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U. S. Department of the Interior
FPA Cost Accounting Procedures and Guidance

Job Order Costing - A method of cost accounting that accumulates costs for individual jobs or lots. A job may be a service or manufactured item, such as repair of equipment or the treatment of a patient in a hospital. (Source: SFFAS #4)

Process Costing - A method of cost accounting that first collects costs by processes and then allocates the total costs of each process equally [or equitably] to each unit of output flowing through it during an accounting period. (Source: SFFAS #4)

Standard Costing - A costing method that attaches costs to cost objects based on reasonable estimates or cost studies and by means of budgeted rates rather than according to actual costs incurred. The anticipated cost of producing a unit of output. (Source: SFFAS #4)

Municipal - In the context of this document the term “municipal” includes all domestic non-Federal government entities such as states, cities, counties, etc. (Source: Office of Management and Budget memorandum 1999)

Procedures and Guidance:

Cost information is to be accumulated in the formal accounting/payroll systems to trace the direct hours worked on municipal and non-municipal hydroelectric licensing projects for annual reporting to FERC. The requirements below may be further enhanced by the bureau/office if desired, but at a minimum must satisfy the level of detail required by FERC:

1) Direct Costs:

A) Where cost can be directly traced:

Direct tracing is the preferred cost accounting method for recording hydropower licensing costs. Where cost effective to do so, payroll costs should be charged to “Municipal” or “Non-Municipal” license requests based on direct hours. Other costs recorded in the accounting systems should be charged directly to “Municipal” or “Non-Municipal” license requests where practicable. Common cost that cannot be directly traced to “Municipal” and “Non-Municipal” categories that should be considered direct costs should be assigned to “Municipal” and “Non-Municipal” license requests on an equitable basis.

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<u>Cost Account Title & Cost Object</u>	<u>Costing Method</u>	<u>Description</u>
i) Directly Traced Costs - Hydropower Licensing/Re-licensing - Municipal [or by Specific Licensee]	Job Order Costing	Direct costs benefitting licensing activities traced specifically to municipal licensing activities.
ii) Directly Traced Costs - Hydropower Licensing/Re-licensing Non-Municipal [or by Specific Licensee]	Job Order Costing	Direct costs benefitting licensing activities traced specifically to non-municipal licensing activities.
iii) Common Costs - Hydropower Licensing/ Re-licensing	Process Costing	Direct costs benefitting all licensing projects but not uniquely or directly attributable to “municipal” or “non-municipal” activities. These costs will need to be assigned between “Municipal” and “Non-Municipal” for reporting purposes.

B) Alternative Approach - When Direct Tracing is not cost effective or practical:

This approach is to be used when the annual licensing workload is small or insignificant, and thus establishing specific cost accounts to directly trace costs is not practical. Any anticipated common direct costs (handled through “process costing” described in 1) A) iii) above) can be factored into the standard cost rate **or** accounted for separately using a separate standard cost and then assigned between Municipal and Non-Municipal before reporting to the Department.

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Cost Object	Costing Method	Description
i) Estimated Municipal - Common	Standard Costing	The standard cost is to be calculated based on FTE (staff hours) and non-labor costs anticipated to be performed to accomplish hydropower licensing tasks for “municipal” clients. These duties are to be adjusted to “actual” (more appropriately a refined estimate based on actual performance) and certified as accurate at end of the report period.
ii) Estimated Non-Municipal - Common	Standard Costing	The standard cost is to be calculated based on FTE (staff hours) and non-labor costs anticipated to be performed to accomplish hydropower licensing tasks for “non-municipal” clients. These costs are to be adjusted to “actual” (more appropriately a refined estimate based on actual performance) and certified as accurate at end of period.

2) Indirect Costs:

A) Bureaus will have to determine the rate for bureau and sub-bureau levels of indirect costs that are appropriate to be applied to the direct costs captured. **Cautionary Note:** Be sure to apply the below Departmental indirect rate to the indirect labor amounts before calculating the resulting Bureau indirect rate.

B) The rate for Departmental indirect cost based on direct labor is 16.8%. This rate may periodically change (no more frequently than annually). Should the rate change, the Office of Policy Analysis will notify the bureaus.

