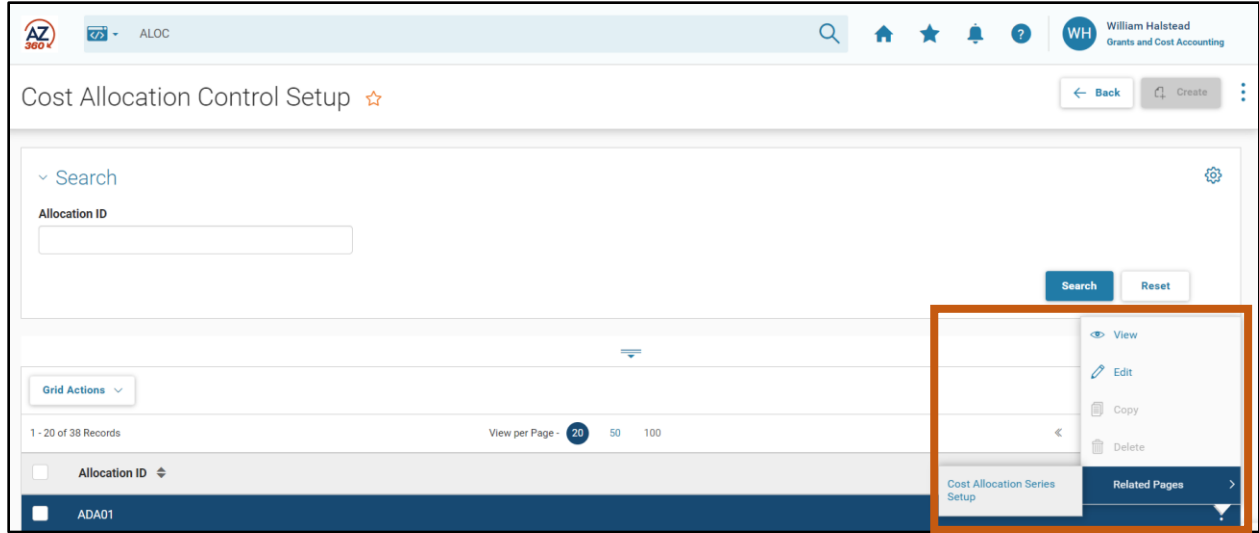
## Cost Allocation Series Setup (SRS)

For each Allocation Control ID there must be at least one entry on the SRS page, often referred to as a Series. Multiple Series can be established, if multiple groups of expenditures or revenues must be allocated, during a single run of the automated Cost Allocation Process. The SRS consists of the Series Information and Inheritance Information sections. SRS entries are maintained by GAO.



### Navigating within the Cost Allocation Hierarchy

Navigating to a specific SRS record in AZ360 can occur by clicking the 3-dot menu of the desired ALOC record and selecting Related Pages and then Cost Allocation Series Setup. This relationship is due to each entry on the SRS page being a child record of the associated record on the ALOC page. This is also true of the other required pages used to create the Cost Allocation hierarchy (STEP, PLBS, and PBDIST). The 3-dot menus are available for each page to navigate up and down the cost allocation hierarchy. When navigating to the lower levels of the hierarchy, AZ360 infers the codes established for the higher levels of the hierarchy.



### SRS – Series Information Section

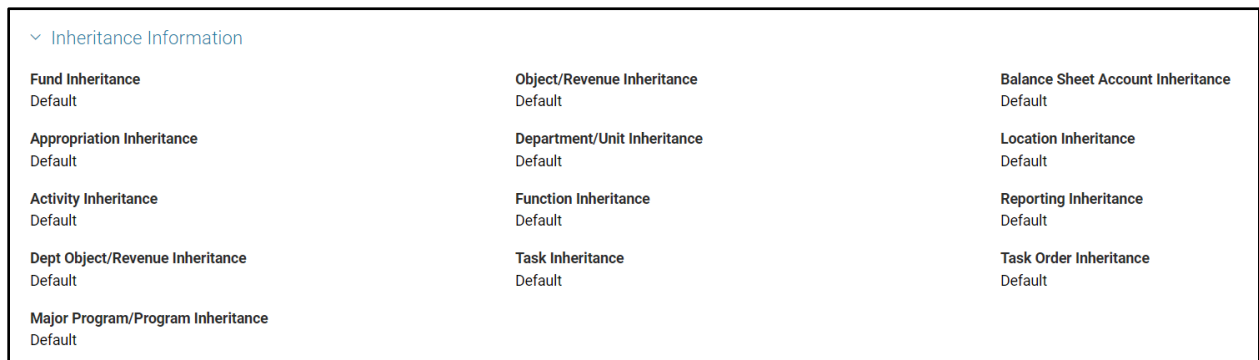
The Series ID field in the Series Information section is used to identify each Series within the allocation hierarchy. The Series Description field is used to define the purpose of the series, if multiple series are established.



### SRS – Inheritance Information Section

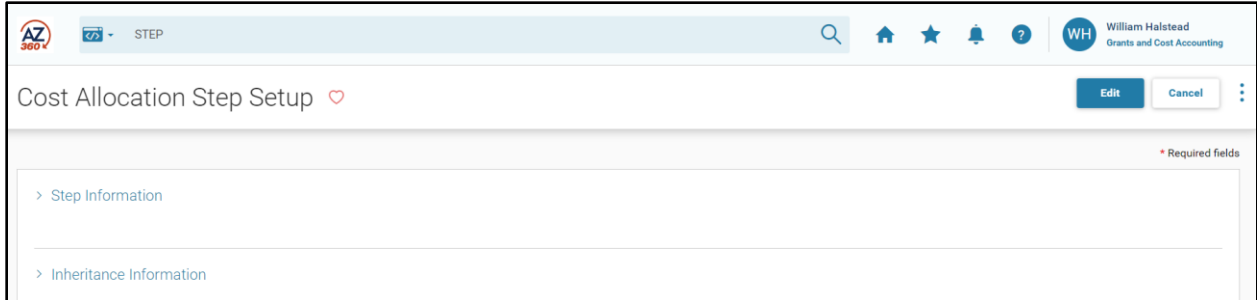
Inheritance of COA elements can be defined at the Series level, if different from the rules set at the ALOC level. The options for each field in this section are Pool, Base, and Default. Retaining the value of Default will defer to the inheritance rule set at the ALOC level.

Establishing the Inheritance Type on the SRS record allows a Series to inherit more entries from the base than previously identified on the ALOC record. Each Series associated with an Allocation ID can have a different set of inheritance settings.

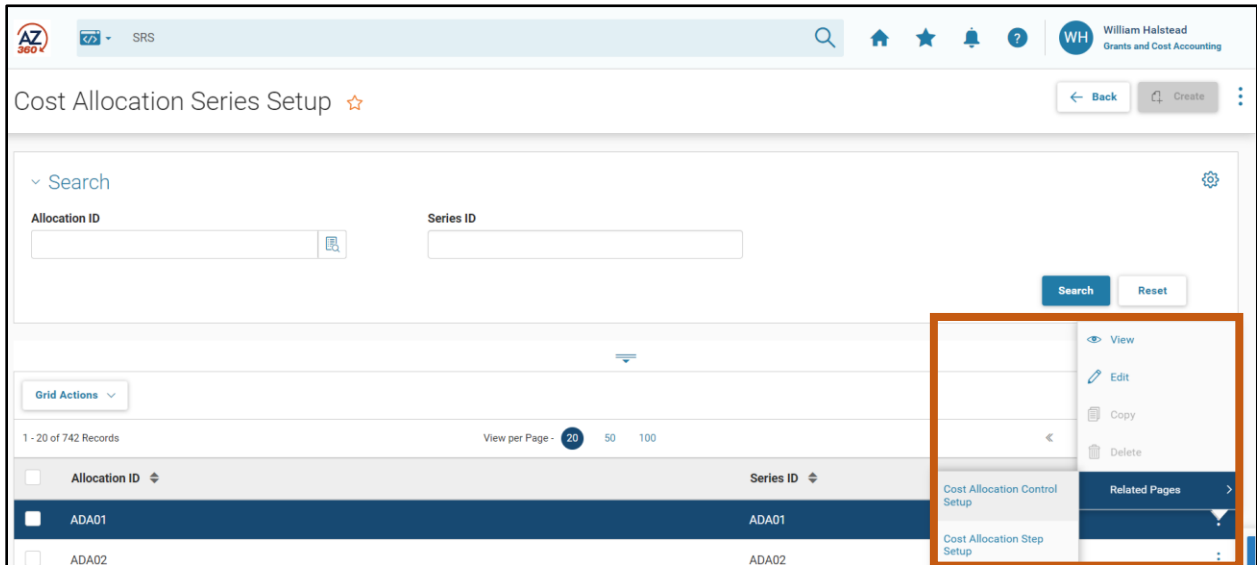


## Cost Allocation Step Setup (STEP)

For each Series there must be at least one entry on the STEP page, often referred to as a Step. There may be multiple Steps if needed. The Step defines the sequence of allocation calculations within a Series. The STEP consists of the Step Information and Inheritance Information sections.

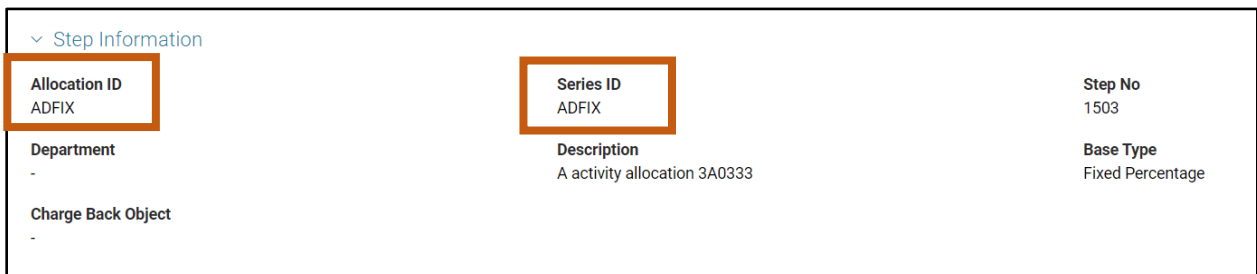


The STEP page is a child of the SRS page. If there are multiple entries on SRS, ensure the correct 3-dot menu is selected when using Related Pages navigation. Click on Cost Allocation Step Setup to navigate to the STEP page.



### STEP – Step Information Section

In the Step Information section, the Allocation ID and Series ID are inferred from the higher levels of the hierarchy, when the 3-dot menu, Related Actions navigation is used. The Step No and Description fields are used to define each Step within the hierarchy.



*Base Type Field*

The Base Type field is a key option that is set at the Step level. The Base Type shows how the allocation is calculated. The options are; Fixed Percentage, Statistical, Direct Financial Only, and Direct and Instream Financial.

<b>* Base Type</b>	
- Select -	▼
- Select -	
Fixed Percentage	
Statistical	
Direct Financial Only	
Direct and Instream Financial	

- Fixed Percentage (most commonly used) – The Fixed Percentage Base Type is used when the percentage to be allocated to each base is known and/or manually calculated. The allocation percentage is then entered for each base, on the PLBS page. The sum of the allocation percentages for all bases, in a single step, must equal 100%. For example, if IT Service Desk expenses must be allocated to departments based on a manually assigned percentage, the Fixed Percentage Base Type is selected.
- Statistical – For the Statistical Base Type, the allocation percentage is calculated by AZ360, based on the Statistical Record ID defined for each base record on the STAT page. The Statistical Unit may be square footage, number of employees, number of telephones, Unit of Measure or any other measurable parameter. Unit of Measure is for online review and reporting purposes. It is an optional look up. The # of unit has always been recorded and is required but without a description there is no reference as to what the unit represents. For example, if utilities must be allocated to departments based on the square footage occupied by the department, the Statistical Base Type is used. The Statistical Base Type is discussed in more detail in the “Statistical Unit (STAT)” section of this manual.
- Direct Financial Only – For the Direct Financial Only Base Type (commonly called Direct Financial), allocation percentage is calculated by AZ360 based on actual expenditures during a specific time frame. This may be referred to as a spending-based allocation because the allocation percentage is calculated by the amount each base contributes to the total expenditures defined and accumulated during a specific time frame. The Direct Financial Base Type is discussed in more detail in the “Allocation Creation using the Direct Financial Base Type” section of this manual.
- Direct and Instream Financial – The Direct and Instream Financial Base Type is a two-step allocation process. The first step may be an allocation calculated using any one of the Base Types. The output of the first allocation (in part or in total) is then included in the accumulation for a Direct Financial allocation that constitutes the second step of the allocation. Currently, the Direct and Instream Financial Base Type will not be used by the state for Cost Allocation purposes.

*Charge Back Object Field*

If the hierarchy is established for Charge Back processing, the object code that should be used for the credit is identified in the Charge Back Object field. Appendix A provides additional information about setting up a Charge Back allocation structure.

