



## Staff Report

**TO:** Finance and Audit Committee Members  
**FROM:** Jennifer Ustation, Finance Director  
**DATE:** June 13, 2022  
**SUBJECT:** Cost Allocation Plans

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### **Background and Analysis:**

The City of Beaumont's FY2021 Independent Audit Report contains audit finding 2021-001 which concerns that the City has not had a formal Cost Allocation Plan performed for charging of its costs to federally funded projects and has been a carryover finding since 2018. The City does have a formal cost allocation plan for cost allocation of administrative costs to the various funds within the City, however this was completed in April 2016. Updates to the plan should be done periodically in accordance with best practices.

The City Council approved a contract on December 7, 2021, with Revenue and Cost Specialists (RCS), to complete a full cost allocation plan. RCS has completed two cost allocation plans. The purpose for two plans is to allow the City to understand administrative costs based on current circumstances taking into consideration the next fiscal year budget and charge programs and other funds their fair share of these costs. The second plan is based on audited financial numbers, in accordance with the uniform guidance, to allow the City to charge federal and state awards indirect costs and to meet the requirements of the audit finding.

Once City Council approves the cost allocation plan, the audit finding will have been addressed and removed from the next Annual Comprehensive Financial Report. RCS will be providing staff with software that will allow staff to update the plans periodically to comply with best practice.

### **Recommended Action:**

Review both cost allocation plans and recommend moving to City Council for approval.

**Attachments:**

- A. OMB Cost Allocation Plan
- B. Beaumont Cost Allocation Plan
- C. RCS Presentation