3) Example of applying the various costing methods to derive the information to be reported:

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The following worksheet provides an example to demonstrate the tabulation of costs for performing FPA activities to derive the total cost for annual reporting to FERC. Use the calculation method(s) appropriate for your bureau.

Element	Municipal	Relevant details necessary for calculation	Non-Municipal	Relevant details necessary for calculation	Total
1)A) Direct Tracing - i) Municipal and - ii) Non-Municipal [Job Order Costing] 1)B) Direct Tracing - Alternative Method - i) Municipal and - ii) Non-Municipal [Standard Costing]	\$3,000,000	Labor & benefits \$2.9M based on actual project hours charged and Non-Labor \$.1M	\$2,000,000	Labor & benefits \$1.9M based on actual project hours charged and Non-Labor \$.1M	\$5,000,000
1)A) Common Costs - iii) program costs not directly traceable to "Municipal" and "Non-Municipal" costs [Process Costing]	600,000	Labor & benefits \$.5M based on actual project hours charged and Non-labor \$.1M; (50/50 assignment assumed for example)	600,000	Labor & benefits \$.5M based on actual project hours charged and Non-labor \$.1M (50/50 assignment assumed for example)	1,200,000
2)A) Indirect Costs - Applied Bureau Indirect Costs	200,000	5.9% applied to \$3.4M combined direct labor and benefits (Assumed: Labor & benefits, .280M.; .047M applied Dept indirect & non-labor .015M = .342M for bureau indirect allocation)	142,000	5.9% of \$2.4M combined direct labor & benefits (Assumption to the left applies)	342,000

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2B) Indirect Costs - Applied DOI Indirect Costs	571,000	16.8% of direct labor of 3.4M	403,000	16.8% of direct labor of 2.4M	974,000
Totals	\$4,371,000		\$3,145,000		\$7,516,000

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4) Bureau Reporting Requirements:

Bureau reports are to be certified as accurate by the bureau-level Chief Financial Officer (see below) and all related reports/work papers for preparing/supporting the bureau-level submission are to be retained for 7 years. The certified reports are to be submitted to the **Office of Financial Management (PFM) MS-5412 MIB no later than May 1st** of the year after the report year in order that sufficient time is available to combine individual bureau data into a single report for the Department. The following format is to be used to submit bureau-level reports effective with the FY 2001 report:

Bureau: _____

Fiscal Period Covered: _____

_____ Municipal Costs: \$ ____ (in whole dollars) ____

Non-Municipal Costs: \$ ____ (in whole dollars) ____

Certification:

_____ I certify that the above costs were incurred by my bureau for administering its responsibilities under Part I of the Federal Power Act for the fiscal period cited. The bureau uses _____ (i.e., job order, process, and/or standard) costing method(s).

The cost information was accumulated in accordance with Statement of Federal Financial Accounting Standard #4 and Office of Management and Budget Circular A-25.* The detailed documents that support this report are available for review by contacting _____ of the Office of _____ at (area code) NNN-NNNN.

_____ Signature: _____

Name: _____

Title: Chief Financial Officer

Phone Number: (____) _____

Date: _____

(* For the transition year only (FY 2001), the bureau may substitute the following wording in lieu of the sentence preceding the “*”: The reported information is the best cost estimate available at the present time. The Department has established new cost accounting requirements that will be implemented in FY 2002 to comply with SFFAS #4 and OMB Circular A-25 requirements.)

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5) Transition Year:

Fiscal Year 2001 will be the transition year. The required cost information called for in this document may not be available for FY 2001, however, the Department will begin the process of combining the reports into one Departmental submission to FERC for FY 2001.

6) Departmental Annual Report Submission to FERC:

The Office of Financial Management (PFM) will coordinate the final report with the Departmental Hydropower Coordinator. The annual report will be submitted to FERC by May 15th of the year after the report period to:

Federal Energy Regulatory Commission
ATTN: Division of Financial Services
888 First Street NW
Washington, DC 20426

7) Contact:

Any questions or additional information required regarding this document should be directed to the Office of Financial Management (PFM), Bill Webber, on (202) 208-5684 or email william_webber@ios.doi.gov. Also, **all** inquiries regarding the Department's report to FERC are to be directed to the Office of Financial Management. The Office of Financial Management will coordinate responses to inquiries with the Departmental Hydropower Coordinator and the appropriate bureau(s).