<b>Charge Back Object</b>
<input type="text"/>

**STEP – Inheritance Information Section**

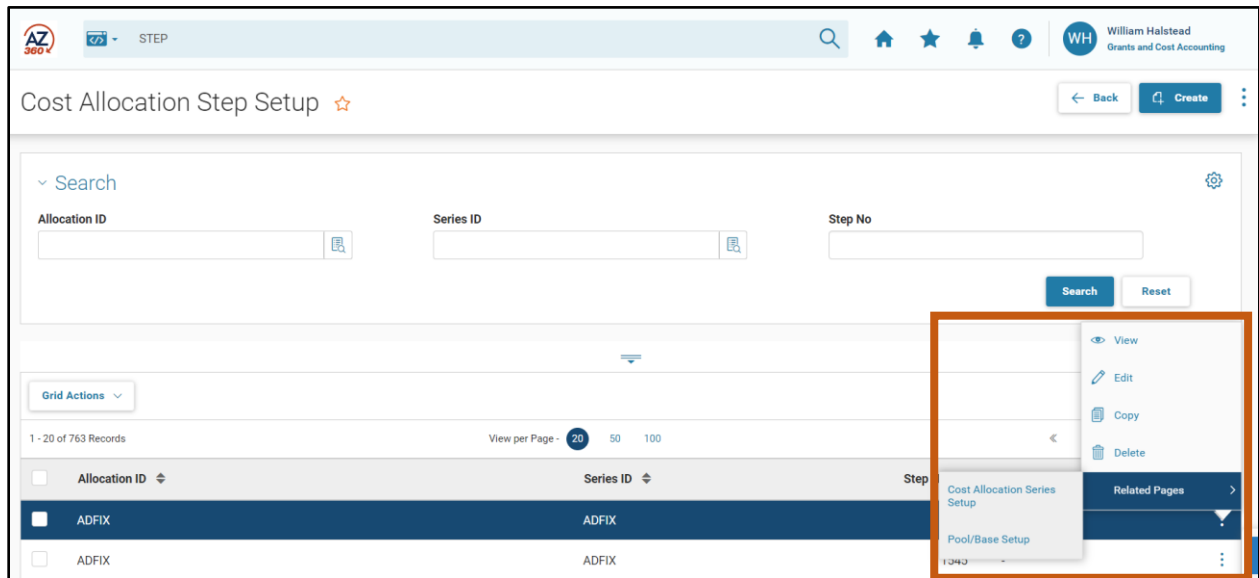
The Step is the lowest level of the Cost Allocation hierarchy available to define COA inheritance. The options are Pool, Base, and Default. Retaining the value of Default will defer to the inheritance rules set at the SRS or ALOC levels.

Establishing the Inheritance Type on the STEP record allows a Step to inherit more entries from the base than previously identified on the ALOC and SRS records. Each Step associated with a Series ID can have a different set of inheritance settings.

## Pool/Base Setup (PLBS)

Entries on the PLBS page establish each pool and base within the hierarchy, and set key characteristics of the pool or base record.

The PLBS page is a child of the STEP page. If there are multiple entries on STEP, ensure the correct 3-dot menu is selected when using Related Pages navigation. Click on Pool/Base Setup to navigate to the PLBS page.



### Pools

The departments or programs that should be charged for the costs are not always known at the time costs are initially recorded in the system.

**Note: The mechanism used by AZ360 to identify costs to be allocated is a pool. Pools are identified in AZ360 by the specific COA elements identified on pool accounting distribution(s).**

### Bases

The projects, grants, or operational accounting distributions that are the recipients of the allocation (that will ultimately be charged for the costs) are called bases.

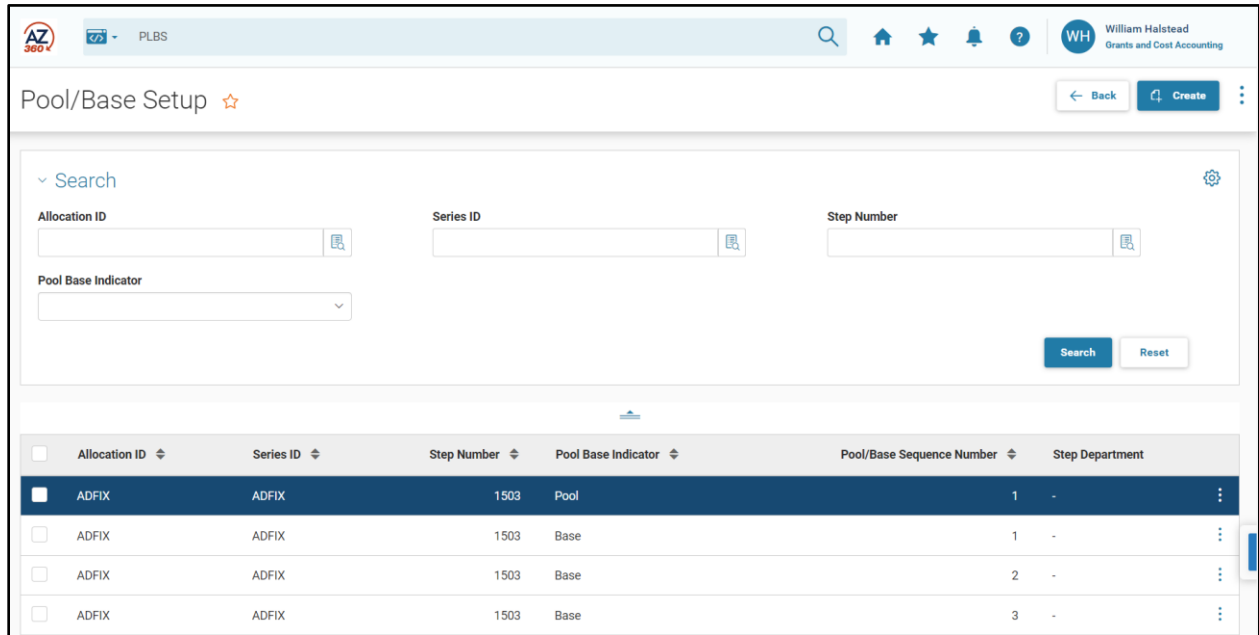
**Note: Like pools, bases are identified in AZ360 by the specific COA elements identified on a base accounting distribution.**

When the automated Cost Allocation Process is run, the pool accounting distribution will be credited, and the base accounting distributions will be charged.

### Relationship of Pools and Bases

For each Step there must be at least one pool. Multiple pool records can be entered for a single Step to identify all the selection criteria needed to identify the total source records to be allocated.

At least one pool record must be created before a base record may be created. Each Step normally has at least two bases; however, some may have multiple bases. Multiple base records can be entered for a single Step to identify all the destinations for the allocated records.



Allocation ID	Series ID	Step Number	Pool Base Indicator	Pool/Base Sequence Number	Step Department
ADFIX	ADFIX	1503	Pool	1	-
ADFIX	ADFIX	1503	Base	1	-
ADFIX	ADFIX	1503	Base	2	-
ADFIX	ADFIX	1503	Base	3	-

### PLBS – Key Fields

On the PLBS, the Allocation ID, Series ID, Step Number, and Base Type fields are inferred from the upper levels of the hierarchy, when the navigation links are used. Click Create to insert a new line on the PLBS page.

- Pool Base Indicator – This field is used to identify the record as either a pool or a base.
- Pool/Base Sequence Number – AZ360 automatically assigns a sequence number to each PLBS record on the PLBS page when the record is saved. The first pool record will have an assigned number of 1 and the first base record will have an assigned number of 1. Each additional record will have the Pool/Base Sequence Number increased by one, for each type of record.
- Description – It is recommended that this field be used to fully define the purpose of the entry on PLBS.
- Forward Reference Step Number – This field is optional and is used only for base records. The process of forward referencing allows dollars that have been allocated to base records in one step to be re-allocated in a future step. The initial allocation to the base record is the first step. That base record subsequently becomes a pool in a 'forward' step and the dollars are re-allocated.
- Base Type – This field is inferred from the STEP record.
- Allocation Percent – The value entered in this field will vary based on the type of PLBS record and the Base Type for the STEP:
  - When the Base Type is Fixed Percentage, enter a percentage in the Allocation Percent field for base records. This is the percentage to be allocated to each base accounting distribution.





- For all other Base Types, leave this field blank. The Allocation Percent field is auto populated for base records of all other Base Types during the automated Cost Allocation Process.
- For pool records, the Allocation Percentage will default to 100% when the record is saved. This is the only value allowed.
- Statistical Group, Statistical Record ID and Statistical Unit – These fields are populated only when the Base Type is Statistical. Entries must be pre-established on the STAT page. A selection from the Statistical Group pick list will also auto populate the Statistical Record ID and Statistical Unit fields. The Statistical Base Type is explained in greater detail in the “Alternative Cost Allocation Hierarchies” section of this manual.
- Override Original Distribution with Offset Values and Offset ID – These fields are populated for pool records only.
  - The Override Original Distribution with Offset Values check box indicates that the pool accounting distribution should be overwritten with an accounting distribution other than that of the pool during the generation of Cost Allocation output transactions.

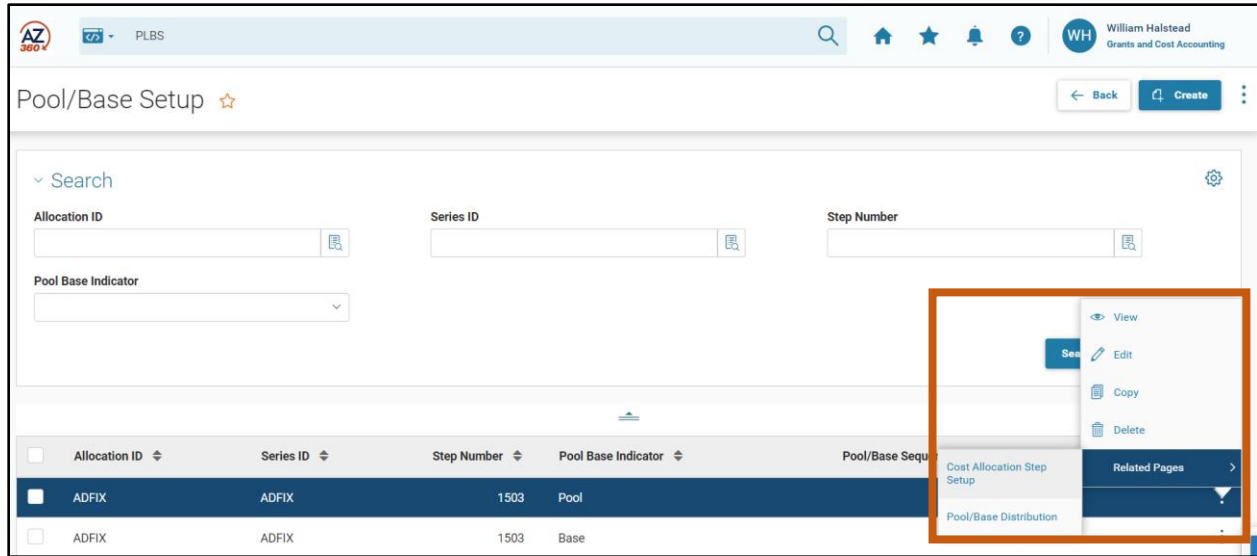
**Note: See Appendix B for examples of the accounting entries generated by the use of a pool offset distribution.**

- The Offset ID is pre-established on the PBOREQ page. This page identifies which COA elements may be overwritten in the automated Cost Allocation Process. Establishing offset distributions and the PBOREQ page will be discussed in more detail later in this manual.

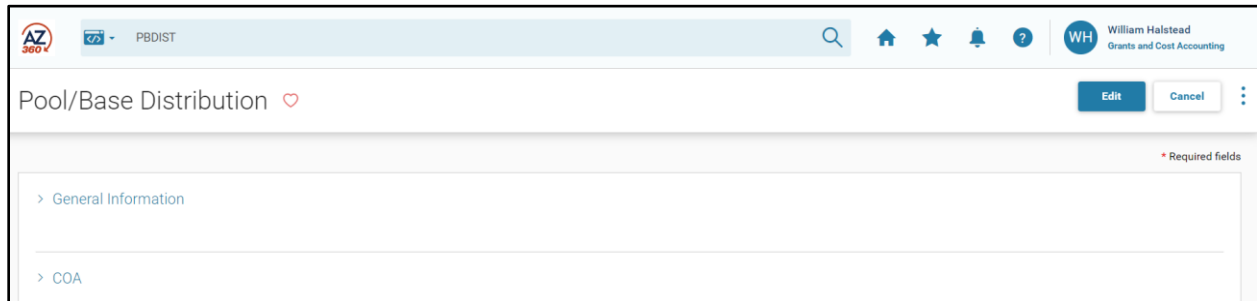
## Pool/Base Distribution (PBDIST)

The final required element in the Cost Allocation hierarchy is the Pool/Base Distribution (PBDIST) page. This page is used to enter accounting distributions, accumulation distributions, and/or offset distributions that define the pool and base records. At least one record on PBDIST must be established for each pool and base record on PLBS.

The PBDIST is a child record of the PLBS page. If there are multiple entries on PLBS, ensure the correct 3-dot menu is selected when using Related Pages navigation. Click on Pool/Base Distribution to navigate to the PBDIST page.



The PBDIST page consists of the General Information and COA sections.



### PBDIST – General Information Section

Key fields in the General Information section are:

- Allocation ID, Series ID, Step No, and Pool Base Indicator – Inferred from the upper levels of the hierarchy when the navigation links are used.
- Allocation Percent, Pool Base Sequence No, and Include/Exclude Sequence No – Will auto populate when the record is saved.
- Distribution Type – Defines the type and purpose of the COA elements entered on PBDIST. Valid entries in the Distribution Type field for Pool records are Accounting and Offset. Valid entries for Base records are Accounting and Accumulation.
  - Accounting Distribution – The accounting distribution is the combination of COA elements used to identify a pool or base in a Cost Allocation hierarchy. At least one accounting distribution must be defined for each pool and each base record.
  - Accumulation Distribution – An accumulation distribution is used only for base records with the Base Type of Direct Financial Only, or Direct and Instream Financial; its role is to identify transactions that are used to calculate the allocation percentage. Accumulation distribution is defined in more detail later in the manual.
  - Offset Distribution – An offset distribution identifies an accounting distribution that is slightly or completely different from the accounting distribution on the pool. Offset distributions is covered in more detail in the “Pool/Base Offset Requirement (PBOREQ) Page” section of this manual.



- Accumulation Distribution No – Identifies the distribution number for the pool/base record. One base record may have multiple base accumulation records, each identified by a different accumulation number. All other distribution types for pool and base records may only have one distribution record (exclude records may be specified).
- Exclude Flag – Indicates if the automated Cost Allocation Process will include or exclude records with this accounting distribution during Pool Expansion and Base Accumulation. Additional detail on including and excluding accounting distributions is provided in the “Data Entry Shortcuts” section of this manual.
- Include/Exclude Sequence No – Auto generated for all records on the PBDIST table. For each distribution number, there may be multiple include/exclude records.

General Information		
Allocation ID ADFIX	Series ID ADFIX	Step No 1503
Pool Base Sequence No 1	Pool Base Indicator Pool	Department -
Allocation Percent 100.000000	Distribution Type Accounting	Accumulation Distribution No 1
Exclude Flag No	Include/Exclude Sequence No 1	
<a href="#">▲ Show Less</a>		

### PBDIST – COA Section

Each record on PBDIST specifies the COA elements associated with the pool or base records.

- Pool – On the PBDIST record for the pool, only the fields required to record the selection criteria are to be entered.
- Base – On the PBDIST record for each base record, only the fields which will override the COA data from the pool record will be recorded.

For pool records, a Department code **MUST** be entered in the accounting distribution to enable validation of department-based COA elements during the automated Cost Allocation Process. If Department/Unit inheritance type is set to Base, then the Department code can be entered on both pool and base accounting distribution records, even if there is no change in the Department code from the pool to the base accounting distribution.

▼ COA

**Fund Rollup Type**  
CODE

<b>Fund</b> AD4230	<b>Sub Fund</b> -	
<b>Object/Revenue Indicator</b> -		
<b>Object/Revenue Source Rollup Type</b> -	<b>Object/Revenue Source Rollup Type Name</b> -	
<b>Object/Revenue Source</b> -	<b>Sub Object/Revenue Source</b> -	
<b>Appropriation Rollup Type</b> -	<b>Appr Unit</b> -	
<b>Department</b> ADA	<b>Unit</b> -	<b>Sub Unit</b> -
<b>Activity Rollup Type</b> CODE		
<b>Activity</b> 3A0333	<b>Sub Activity</b> -	
<b>Function Rollup Type</b> CODE		
<b>Function</b> AS3A03330	<b>Sub Function</b> -	
<b>Major Program Rollup Type</b> -	<b>Major Program</b> -	
<b>Program Rollup Type</b> -	<b>Program</b> -	
<b>Program Period</b> -	<b>Phase</b> -	

▶ Show More

*Rollup Type Fields*

For the Fund, Appropriation Unit, BSA, Department Object/Revenue, Location, Activity, Function, Reporting, Major Program, and Program fields, a Rollup Type field is provided. An example for the Fund Rollup Type field is shown below.

▼ COA

**Fund Rollup Type**

<input type="text" value="- Select -"/>	<b>Sub Fund</b>
<ul style="list-style-type: none"> <li>- Select -</li> <li>CODE</li> <li>CLASS</li> <li>CATEGORY</li> <li>TYPE</li> <li>GROUP</li> </ul>	<input type="text"/>

The drop down list for each Rollup Type field provides five options; Code, Class, Category, Type, and Group (as shown in the image above). Selecting Code indicates that a user will enter a specific COA value

in the associated field. For example, If Code is selected in the Major Program Rollup Type field; a user will enter a specific Major Program code in the Major Program field below it.

In some situations, a user may select a rollup type of Class, Category, Type or Group. This can reduce data entry when creating records on PBDIST. The use of rollup types is discussed in more detail in the “Data Entry Shortcuts” section of this manual.

*Object versus Revenue*

In the COA section, the Object/Revenue Source Rollup Type, Object/Revenue Source, and Sub Object/Revenue Source fields are used to enter either Object or Revenue Source codes (however, not both), if required for the specific allocation.

The Obj/Rev Indicator field indicates to AZ360 whether the entries are Object or Revenue Source codes.

<p>∨ COA</p> <p><b>Fund Rollup Type</b> CODE</p> <p><b>Fund</b> AD4230</p>		<p><b>Sub Fund</b> -</p>	
<p><b>Object/Revenue Indicator</b> -</p>		<p><b>Object/Revenue Source Rollup Type Name</b> -</p>	
<p><b>Object/Revenue Source Rollup Type</b> -</p>		<p><b>Sub Object/Revenue Source</b> -</p>	
<p><b>Object/Revenue Source</b> -</p>			

**Pool/Base Offset Requirement (PBOREQ)**

The Pool/Base Offset Requirement (PBOREQ) page is optional, but must be populated if an offset distribution is required for the pool.

In some situations, when AZ360 creates the Cost Allocation (CA) transactions to post the allocation transactions, it may be necessary to overwrite the pool accounting distribution with an offset distribution, even though the allocation actually took place based on the original accounting distribution.

An offset distribution is used only for pool records, and only when an Offset ID is defined on the PLBS record for the pool. When defined, the Cost Allocation Process will use the offset distribution on the credit Posting Line, rather than the original accounting distribution that was used on pool transactions.

**Note: See Appendix B for examples of the accounting entries generated with the use of a pool offset distribution.**

Before a pool offset distribution can be created on PLBS, an entry must be established on PBOREQ to identify the COA elements that are Prohibited, Required, or Optional for offset.

For example if the Function and Program should always be offset (Required), the Program Period can be offset if needed (Optional), and additional COA elements should never be offset (Prohibited), the entry on the PBOREQ would be established as shown in the screenshot below.

<p>General Information</p>		
Offset ID	Offset Name	
DMOP	DES Matching Other Program Offset	
Department	-	
<hr/>		
<p>COA</p>		
Fund	BSA	Object
Prohibited	Prohibited	Prohibited
Revenue	Government Branch	Division
Prohibited	Prohibited	Prohibited
Group	Sub Fund	Sub BSA
Prohibited	Prohibited	Prohibited
Sub Object	Sub Revenue	Cabinet
Prohibited	Prohibited	Prohibited
Bureau	Section	Unit
Prohibited	Prohibited	Prohibited
Sub Unit	Department	Dept Object
Prohibited	Prohibited	Prohibited
Dept Revenue	Appropriation	District
Prohibited	Prohibited	Prohibited
Activity	Reporting	Function
Prohibited	Prohibited	Required
Location	Sub Activity	Sub Reporting
Prohibited	Prohibited	Prohibited
Sub Function	Sub Location	Program
Prohibited	Prohibited	Required
Phase	Program Period	Task
Prohibited	Optional	Prohibited
Sub Task	Task Order	
Prohibited	Prohibited	

If all COA elements are eligible, but not required for offset, then one entry can be made on this page to set all COA elements as Optional.

## Object Rate Groups (OBJRT)

When a group of Object codes is needed to define the transactions to be selected in the pool, the Object Rate Groups (OBJRT) page can be used to create up to 60 Rate Groups. An OBJRT is a grouping of posting objects to save data entry on the set up in PBDIST. OBJRT entries are maintained by GAO.

For example, a common requirement is the allocation of all personnel costs. Personnel costs are often broken down into multiple object codes (regular pay, overtime, various benefit types, etc.); therefore, rather than creating a unique entry on PBDIST for each of these, the personnel-related object codes can be grouped on the Object Rate Groups (OBJRT) page shown below.

Object Rate Groups ☆

← Back Create

Search

Fiscal Year Object

Search Reset

	Fiscal Year	Object	Name	RG01	RG02	RG03	
<input checked="" type="checkbox"/>	2024	6011	Regular Base Salary	M	P	-	⋮
<input type="checkbox"/>	2024	6017	Board And Comm Members Compensation	M	P	-	⋮
<input type="checkbox"/>	2024	6019	Temporary Employees	M	P	-	⋮
<input type="checkbox"/>	2024	6031	Overtime	M	P	-	⋮
<input type="checkbox"/>	2024	6032	Stipends	M	P	-	⋮

Then, a single selection of the appropriate Rate Group in the Object/Revenue Source Rollup Type field is made on the COA section of the PBDIST page. The rate group is selected on PBDIST in the Object/Revenue Source Rollup Type field.

COA

Fund Rollup Type  
- Select -

Fund Sub Fund

Object/Revenue Indicator  
Object

**Object/Revenue Source Rollup Type** **Object/Revenue Source Rollup Type Name**  
6 RATE GROUP 01

Object/Revenue Source Sub Object/Revenue Source  
M

## Alternative Cost Allocation Hierarchies

### Statistical Base Type Overview

The Statistical Base Type is used when an allocation percentage is calculated during the allocation process, based on a statistic. Examples include: utility allocation, based on square footage occupied by a department or program; phone charges, based on number of phones or employees; or administrative costs, based on headcount or gross salaries.

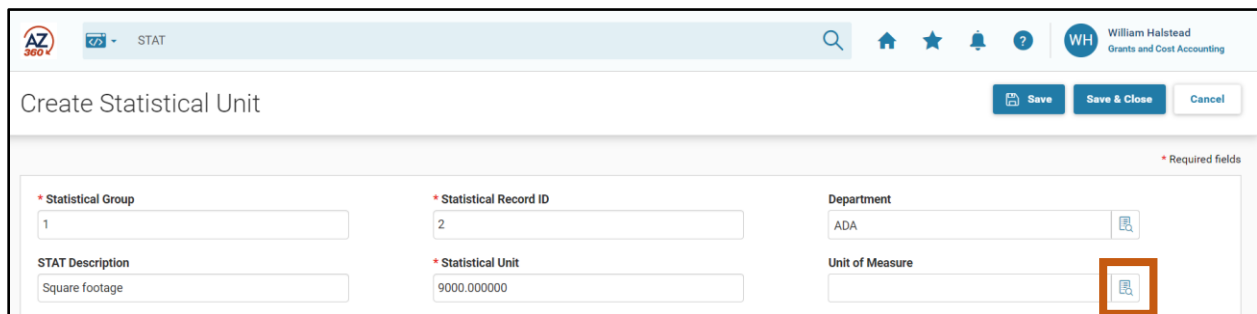
The necessary statistical values are established on the Statistical Unit (STAT) page.

### Statistical Unit (STAT)

The STAT page establishes the various statistical units used to calculate allocation percentages. The STAT page consists of four fields: Statistical Group, Statistical Record ID, Description, and Statistical Unit. All fields are required except the Description field, although it is recommended that a description be used to identify the purpose of the record.

- Statistical Group – This field is used to create a 5-character identifier used as the collection reference code. The sum of all records within the group is used as the denominator for the percentage calculation.
- Statistical Record ID – Enter up to a 10-character identifier for a single record within the group.
- Description – Enter a short description of the individual record within the group to easily identify what data the record represents.
- Statistical Unit – Enter the quantity for the record with up to six decimal places. This value is used as the numerator for the percentage calculation.
- Unit of Measure – This information is populated from the UOM page that allows users to add, maintain, and delete unit of measure information used throughout the system. Unit of measure can be added to the STAT page, however it must be set up on the UOM page prior to adding on STAT. If the UOM is not already in the UOM table, it must be added prior to creating the STAT.

The screenshot below illustrates an entry on STAT established to calculate a Cost Allocation, based on occupancy of 9,000 square feet in the Herman’s Building. A similar entry is made on STAT for the number of square feet occupied by each department receiving the allocation. Notice that this entry is not tied to a specific Allocation ID, Series, Step, or specific building; therefore, it may be used for multiple allocation hierarchies, if needed.



Entries must be established on the STAT page, before a Cost Allocation structure can be created using this Base Type. After clicking the Unit of Measure pick list, choose the appropriate unit of measure as shown in the image below.



Search Unit of Measure ✕

Unit of Measure:  Description:

Unit of Weight:

Unit of Measure	Description	Unit of Weight
10	Per 10	No
15MI	15 Minutes	No
1GAL	1 Gallon Pot	No

The Statistical Group and Statistical Record ID are linked to the appropriate base record on the PLBS page, within the Cost Allocation hierarchy (see **Error! Reference source not found.**). The Statistical Unit field is auto populated, based on the data in the STAT page. The PLBS page and the STAT page are linked, so any changes made on the STAT page automatically update the PLBS page.

Create Pool/Base Setup

\* Allocation ID:

Pool/Base Sequence Number:

Base Type:

Consolidated Percentage:

Statistical Record ID:

Override Original Distribution with Offset Values

\* Series ID:

Department:

Allocation Percent:

Description:

Statistical Unit:

Offset ID:

\* Step Number:

\* Pool Base Indicator:

Forward Reference Step Number:

Statistical Group:

## Allocation Creation using the Direct Financial Base Type

The Direct Financial Base Type is used when the allocation percentage must be calculated by AZ360, rather than using a fixed percentage or a statistical value. The Direct Financial Base Type is often called a spending-based method of calculating the allocation percentage, because expenditures of some type are identified as the basis of the allocation. The expenditures used to calculate the percentages are identified for each base by an accumulation distribution on PBDIST. When the Cost Allocation Process is run, AZ360 accumulates the expenditures for each base and calculates the appropriate allocation percentage.

To illustrate the calculations associated with the Direct Financial Base Type, refer to **Error! Reference source not found.** In this example, the personnel costs (salary and benefits) of a Department Head are allocated to the three programs managed by the Department Head, based on the program expenditures during the month. In each month, there is \$12,500 in personnel expenses to be allocated. There are three programs, with total monthly expenditures for July of \$40,000. In July, Program 1 had expenditures of \$8,000. This was calculated to be 20% of all program expenditures for the month. Therefore, Project 1 is allocated \$2,500 of the personnel costs in July ( $\$12,500 \times 20\% = \$2,500$ ).

In August, Program 1 had no expenditures; therefore, Project 1 is not allocated any personnel costs for August. However, in August, Programs 2 and 3 had equal expenditures, so the personnel costs are evenly split, between the two programs.

**Table 1: Sample Direct Financial Base Type Calculations**

	July			August			September		
	Program Spend	Percentage of Total (AZ360 Calculated)	Amount Allocated	Program Spend	Percentage of Total (AZ360 Calculated)	Amount Allocated	Program Spend	Percentage of Total (AZ360 Calculated)	Amount Allocated
Dept Head Personnel Costs	\$12,500			\$12,500			\$12,500		
Program 1	\$8,000	0.20	\$2,500	\$0	0.00	\$0	\$35,000	0.70	\$8,750
Program 2	\$20,000	0.50	\$6,250	\$25,000	0.50	\$6,250	\$10,000	0.20	\$2,500
Program 3	\$12,000	0.30	\$3,750	\$25,000	0.50	\$6,250	\$5,000	0.10	\$1,250
Totals	\$40,000		\$12,500	\$5,000		\$12,500	\$5,000		\$12,500

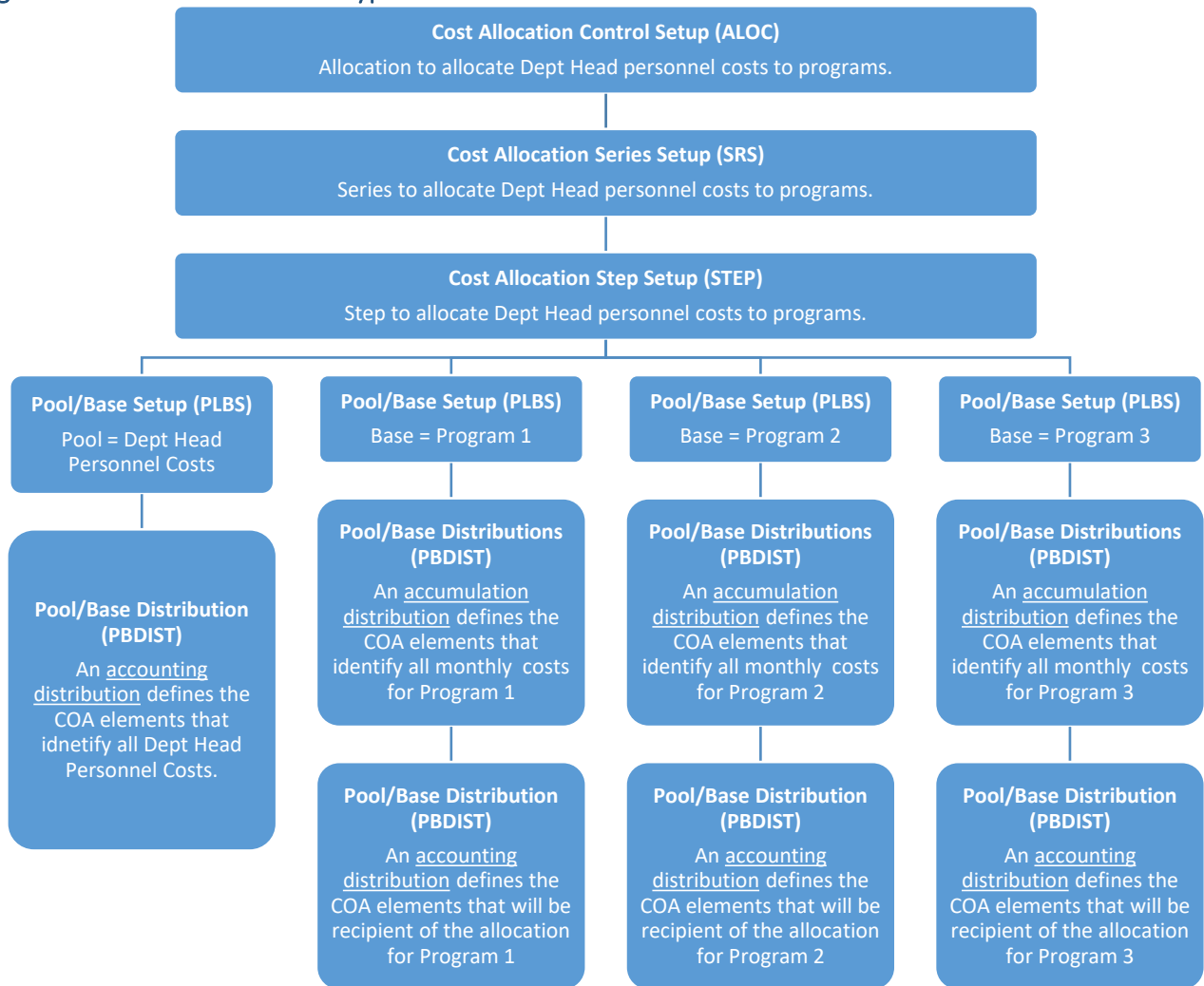
### Accumulation Distributions

The accumulation distribution defines the COA elements that identify transactions used by the Direct Financial Base Type to calculate the allocation percentage. One or more accumulation distributions are defined for each base.

In the example above, the accumulation distribution setup on PBDIST enables AZ360 to identify the monthly transactions charged to each program, which forms the basis for calculating the allocation percentage.

The setup of a typical Direct Financial Base Type allocation is illustrated in Figure .

Figure 2: Direct Financial Base Type and the Accumulation Distribution



The setup of a Direct Financial Base Type allocation includes the following steps:

- The ALOC, SRS, and STEP records for the Cost Allocation hierarchy are established.
- One pool record is setup on PLBS to define the costs to be allocated (personnel costs, in our example).
  - An accounting distribution PBDIST record for the pool is created to identify the unique COA elements assigned to the Department Head’s personnel costs. It is this accounting distribution that allows AZ360 to identify the monthly personnel expenditures that must be allocated.
- Three records are set up on PLBS to define the base accumulation distributions for the three programs and three records are setup on PLBS to define the base accounting distributions for the three programs.
  - A base accumulation distribution PBDIST record is created to identify the unique COA elements that are assigned to each program. These COA elements identify the monthly spend for that program.
  - A base accounting distribution PBDIST record is created to identify the unique COA elements to receive the allocation, once calculated.



- As a step in the automated Cost Allocation Process, total monthly expenditures associated with the accumulation distribution for each program are summed, and then used to calculate the percentage of total program expenditure activity for the month.
- This percentage then becomes the allocation percentage used to allocate the Department Head's personnel costs to each program, as defined by the accounting distribution for each base.

### The Direct and Instream Financial Base Type

The Direct and Instream Financial Base Type is a two-step allocation method that is a variation of the Direct Financial method. The allocation calculated in the first step may use any Base Type (Fixed Percentage, Statistical, or Direct Financial). The second step of the allocation is a Direct and Instream Financial Base Type that utilizes some or all of the output from the first step in the accumulation distributions used to calculate the allocation percentage in the second step.

Specifically, if a base accounting distribution in the first step matches a base accumulation distribution in the second step, then the amounts allocated to the base accounting distribution in the first step will be added to the amount computed in the Base Accumulation process for the second step. This total will be the basis for calculating the allocation percentage for the base in the second step.

## Data Entry Shortcuts

### Section Objectives

In this section, the following process is introduced:

- Identify four features used to reduce data entry on the PBDIST page.

### Pool and Base Expansion

During the automated Cost Allocation Process, AZ360 selects transactions for an allocation based on the entries established for the pool accounting distribution records on PBDIST. This selection process is called Pool Expansion. The transactions identified by the Pool Expansion process are then allocated to the base accounting distributions identified on PBDIST for each base. This is called Base Expansion.

Some Cost Allocations may require many different accounting distributions to identify the pool and/or base records. The data entry shortcuts described in this section streamline the creation of entries on PBDIST.

### Data Entry Shortcuts

Data entry for accounting, accumulation, and offset distribution records on PBDIST is streamlined by four features of the Cost Allocation pages. These features are listed below and described in detail in the sections that follow.

- Inheritance rules on ALOC, SRS, and STEP enable entry of only the COA elements that uniquely define the base accounting distribution records, when creating entries on PBDIST.
- The Exclude Flag check box, in the General Information section on PBDIST, enables definition by exclusion, in addition to inclusion, if the use of exclusion results in less data entry.
- Wildcards can be used to include or exclude groups of transactions.
- Rollups can be used to define transactions for all COA elements that link to the rollup.

### Inheritance

The Inheritance feature enables reduction in data entry by requiring entry of only the COA elements that uniquely define the accounting, accumulation, or offset distribution. All other COA elements are inherited from the pool. Inheritance rules are established on ALOC and may be overridden on SRS and STEP.

For example, if one Program code is initially charged for all expenditures and those expenditures will then be allocated to multiple Programs, only the Program code must be entered on the pool and base accounting distribution records. The Fund, Department, Unit, Appropriation Unit, and other COA elements are populated based on the inheritance rules established on ALOC, SRS, or STEP. The entry of the Program code on the pool PBDIST record directs AZ360 to select all transactions with that unique Program code, no matter what other COA elements exist on the Accounting line of the transaction.

To illustrate this concept, assume that all costs from Program A need to be allocated to Programs B and C:

- The pool establishes Program A as the costs to be allocated.
- The bases identify the recipient Programs B and C.
- One pool accounting distribution record is created with A in the Program field.
- Two base accounting distribution records are created: one with B in the Program field and one with C in the Program field.

- When the CA transaction is generated to post the allocation, all COA elements will be copied from the Accounting lines on the pool transactions, except the Program code. The Program code will be populated from the base accounting distribution defined on PBDIST.

### Exclude Flag

The Exclude Flag in the General Information section on PBDIST enables the user to exclude, rather than include, transactions with the COA elements identified in the COA section. Exclude distributions can only be entered on accounting distributions for pool records and accumulation distributions for base records.

If the Exclude Flag is No, AZ360 will include transactions containing the COA elements identified in the COA section during the expansion process. If the Exclude Flag is Yes, AZ360 will remove transactions identified during the expansion process, if the transaction contains the COA elements defined in the COA section.

For each pool and base, an Include PBDIST record (with the Exclude Flag set to No) must be established first. Only one Include PBDIST record is allowed for a pool; however, multiple Include PBDIST records are allowed for a base. Then, additional PBDIST records, with the Exclude Flag check box checked, can be established to remove or exclude transactions from pool or base expansion results.

For example, if transactions for all Activity codes except Activity 0105 should be allocated, a pool PBDIST record is created to include transactions containing all Activity codes during Pool Expansion, then a second Exclude PBDIST record is created to remove transactions with Activity code 0105 from the expansion results. See the Use of Wildcards subtopic below for information on how to include all Activity codes with a single PBDIST record.

The Include/Exclude Sequence No field is auto populated when the record on PBDIST is saved.

### Use of Wildcards

The third feature available to reduce data entry is the availability of two wildcards, used in conjunction with the Exclude Flag check box to include or exclude groups of transactions. The wildcards available for use in the COA section are the asterisk and exclamation mark. Entering a value in a COA field in this section, or leaving a field blank, also impact the selection of transactions by the automated Cost Allocation Process. The impact of each entry in the COA section is described as follows:

- \* – The asterisk instructs AZ360 to include/exclude all transactions with an entry in that COA field on the Accounting line.
- ! – The exclamation mark instructs AZ360 to include/exclude all transactions without an entry in that COA field on the Accounting line.
- A blank COA element field in the COA section instructs AZ360 to include/exclude all transactions, regardless of whether that COA field is populated on the Accounting line.
- A specific code entered in a COA element field in the COA section instructs AZ360 to include/exclude all transactions, if that specific code is populated on the Accounting line.

The table below displays the impact of each wildcard on PBDIST Include records (the Exclude Flag check box is unchecked), during the expansion process.

**Table 2: Impact of Wildcards on PBDIST Include Records**

Field Entry on PBDIST Include Record	COA Value on Transaction Accounting Line	Selection Result During Expansion Process
*	Any code is entered in the COA field	The transaction is selected, because it has an entry in that COA field on the transaction Accounting line.
	The COA field is blank	The transaction is not selected, because that COA field is blank on the transaction Accounting line.
!	Any code is entered in the COA field	The transaction is not selected, because it has an entry in that COA field on the transaction Accounting line.



Field Entry on PBDIST Include Record	COA Value on Transaction Accounting Line	Selection Result During Expansion Process
(Include those without an entry)	The COA field is blank	The transaction is selected, because that COA field is blank on the transaction Accounting line.
Blank  (Include transactions with or without an entry)	Any code is entered in the COA field	The transaction is selected, because it has an entry in that COA field on the transaction Accounting line. Transactions will be selected whether an entry is in the COA field or not.
	The COA field is blank	The transaction is selected, because it has an entry in that COA field on the transaction Accounting line. Transactions will be selected whether an entry is in the COA field or not.
Specific Code - for example, Program code RTMAIN  (Include transactions with the specific code)	RTMAIN is entered in the PROG field	The transaction is selected, because that specific code (RTMAIN) is entered in that COA field on the transaction Accounting line.
	BRMAIN is entered in the PROG field	The transaction is not selected, unless RTMAIN is entered in that COA field on the transaction Accounting line.
	The PROG field is Blank	The transaction is not selected, unless RTMAIN is entered in that COA field on the transaction Accounting line.

The table below displays the impact of each wildcard on PBDIST Exclude records (the Exclude Flag check box is checked), during the expansion process. Exclude records are always processed after Include records are processed; therefore, the purpose of the Exclude record is to remove records that have been selected during the expansion process, based on the Include records.



**Table 3: Impact of Wildcards on PBDIST Exclude Records**

Field Entry on PBDIST Exclude Record	COA Value on Transaction Accounting Line	Selection Result During Expansion Process
*  (Exclude transactions with an entry)	Any code is entered in the COA field	The transaction is removed, because it has an entry in that COA field on the transaction Accounting line.
	The COA field is blank	The transaction is retained, because that COA field is blank on the transaction Accounting line.
!  (Exclude those without an entry)	Any code is entered in the COA field	The transaction is retained, because it has an entry in that COA field on the transaction Accounting line.
	The COA field is blank	The transaction is removed, because that COA field is blank on the transaction Accounting line.
Blank	Any code is entered in the COA field	There is no impact if the COA field on an Exclude record is blank. The transaction is retained.
	The COA field is blank	There is no impact if the COA field on an Exclude record is blank. The transaction is retained.
Specific Code - for example, Program code RTMAIN  (Exclude transactions with the specific code)	RTMAIN is entered in the PROG field	The transaction is removed, because that specific code (RTMAIN) is entered in that COA field on the transaction Accounting line.
	BRMAIN is entered in the PROG field	The transaction is retained, if any code other than RTMAIN is entered in that COA field on the transaction Accounting line.
	The COA field is blank	The transaction is retained; if the field is blank (RTMAIN is not entered in the COA field on the transaction Accounting line.)

**Use of Rollups**

Where applicable for the specific COA element, a rollup type field is available to include or exclude all distributions, within any one of the four rollups: Class, Category, Type, or Group. An additional option in each rollup type field is Code, which should be selected if a unique COA element is entered rather than a rollup type.

For example, if all transactions associated with a Major Program Rollup Type of OHPROJ should be pooled for allocation, the PBDIST record established for the pool would be created, as shown below.

∨ COA

**Fund Rollup Type**

- Select - ∨

- Select -

CODE

CLASS

CATEGORY

TYPE

GROUP



▼ COA

<b>Major Program Rollup Type</b> GROUP	<b>Major Program</b> OHPROJ
<b>Program Rollup Type</b> - Select -	<b>Program</b>
<b>Program Period</b>	<b>Phase</b>

▶ Show More

If only the transactions associated with the specific Major Program RDMAIN must be allocated, select Code in the Rollup Type field, and enter RDMAIN the Major Program field, as shown below.

▼ COA

<b>Major Program Rollup Type</b> CODE	<b>Major Program</b> RDMAIN
<b>Program Rollup Type</b> - Select -	<b>Program</b>
<b>Program Period</b>	<b>Phase</b>

▶ Show More

# The Automated Cost Allocation Process

## Section Objectives

In this section, the following processes are introduced:

- List and define the five modes available to run the automated Cost Allocation Process.
- Define the role of the Cost Allocation Parameter (CAPA) page.
- List and review the two Cost Allocation inquiry pages.

## Section Overview

This section describes the automated Cost Allocation Process and identifies the role of the Cost Allocation Parameter (CAPA) page. The process to reverse allocations, if found to be in error, is also addressed. The Cost Allocation (CA) transaction is generated by the automated Cost Allocation Process to record the allocation results.

Data generated from the automated Cost Allocation Process are displayed on two inquiry pages: The Cost Allocation Journal Summary Inquiry (CAJR) and Cost Allocation Totals Inquiry (CTOT).

## The Automated Cost Allocation Process

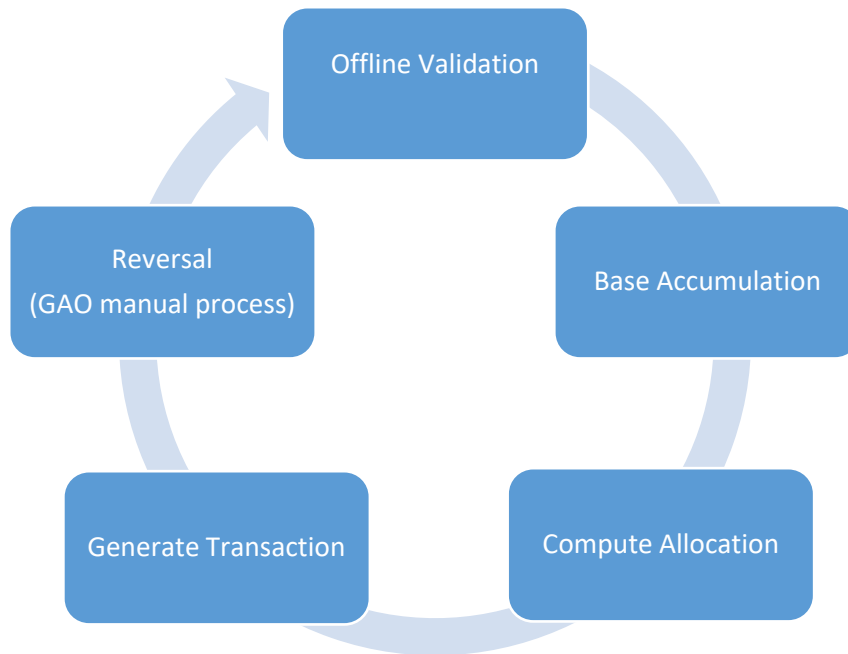
Once the Cost Allocation hierarchy is established, and transactions have been entered that require allocation, the automated Cost Allocation Process is run to perform the allocation.

At pre-established frequencies, as set on the ALOC record (Daily, Monthly, Quarterly, or Annual), the Cost Allocation Process is run to allocate the costs. The AZ360 Cost Allocation Process is a chain of four jobs that work together to create CA transactions.

It is the CA transaction that contains the credit and debit posting lines necessary to allocate costs, as identified in the Cost Allocation hierarchies; or to reverse the transactions generated from a previously run allocation. The four jobs that comprise the automated Cost Allocation Process are: Offline Validation, Base Accumulation, Compute Allocation, and Generate transaction.

**Note: See the CGI Advantage® Cost Accounting Run Sheets for detailed information about the Cost Allocation batch jobs and ach run mode.**

Figure 3: Automated Cost Allocation Process



#### Offline Validation Run Mode

This mode validates the COA elements entered on PBDIST. COA elements cannot be validated at the time of entry on PBDIST, since fiscal year is not defined on this page; therefore, there may be invalid data on PBDIST. There may be other anomalies in the data setup, such as missing account distribution records or base record percentages that do not sum to 100%.

#### Base Accumulation Run Mode

This mode builds the Cost Allocation Journal Summary, based on the parameters established for each run of the automated Cost Allocation Process. See the “Cost Allocation Parameter (CAPA)” section below for more information on establishing parameters for this process. The Base Accumulation mode also calculates the allocation percentages for Statistical, Direct Financial, and Direct and Instream Financial Base Types.

#### Compute Allocation Run Mode

This mode selects transactions for allocation based on the pool accounting distribution; such transactions are allocated to the base accounting distributions, according to either the Fixed Percentage entered on the allocation (Pool Expansion) or percentage calculated in the Base Accumulation process (Base Expansion). The records identified in the Cost Allocation expansion process are placed on the Cost Allocation History table and will be used to create transactions, when the job is run in Generate Transaction Run mode.

**Note: The Cost Allocation History table is a database table not accessible to users in AZ360.**

#### Generate Transaction Run Mode

This optional mode generates CA transactions. This process can be disabled, if the Cost Allocation Process is being run for report purposes only.

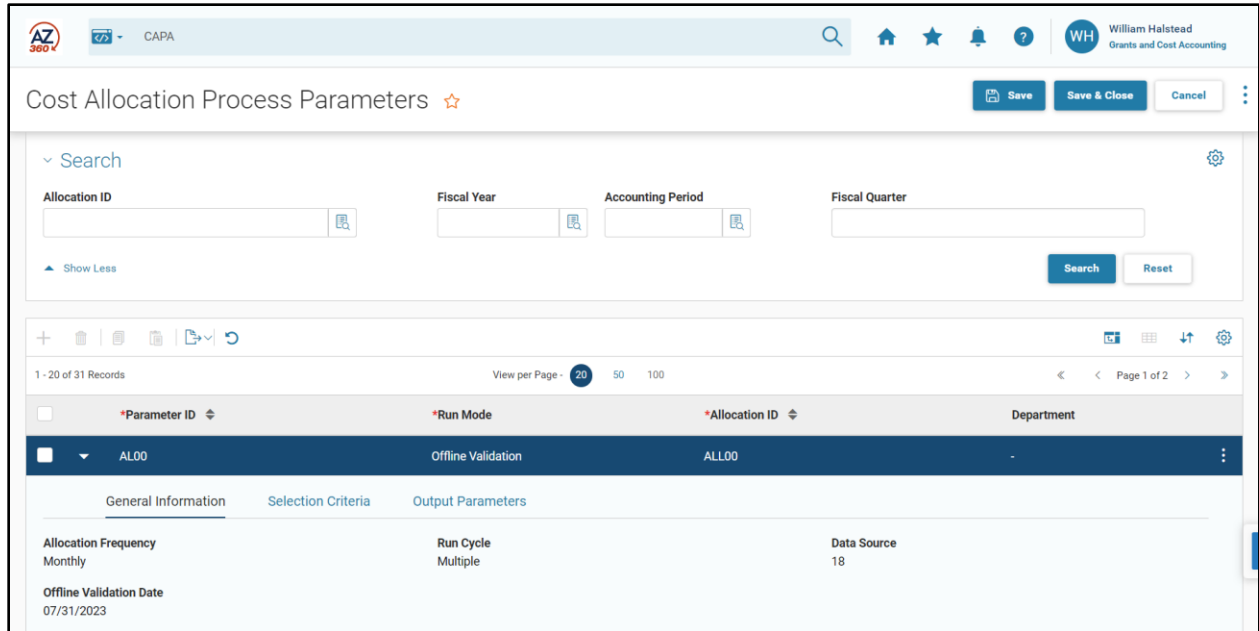
## Reversal Run Mode

This mode is run, after running in the Generate Transaction Run mode, if transactions from a previously run allocation are found to be in error. See section “Cost Allocation Reversal” for additional information about this mode.

## Cost Allocation Parameter (CAPA)

The CAPA page provides instructions to AZ360 for each run of the automated Cost Allocation Process. Creation and editing on this page is limited to GAO. Key fields on the CAPA page are:

- Run Mode – Select the mode for each run of the automated Cost Allocation Process. For each allocation, the jobs are run in the sequence listed above, because the output of one mode becomes the input for the next mode. The exception is the Reversal mode, selected only when existing allocation transactions must be reversed.
- Run Cycle – Select Single, if the jobs will be run in sequence automatically in the nightly batch cycle. Select Multiple, if each job will be run manually.
- Allocation ID – Select the Allocation ID established on the ALOC page. The process is always run for an entire allocation and not for a single series or step within that allocation.
- Allocation Frequency – The Allocation Frequency is inferred onto the parameter page from the ALOC page. The following field requirements exist based on allocation frequency:
  - Daily – The Daily Run Date field is required.
  - Monthly – The Fiscal Year and Selection APD fields are required. There are two primary monthly run periods, so the appropriate Accounting Period must be selected based on the type of run. For the soft close, the allocation will post into the same Accounting Period as the original transaction. If the run is for another mid-month time, the allocation should post to the following Accounting Period.
    - Quarterly – The Fiscal Year and Fiscal Quarter fields are required.
    - Annual – The Fiscal Year field is required.
- Data Source – This identifies the source page for the allocation transactions.
- Offline Validation Date – This field is required when the mode is Offline Validation. Enter the date that the offline validation mode is run.
- Transaction Code – Select CA - Cost Allocation.
- Prefix, Doc Dept., Doc Unit – Enter values in accordance with entity procedure.
- Expenditure Event Type – Enter values in accordance with procedure.
- Revenue Event Type – Enter values in accordance with procedure.



Cost Allocation Process Parameters

Search

Allocation ID:

Fiscal Year:

Accounting Period:

Fiscal Quarter:

Show Less

Search Reset

1 - 20 of 31 Records View per Page - 20 50 100 Page 1 of 2

*Parameter ID	*Run Mode	*Allocation ID	Department
AL00	Offline Validation	ALL00	-

General Information Selection Criteria Output Parameters

Allocation Frequency	Run Cycle	Data Source
Monthly	Multiple	18
Offline Validation Date		
07/31/2023		

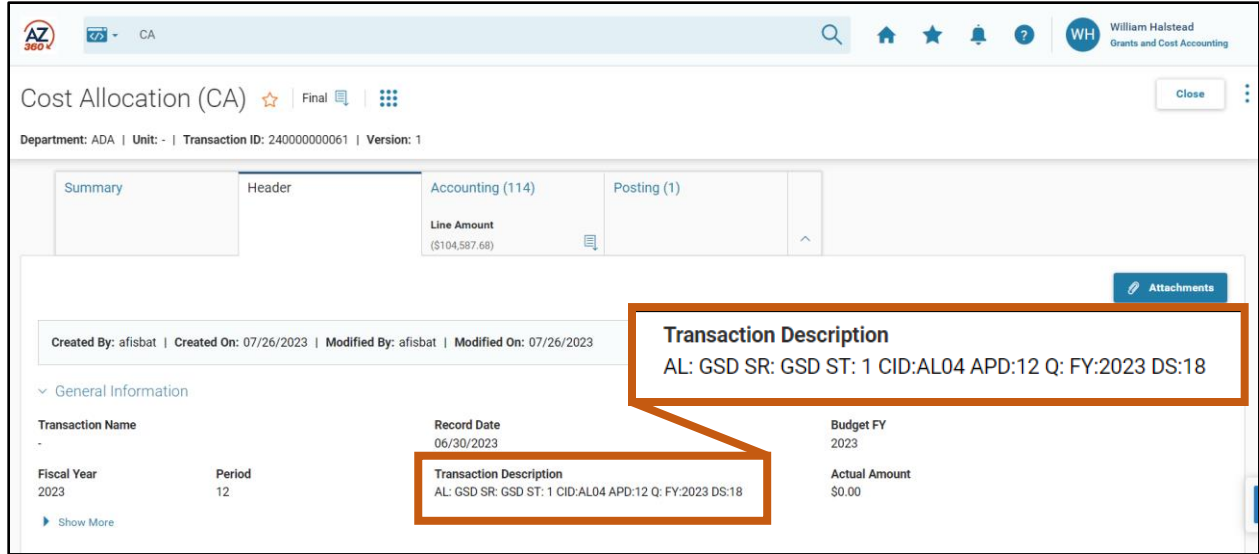
Most AZ360 users will not be responsible for running the Cost Allocation Process; however, they may create, or provide input on, entries on CAPA for running the automated process. Users with knowledge of the allocation requirements may also be involved with analyzing and validating the output of the batch jobs.

## The Cost Allocation (CA) Transaction

The Cost Allocation Process generates CA transactions to record the results of the allocation. The CA transaction can only be generated by the automated Cost Allocation Process; it cannot be created manually. If errors are encountered during the Generate Transaction Run process, the transaction will be created in Draft Phase, and a report will be generated listing the errors encountered.

If it is necessary to research the source of the CA transaction, the following allocation information is recorded in the Transaction Description field on the Header tab of the CA transaction (the code noted in parentheses is used in the Transaction Description field due to space limitations):

- Allocation ID (AL)
- Series (SR)
- Step (ST)
- CAPA Parameter ID (CID)
- Selection APD (APD)
- Selection Fiscal Quarter (FQ)
- Selection Fiscal Year (FY)
- Data Source (ledger number) (DS)



Cost Allocation (CA) | Final | Department: ADA | Unit: - | Transaction ID: 240000000061 | Version: 1

Summary | Header | Accounting (114) | Posting (1)

Line Amount (\$104,587.68)

Created By: afisbat | Created On: 07/26/2023 | Modified By: afisbat | Modified On: 07/26/2023

Attachments

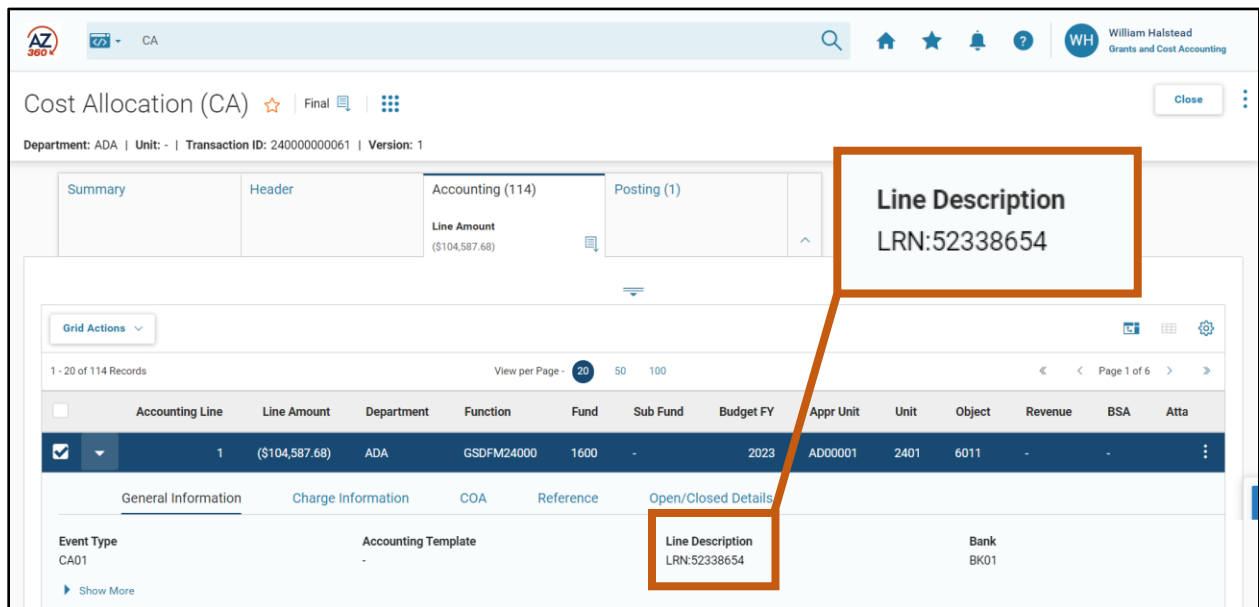
Transaction Description  
AL: GSD SR: GSD ST: 1 CID:AL04 APD:12 Q: FY:2023 DS:18

General Information

Transaction Name: - | Record Date: 06/30/2023 | Budget FY: 2023

Fiscal Year: 2023 | Period: 12 | Transaction Description: AL: GSD SR: GSD ST: 1 CID:AL04 APD:12 Q: FY:2023 DS:18 | Actual Amount: \$0.00

In addition, the Ledger Record Number (LRN) from source ledger is recorded in the Line Description field on the Accounting line of the CA transaction.



Cost Allocation (CA) | Final | Department: ADA | Unit: - | Transaction ID: 240000000061 | Version: 1

Summary | Header | Accounting (114) | Posting (1)

Line Amount (\$104,587.68)

Grid Actions

1 - 20 of 114 Records | View per Page: 20 | 50 | 100 | Page 1 of 6

Accounting Line	Line Amount	Department	Function	Fund	Sub Fund	Budget FY	Appr Unit	Unit	Object	Revenue	BSA	Atta
1	(\$104,587.68)	ADA	GSDFM24000	1600	-	2023	AD00001	2401	6011	-	-	-

General Information | Charge Information | COA | Reference | Open/Closed Details

Event Type: CA01 | Accounting Template: - | Line Description: LRN:52338654 | Bank: BK01

Unless the details within the hierarchy change, a Cost Allocation Process can be executed repeatedly for a Cost Allocation hierarchy, until it is no longer needed. The only additional data entry required to execute subsequent cycles of the automated process are updates to CAPA to provide instructions for each run of the process. To clarify, GOA runs this process and needs an agency to submit a request along with the parameter ID (Parm ID) to run this job.

## Cost Allocation Reversal

If for any reason the CA transactions are found to be in error, corrections can either be made by correcting the underlying errors causing the CA transaction to reject (i.e. Budget/COA), or by running the Cost Allocation Process in Reversal mode. This topic addresses the use of the Reversal mode.

For example, the image below shows the Accounting lines for a CA transaction generated to execute an allocation.

<input type="checkbox"/>	Accounting Line	Line Amount	Department	Function	Fund	Sub Fund	Budget FY	Appr Unit	Unit	Object
<input type="checkbox"/>	▶ 1	\$85,282.55	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6011
<input type="checkbox"/>	▶ 2	\$5,336.02	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6041
<input type="checkbox"/>	▶ 3	\$2,169.80	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6042
<input type="checkbox"/>	▶ 4	\$6,907.06	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6111
<input type="checkbox"/>	▶ 5	\$11,638.32	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6113

The image below displays the Accounting lines for a CA transaction generated to reverse that same allocation. Notice that each Accounting line on the reversal CA transaction is exactly opposite that found on the initial CA transaction.

<input type="checkbox"/>	Accounting Line	Line Amount	Department	Function	Fund	Sub Fund	Budget FY	Appr Unit	Unit	Object
<input type="checkbox"/>	▶ 1	(\$85,282.55)	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6011
<input type="checkbox"/>	▶ 2	(\$5,336.02)	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6041
<input type="checkbox"/>	▶ 3	(\$2,169.80)	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6042
<input type="checkbox"/>	▶ 4	(\$6,907.06)	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6111
<input type="checkbox"/>	▶ 5	(\$11,638.32)	ADA	AS3P3130	AD4230	-	2023	AD00001	3301	6113

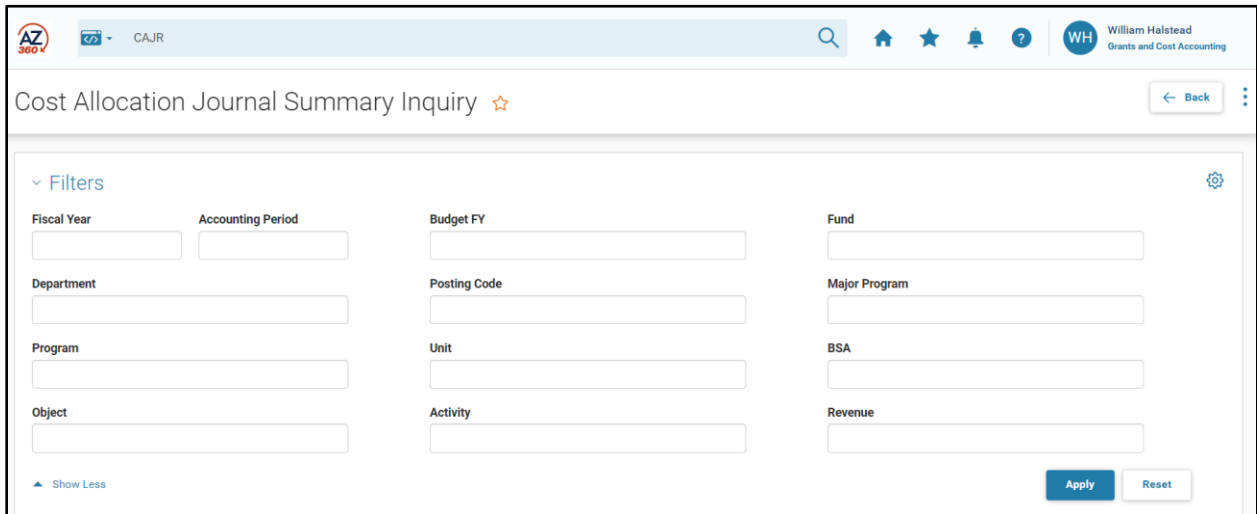
## Cost Allocation Inquiries

The CAJR page and the CTOT pages provide information related to the output of the automated Cost Allocation Process.

### Cost Allocation Journal Summary Inquiry (CAJR) Page

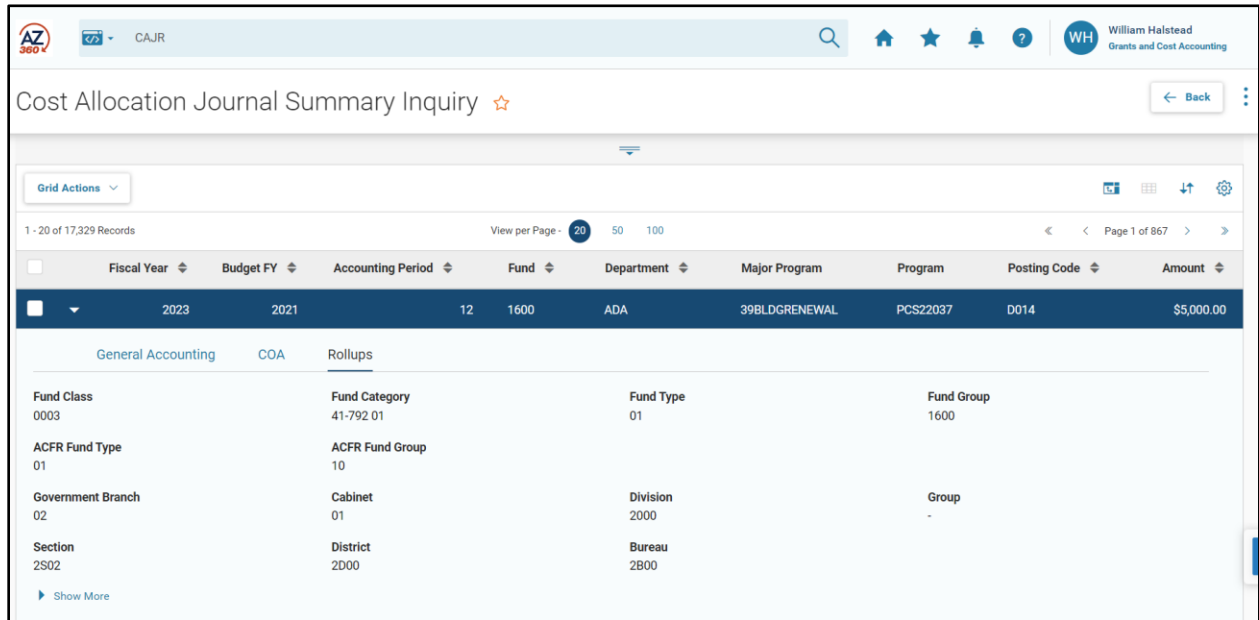
The CAJR page summarizes the ledger records selected for the pool for allocation and allows users to review the Pool/Base expansion records from the Cost Allocation Process.

Search fields allow the user to narrow search results, based on time period or various COA elements.





Below is a sample entry record from the CAJR page.



Fiscal Year	Budget FY	Accounting Period	Fund	Department	Major Program	Program	Posting Code	Amount
2023	2021	12	1600	ADA	39BLDGRENEWAL	PCS22037	D014	\$5,000.00

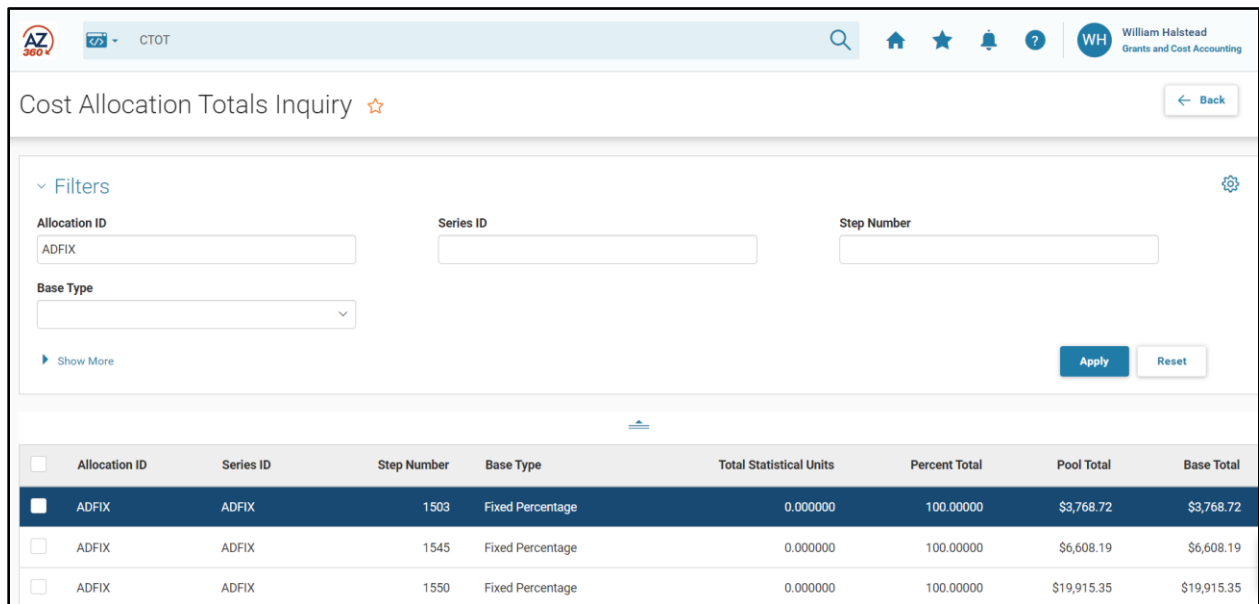
  

General Accounting	COA	Rollups
Fund Class 0003	Fund Category 41-792 01	Fund Type 01
ACFR Fund Type 01	ACFR Fund Group 10	Fund Group 1600
Government Branch 02	Cabinet 01	Division 2000
Section 2S02	District 2D00	Bureau 2B00

### The Cost Allocation Totals Inquiry (CTOT) Page

The CTOT page allows users to view total amounts for a specific allocation/series/step combination that AZ360 uses to compute allocated amounts. The CTOT page is updated when a new allocation/series/step combination is entered on the PBDIST. AZ360 updates the Pool Total and Base Total fields, during the automated Cost Allocation Process.

Search fields allow the user to narrow search results to the specific Allocation ID, Series ID, and Step Number. It is also possible to search by Base Type, in order to view all Allocation IDs for a specific Base Type. To search by Base Type, click the Show More caret.



Allocation ID	Series ID	Step Number	Base Type	Total Statistical Units	Percent Total	Pool Total	Base Total
ADFIX	ADFIX	1503	Fixed Percentage	0.000000	100.00000	\$3,768.72	\$3,768.72
ADFIX	ADFIX	1545	Fixed Percentage	0.000000	100.00000	\$6,608.19	\$6,608.19
ADFIX	ADFIX	1550	Fixed Percentage	0.000000	100.00000	\$19,915.35	\$19,915.35

# Cost Allocation Reporting

## Section Objectives

In this section, the following process is introduced:

- Review reports available for Cost Allocation tracking.

## Section Overview

AZ360 includes several reports for monitoring Cost Allocation.

### Cost Accounting Reports

The key reports needed to support the AZ360 Cost Allocation business processes are listed below. These reports are generated during the automated Cost Allocation Process.

### AZ360 Reports

- **COA Editing Report** – The report provides the list of the invalid COA element values that were entered in the PBDIST table. It is generated in the Offline Validation Run Mode.
- **Pool Base Definition Table Verification Report** – The report summarizes the data entered into the PLBS and PBDIST tables. It identifies the pool and base definitions. It is generated in the Offline Validation Run Mode.
- **Pool/Base Exception Report** – The report displays any of six types of exceptions. If no exceptions are identified, the report will be blank. It is generated in the Offline Validation Run Mode. The types of exceptions identified are:

Message	Explanation
Base Record Percentages do not sum to 100%	Applies to Fixed % Base types only = the percentages assigned to the bases do not add up to 100%
Accounting Distribution not found	A pool/base has been set up in PLBS but no corresponding distributions exist on PBDIST
Accumulation Distribution not found	When using base type = direct financial and no accumulation distribution records have been set up on PBDIST
Forward Reference Step number does not exist	Steps must be set up (on STEP page) before they can be referenced as a forward reference
Neither Pool nor Base defined for Step	Step was created with no corresponding pool or base records
Bases not defined for Step	Step was created with corresponding Pool record(s) but no base records

- **Base Accumulation Report** – This report displays all base records, with the allocation percentages and accumulated base amounts. It is generated in the Base Accumulation Run Mode. A PDF list of these reports is maintained in the 1 – Statewide Reports > Cost Allocation folder in infoAdvantage.
- **Base Accumulation Exception Report** – This report displays any of three types of exceptions: Base Percentage is Zero; Base Total Sums to Negative Value; and Base Total Sums to Zero. If no exceptions are identified, each category on the report will be blank. It is



generated in the Base Accumulation Run Mode. If an exception does generate, follow the course of action laid out below:

Exception	Course of Action
Individual bases with a percentage of zero	Error occurs when allocation bases has a percentage of 0% (fixed %), the statistics records add to 0% (Statistical), or the base has expenditures that total to \$0 or no expenditures to accumulate (Direct Financial). Warning only. Will result in no cost allocation to this base.
Base percentages for the step sum to a negative value	Both of these errors require additional effort and must be corrected before Cost Allocation can proceed. See below for next steps.
Base percentages for the Step sum to Zero	

- If base percentage errors occur on Fixed Percentage or Statistical Allocation steps, correct the setup of the allocation percentages for the base accumulation records. This will be done on the PBDIST page (for Fixed Percentage) or the STAT page (for Statistical).
- If base percentage errors occur on Direct or Direct and In-stream steps, it is possible that significant credits were posted during the time period in amounts equal to or exceeding the total costs incurred for these bases during the same time period. Recommended steps:
  - Examine setup of the bases to ensure Base Accumulation records are set up properly.
  - Determine cause of negative calculation and correct if posted to incorrect COA.
  - If negative or zero result is a legitimate result, consider manual cost allocation for this step or run less frequently to allow for greater costs to accumulate.
- If no exceptions are identified, each category on the report will be blank. It is generated in the Base Accumulation Run Mode.
- **Pool View Report** – This report gives a view of the pool record and the base records to which the pool amount was allocated. It is generated in the Compute Allocation Run Mode.
- **Base View Report** – This report gives a view of each base record with the corresponding pool record, from which the amount was allocated. It is generated in the Compute Allocation Run Mode.
- **Summarization Report** – This report gives a summary of pool and base records. It is generated in the Compute Allocation Run Mode.
- **Expansion Exception Report** – This report lists five potential exception types: pool records that are not picked up during expansion; base records that have no pool records in STEP; base records with allocation percentage zero; records with an improper allocation of pool amount to base; and records with a negative sum of all base amounts in a step. If no exceptions are identified, each category will be blank. It is generated in the Compute Allocation Run Mode.
- **CA Exception Report** – This report lists all of the errors encountered, when the CA transactions were submitted. The report contains the Rejected CA transaction ID, a detailed error description, and the error code. It is generated in the Generate Transaction Run Mode.

## Resource Section

### Appendix A – Charge Back Process

The Charge Back process can be used to calculate indirect costs over and above the actual direct expenses. There are distinct differences from the Overhead Rate Process.

Key characteristics of the Charge Back process are as follows:

- This method is typically utilized to calculate indirect costs for grants; however, it could also be used for operational expenditures and revenue.
- The output of the Charge Back process is a two-sided entry posted on the JACTG using a CA transaction.
- The credit entry on the JACTG for the indirect costs may retain the original accounting distribution from the source transaction, or an offset distribution can be used which is different in part or in total from the original accounting distribution.
- The debit entry on the JACTG is partially or completely different from the original accounting distribution.

See Appendix B for sample accounting entries generated by the Charge Back process.

#### Charge Back Configuration

The Cost Allocation Process may be used to perform Charge Back processing, where additional expenditures will be posted to the system based on selected expenditures. This information is presented for reference only.

Some grants allow indirect costs to be charged to grants over and above the actual direct expenses. In these cases, the grant award defines the parameters of the allowed indirect costs:

- The types of expenditures authorized for indirect costs.
- The pre-defined percentage of actual expenses used to calculate the indirect costs, which may be different for each type of expenditure.

Creating a Cost Allocation hierarchy for Charge Back processing is similar, in most ways, to the steps taken to establish all other Cost Allocation hierarchies; however, there are several unique configuration settings on the ALOC, STEP, PLBS and PBDIST pages, as indicated below:

- ALOC
  - Check the Charge Back check box in the Allocation Information section.

**Note: Charge Back processing only selects posting codes that have the Cost Allocation Process field on the Posting Code (PSCD) page set to Cash Expenditure.**

- STEP
  - Allocations for cash expenditures, revenues, or charges may not be combined with an allocation hierarchy setup for Charge Back processing.
  - In the Charge Back Object field, identify the object code to be used for the indirect costs.
  - Each grant may be set up as a separate STEP record in the hierarchy, or, for those departments that have indirect rates defined at the Unit level, rates are defined at the first Step, and grants with exceptions are defined as separate Steps.
- PLBS



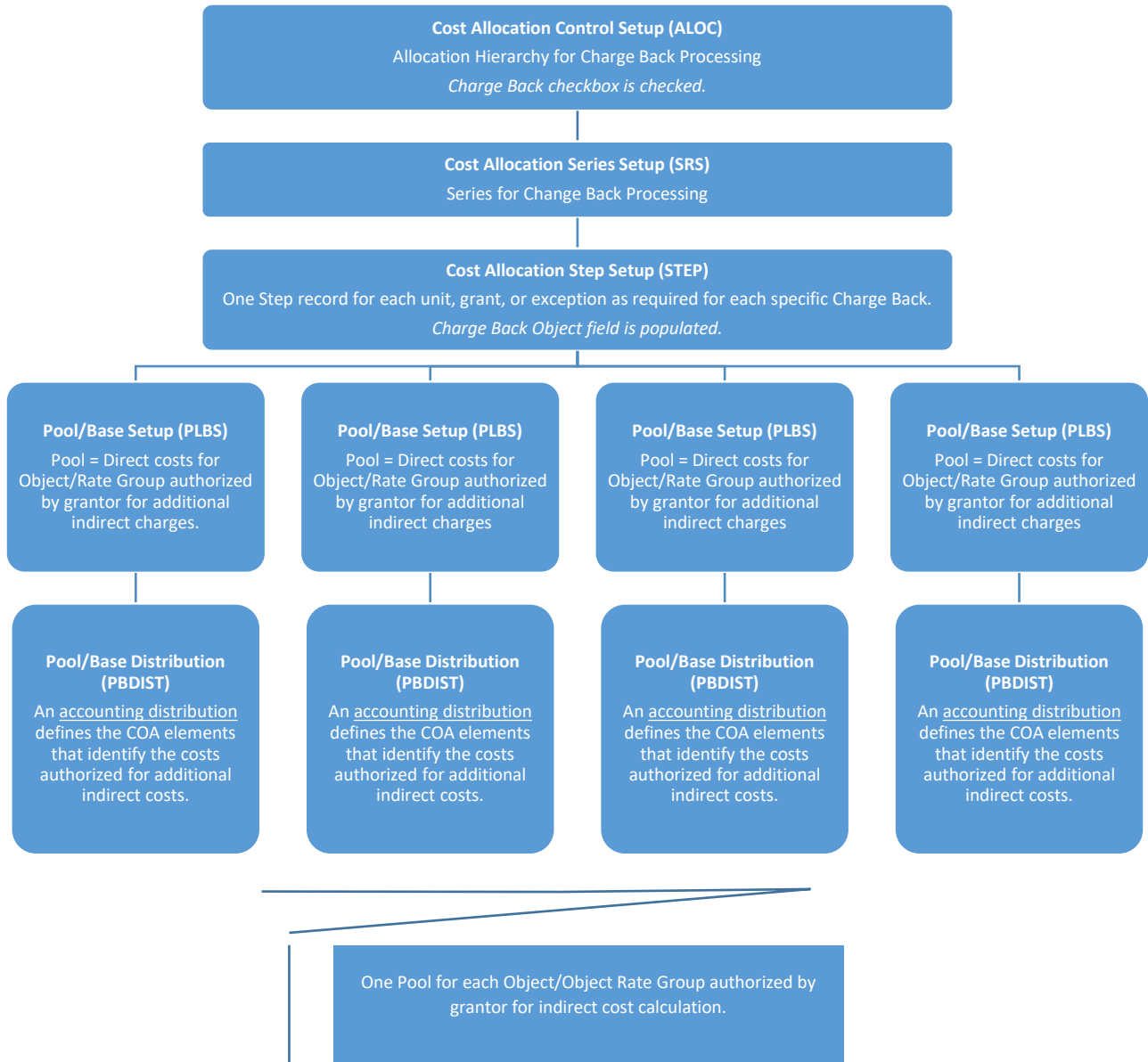
- In the Allocation Percent field on each pool record, identify the pre-defined percentage of expenses authorized by the grantor for indirect costs.
- In the Allocation Percent field on each base record, enter 100 (all of the indirect costs calculated are allocated to the base accounting distribution).

***Note: A Cost Allocation hierarchy for Charge Back processing is different than typical allocation structures. In a Charge Back hierarchy, a single base record is common; whereas in a typical allocation structure there are usually multiple base records.***

- PBDIST
  - Create an accounting distribution record for each pool to identify the direct costs eligible for calculating the indirect costs.
  - If needed, create an offset distribution record for the pool to identify the COA elements to be credited by the allocation, when different than the COA elements on the source transaction.
  - Create an accounting distribution record for each base to identify the grant to be charged for the indirect costs.

In a Charge Back allocation hierarchy, a pool record is created on PLBS for each Object or Object Group that is subject to indirect cost calculation; therefore, many pool records are common with this type of Cost Allocation hierarchy. Normally, one base record is created on PLBS to identify the grant COA elements receiving the indirect Cost Allocation. Additional base records can be created, if the pool must be allocated to multiple accounting distributions. Figure illustrates the components of a Cost Allocation hierarchy configured for Charge Back Processing.

Figure 4: Example of Cost Allocation Hierarchy for Charge Back Processing



## Appendix B – Comparison of Output from Overhead, Charge Back, Charge Back with Offset Distribution, and Cost Allocation Processes

**Note:** *These scenarios are fictitious and are used to illustrate the different outputs of the various AZ360 processes.*

### Overhead Rate Processing

Scenario:

- Automated Disbursement transaction for eligible expenditure: \$100.
- Percentage allowed by funding source for overhead calculation: 20%.



- The accounting distribution for the indirect overhead transaction should retain the accounting distribution from the source transaction, but include the Object code 3283 to identify it as an overhead expenditure.

Partial disbursement accounting distributions:

Partial Accounting Distributions	Pool or Base	Fund	Dept	Unit	Object	Major Program
Disbursement Transaction	N/A	9017	0803	0179	3200	02GRANT
CH Transaction	N/A	9017	0803	0179	3283	02GRANT

Impact on Accounting and Cost Accounting Journals:

Transaction	DR/CR	Debit/Credit Name	Accounting Distribution	JACTG Amount	JCA Amount
AD	DR	External CE	9017-0803-0179-3200-02GRANT	100	100
	CR	Cash	9017-0803-0179-3200-02GRANT	100	100
CH	DR	Std Charge	9017-0803-0179-3283-02GRANT		20
Journal Totals				0	20

Key:

- JACTG - Accounting Journal
- JCA - Cost Accounting Journal

### Charge Back Processing without Offset Distribution

Scenario:

- Automated Disbursement transaction for eligible expenditure: \$100.
- Percentage allowed by funding source for overhead calculation: 20%.
- The CA transaction will credit the same accounting distribution as found on the pool (no offset).
- The CA transaction will debit the same accounting distribution as the pool except a different object code will be used.

Partial disbursement accounting distributions:

Partial Accounting Distributions	Pool or Base	Fund	Dept	Unit	Object	Major Program
Disbursement Transaction	Pool	9017	0803	0179	3200	02GRANT
CA Transaction	Base	9017	0803	0179	3283	02GRANT

Impact on Accounting and Cost Accounting Journals:

Transaction	DR/CR	Debit/Credit Name	Accounting Distribution	JACTG Amount	JCA Amount
AD	DR	External CE	9017-0803-0179-3200-02GRANT	100	100
	CR	Cash	9017-0803-0179-3200-02GRANT	100	100
CA	DR	Cash(P)	9017-0803-0179-3200-02GRANT	20	20
	CR	External CE(P)	9017-0803-0179-3200-02GRANT	20	20
	DR	External CE(B)	9017-0803-0179-3283-02GRANT	20	20
	CR	Cash(B)	9017-0803-0179-3283-02GRANT	20	20
Journal Totals				0	0

## Key:

- P - Pool
- B - Base

### Charge Back with Offset Distribution

## Scenario:

- Automated Disbursement transaction for eligible expenditure: \$100.
- Percentage allowed by funding source for overhead calculation: 20%.
- The CA transaction will credit a different fund than found on the pool accounting distribution (a pool offset distribution is used).
- The CA transaction will debit the same accounting distribution as the pool except a different object code will be used.

## Partial disbursement accounting distributions:

Partial Accounting Distributions	Pool or Base	Fund	Dept	Unit	Object	Major Program
Disbursement Transaction	Pool	9017	0803	0179	3200	02GRANT
CA Transaction	Pool Offset	4193	0803	0179	3283	02GRANT
CA Transaction	Base	9017	0803	0179	3283	02GRANT

## Impact on Accounting and Cost Accounting Journals:

Transaction	DR/CR	Debit/Credit Name	Accounting Distribution	JACTG Amount	JCA Amount
AD	DR	External CE	9017-0803-0179-3200-02GRANT	100	100
	CR	Cash	9017-0803-0179-3200-02GRANT	100	100
CA	DR	Cash(O)	4193-0803-0179-3283-02GRANT	20	20
	CR	External CE(O)	4193-0803-0179-3283-02GRANT	20	20
	DR	External CE(B)	9017-0803-0179-3283-02GRANT	20	20
	CR	Cash(B)	9017-0803-0179-3283-02GRANT	20	20
Journal Totals				0	0

## Key:

- P - Pool
- O - Pool Offset Distribution
- B - Base

### Cost Allocation without Pool Offset Distribution

## Scenario:

- Automated Disbursement transaction for expenditures to be allocated: \$100.
- Expenditures charged to Unit 0058 will be allocated using a Fixed Percentage Base Type to two other Units:
  - 25% to Unit 0068 (Base 1).
  - 75% to Unit 0090 (Base 2).
- The credit on the CA transaction will be the same as the pool accounting distribution (no pool offset distribution).



## Partial disbursement accounting distributions:

Partial Accounting Distributions	Pool or Base	Fund	Dept	Unit	Object	Major Program
Disbursement Transaction	Pool	9017	0803	0058	3200	N/A
CA Transaction	Base	9017	0803	0068	3200	N/A
CA Transaction	Base	9017	0803	0090	3200	N/A

## Impact on Accounting and Cost Accounting Journals:

Transaction	DR/CR	Debit/Credit Name	Accounting Distribution	JACTG Amount	JCA Amount
AD	DR	External CE	9017-0803-0058-3200	100	
	CR	Cash	9017-0803-0058-3200	100	
CA	DR	Cash(P)	9017-0803-0058-3200	100	
	CR	External CE(P)	9017-0803-0058-3200	100	
	DR	External CE(B1)	9017-0803-0068-3200	25	
	CR	Cash(B1)	9017-0803-0068-3200	25	
	DR	External CE(B2)	9017-0803-0090-3200	75	
	CR	Cash(B2)	9017-0803-0090-3200	75	
Journal Totals				0	

## Key:

- P - Pool
- O - Pool Offset Distribution
- B1 - Base 1
- B2 - Base 2

## Cost Allocation with Pool Offset Distribution

## Scenario:

- Automated Disbursement transaction for expenditures to be allocated: \$100.
- Expenditures charged to Unit 0058 will be allocated using a Fixed Percentage Base Type to two other Units:
  - 25% to Unit 0068 (Base 1).
  - 75% to Unit 0090 (Base 2).
- The credit on the CA transaction will have a different Fund than the pool accounting distribution (pool offset distribution).

## Partial disbursement accounting distributions:

Partial Accounting Distributions	Pool or Base	Fund	Dept	Unit	Object	Major Program
Disbursement Transaction	Pool	9017	0803	0058	3200	N/A
CA Transaction	Pool Offset	4193	0803	0058	3200	N/A
CA Transaction	Base	9017	0803	0068	3200	N/A
CA Transaction	Base	9017	0803	0090	3200	N/A

## Impact on Accounting and Cost Accounting Journals:

Transaction	DR/CR	Debit/Credit Name	Accounting Distribution	JACTG Amount	JCA Amount
AD	DR	External CE	9017-0803-0058-3200	100	
	CR	Cash	9017-0803-0058-3200	100	
CA	DR	Cash(O)	4193-0803-0058-3200	100	
	CR	External CE(O)	4193-0803-0058-3200	100	
	DR	External CE(B1)	9017-0803-0068-3200	25	
	CR	Cash(B1)	9017-0803-0068-3200	25	
	DR	External CE(B2)	9017-0803-0090-3200	75	
	CR	Cash(B2)	9017-0803-0090-3200	75	
Journal Totals				0	

## Key:

- P - Pool
- O - Pool Offset Distribution
- B1 - Base 1
- B2 - Base 2

## Appendix C – Terminology

Table 4 lists some terms used throughout this manual.

**Table 4: Terminology**

Term	Description
Accounting distribution	An accounting distribution is a unique combination of Chart of Accounts (COA) elements. It is the mechanism used in the Cost Allocation hierarchy to define the costs or revenue to be captured for distribution (pools) and to define how they should be distributed (bases).
Accounting Journal (JACTG)	The most frequently used journal that contains all debits and credits considered as having a financial accounting impact.
Accumulation distribution	The accounting distribution that defines the transactions used to accumulate dollar totals which in turn are used in calculating percentages for allocation. This is used in Direct Financial Only and Direct and In-stream Financial methods, where the percentage is calculated based on dollars accumulated.
Base	Identifies the departments or programs that are the recipients of the allocation (that will ultimately be charged for the costs). A base is defined by the base accounting distributions associated with it. Expenditure or revenue transactions in the pool are allocated to the accounting distributions associated with the base.
Base Type	Identifies the method used to calculate the allocation percentage. Options are: Fixed Percentage, Statistical, Direct Financial Only, and Direct and Instream Financial.



Term	Description
Charge (CH) transaction	The transaction produced by the automated overhead process. Creates a one-sided accounting entry on the Cost Accounting Journal (JCA).
Cost Accounting Journal (JCA)	The main journal used for the cost accounting area as it contains all posting lines with debits and credits having a Program code.
Cost Allocation Process	A flexible process within AZ360 that provides the ability to distribute costs or revenue to various accounting distributions on a dollar-for-dollar basis through a system generated Cost Allocation (CA) transaction.
Cost Allocation Control Setup (ALOC)	The page used to create the highest level of a Cost Allocation hierarchy. It is the umbrella under which the remaining Cost Allocation elements are organized.
Cost Allocation (CA) transaction	A transaction produced by the automated Cost Allocation Process. Creates a two-sided entry on the Accounting Journal (JACTG).
Cost Allocation hierarchy	The Cost Allocation hierarchy is the structure in AZ360 that contains Cost Allocation instructions.
Cost Allocation Journal Summary Inquiry (CAJR)	An inquiry page that displays the accounting distribution combinations from the Journal used during the Pool/Base Expansion portion of the automated Cost Allocation Process.
Cost Allocation Process Parameter (CAPA) page	Used to record parameters for each run of the automated Cost Allocation Process.
Cost Allocation Series Setup (SRS)	The page used to define the second level in the Cost Allocation hierarchy. Used to group allocations that must be run in a single execution of the Cost Allocation Process.
Cost Allocation Step Setup (STEP)	The page used to define the third level in the Cost Allocation hierarchy. Defines the sequence of allocation calculations within a Cost Allocation Series Setup and identifies the method that is used to calculate the allocation. A Cost Allocation Series Setup entry should have at least one STEP entry.
Cost Allocation Total Inquiry (CTOT)	An inquiry page that displays total amounts for a specific allocation/series/step combination that the system uses to compute allocated amounts.
Department	One element in the AZ360 Chart of Accounts (COA) structure. This element is associated with an organizational level within the entity.
Direct Financial Only	One of the four Base Types available for calculating the allocation percentage. Using this method, the allocation percentage is calculated by the system using the dollars identified by the base accumulation distributions. The accumulated dollars represent the statistical unit for each base record.
Direct and Instream Financial	One of the four Base Types available for calculating the allocation percentage. This Base Type is currently not being used by the state.
Fixed percentage	One of the four Base Types available for calculating the allocation percentage. Using this method, the allocation percentage is not calculated by AZ360; it is defined at the setup stage for all base records.

Term	Description
Inheritance	Inheritance determines if allocated records will receive (inherit) a field's value from the pool or the base record. Inheritance is set field by field, because different fields will have different rules.
Ledger Record Number	The record number associated with each input ledger record used in the Cost Allocation Process. It is recorded in the Line Description field on the Pool Accounting line on the Cost Allocation (CA) transaction.
Object Rate Groups (OBJRT)	Provides the ability to create groups of object codes that are eligible (or ineligible) for allocation.
Offset distribution	The accounting distribution used for the credit from the allocation, when different than the accounting distribution that defined the pool.
Operational Expenditures	Non-cost accounting expenditures.
Overhead Rate Process	An automated method to calculate indirect costs based on a percentage of eligible direct costs. The output is a one-sided entry posted on the Cost Account Journal (JCA) using a Charge (CH) transaction.
Pool	Identifies the costs or revenues to be allocated. A pool is defined by the pool accounting distributions associated with it. Expenditure or revenue transactions are then identified for allocation, if the Chart of Accounts (COA) elements on the transaction Accounting line match the pool accounting distribution.
Pool/Base Distribution (PBDIST)	Identifies the accounting distributions that define each pool and base. Also used to define offset distributions and accumulation distributions.
Pool/Base Offset Requirement (PBOREQ)	Identifies if a change to each Chart of Accounts (COA) element on an offset distribution is required, prohibited, or optional.
Pool/Base Setup (PLBS)	Establishes the pool and base records within the Cost Allocation hierarchy.
Statistical	One of the four Base Types available for calculating the allocation percentage. Using this method, the allocation percentage is automatically calculated during the allocation process based on the statistical units defined on the Pool/Base Setup page for each base record.
Statistical Unit (STAT)	Establishes numeric values for entity-defined statistics; used to calculate an allocation percentage for a Cost Allocation hierarchy using the Statistical Base Type.

## Appendix D – List of Acronyms

Table 5 lists the acronyms used in this manual.

**Table 5: Acronyms**

Acronym	Definition
AZ360	Statewide financial management system.
AL	The abbreviation for the Cost Allocation ID used on the CA transaction.



Acronym	Definition
ALOC	Cost Allocation Control Setup page.
APD	The abbreviation for the Selection Accounting Period used on the CA transaction.
AZ360	The statewide financial management system.
BSA	Balance Sheet Account.
CA	Cost Allocation transaction.
CAJR	Cost Allocation Journal Summary Inquiry page.
CAPA	Cost Allocation Parameter page.
CH	Charge Transaction.
CID	The abbreviation for the Cost Allocation Parameter ID used on the CA transaction.
COA	Chart of Accounts.
CTOT	Cost Allocation Totals Inquiry Page.
DS	The abbreviation for the Data Source used on the CA transaction.
FQ	The abbreviation for the Selection Fiscal Quarter used on the CA transaction.
FY	The abbreviation for the Selection Fiscal Year used on the CA transaction.
GAO	General Accounting Office.
ID	Identification.
JCA	Cost Accounting Journal.
JACTG	Accounting Journal.
LRN	Ledger Record Number.
OBJRT	Object Rate Group page.
OVDREXP	Overhead Rate Exception page.
PBDIST	Pool/Base Distribution page.
PBOREQ	Pool/Base Offset Requirement page.
PLBS	Pool/Base Setup page.
SR	The abbreviation for the Cost Allocation Series Setup used on the CA transaction.
SRS	Cost Allocation Series Setup page.
ST	The abbreviation for the Cost Allocation Step Setup used on the CA transaction.
STAT	Statistical Unit page.
STEP	Cost Allocation Step Setup page.