

## VEIC Allocation Problem Statement

### Problem Statement

Our finance system does not provide the ability to calculate / book allocated amounts, to support VEICs current methodologies, within the system. To support the cost reimbursable billing terms of our largest clients, we must extract detailed ledger data from our financial system, run the data through a complex allocation workbook in Excel, and manually upload allocation journal entries into the financial system. When allocation changes are required (organization changes, methodology changes, etc.) extensive amounts of work are required to: (1) ensure the proper slices of GL data are being captured at the transaction level to support the shift; (2) update complex custom SQL query code used for allocation workbook; (3) update complex custom Excel workbooks; (4) update FP&A system to align with new methodologies; (5) update suite of custom SQL reports for end users to ensure results are accurately reflected in reporting; (6) update invoices produced outside of the ERP based on allocation cost recovery.

The following is an outline of VEIC's Allocation Structure. Included are the first seven allocation tiers, some with multiple allocation pools at each level.

### **Tier 1 – Occupancy Allocation**

- Basis
  - Fixed distribution rate or variable distribution rate based on number of employees per service organization assigned to office
- Occupancy Pool
  - Costs accumulated within an Occupancy Organization (project group/project)
- Allocate To
  - To service organization overhead projects
    1. A unique GL Account is debited
      - The GL Account is paired with a user-defined transaction field identifying which Occupancy Pool the allocation was sourced from
      - **(Note: Overhead projects could be billable)**
    2. A unique GL Account is credited to the Occupancy Pool
      - The GL Account is paired with a user-defined transaction field identifying which Occupancy Pool the allocation was sourced from
- Liquidation
  - The Occupancy Pool balance nets to zero
- Time Period
  - Current period or YTD with period by period true-up
  - YTD employee distribution rate reported
  - Current employee distribution rate reported

**Note:** This allocation could occur between tiers 3 and 4 and include labor, plus allocated Paid Time Off (PTO) received and allocated Fringe received at a Fixed Rate.

**Note:** More than one Occupancy pool allocation can occur in the same tier

## Tier 2 – Paid Time Off (PTO) Allocation

- Basis
  - Variable Rate = PTO Labor / Non-PTO Labor
- PTO Pool
  - Labor accumulated within a PTO Organization (project group/project) aligned with an employee service organization
- PTO Base
  - Labor accumulated by project and grouped by a user-defined field identifying the employee service organizations charged in from
  - **(Note:** Labor in the pool and base is sourced from Timesheets, Project Labor Accrual, and other Journal Entry transactions)
- Allocate To
  - Projects based on Labor posted with the same employee service organization as the PTO Pool
    1. A unique GL Account is debited
      - The GL Account is paired with a user-defined transaction field identifying which PTO Pool the allocation was sourced from
      - **(Note:** Overhead projects could be billable)
    2. A unique GL Account is credited to the PTO Pool
      - The GL Account is paired with a user-defined transaction field identifying which PTO Pool the allocation was sourced from
- Liquidation
  - Each PTO Pool balance nets to zero
    1. If allocated Fringe is received, liquidation is up to Fixed Fringe allocation received.
- Time Period
  - YTD with period by period true-up
  - YTD rate reported for each pool

**Note:** Non-labor transactions posted to PTO pools are not allowed

**Note:** More than one PTO allocation pool can occur in the same tier

## Tier 3 – Fringe Allocation

- Basis (2 Part Allocation)
  - 1st - Fixed Rate
  - 2nd - Variable Rate = Fringe Pool / Labor Base (Labor + Allocated PTO Labor Received)
- Fringe Pool
  - Fringe costs accumulated within a Fringe Organization (project group/project) and accumulated within a Fringe GL Account Group
- Fringe Base
  - Labor accumulated by project and grouped by user-defined field identifying the employee service organizations charged in from
    1. Labor

- 2. PTO Allocation Labor Received
    - Excludes prior tier allocation pools (Labor posted to PTO Pool)
    - **(Note:** Labor in the pool and base is sourced from Timesheets, Project Labor Accrual, and other Journal Entry transactions)
- Allocate
  - 1. Fixed Rate to projects based on Labor grouped by user-defined field identifying the employee service organizations charged in from
    - 1. A unique GL Account is debited
      - The GL Account is paired with a user-defined field identifying equivalent employee service organizations charged in from
      - **(Note:** Overhead projects could be billable)
    - 2. A unique GL Account is credited to the Fringe Pool
      - The GL Account is paired with a user-defined dimension identifying the Fringe Pool
  - 2. Dollar value of Variable Rate allocation to projects based on labor grouped by user-defined field identifying the employee service organizations charged in from **LESS** Fixed Rate to allocation
    - 1. A unique GL Account is debited
      - The GL Account is paired with a user-defined field identifying equivalent employee service organizations charged in from
      - **(Note:** Overhead projects could be billable)
    - 2. A unique GL Account is credited to the Fringe Pool
      - The GL Account is paired with a user-defined dimension identifying the Fringe Pool
- Liquidation
  - The Fringe Pool nets to zero
- Time Period
  - YTD with period by period true-up
  - YTD rate reported
  - Current period rate reported

**Note:** Non-fringe transactions posted to the Fringe pool are not allowed

#### **Tier 4 – Indirect Allocation (Corporate Allowable Overhead)**

- Basis (2 Part Allocation)
  - 1st – Fixed Rate
  - 2nd – Variable Rate = Indirect Pool / Indirect Base
- Indirect Pool
  - Indirect costs accumulated within an Indirect Organization Group and accumulated within an Indirect GL Account Group
    - 1. Includes Indirect Labor
    - 2. Allocated PTO Labor Received per Indirect Labor
    - 3. Fringe Allocation Received per 1 and 2

- Indirect Fixed Rate Allocation only includes Fringe Fixed Rate Allocation
  - 4. Allocated Occupancy Received by Indirect Projects
  - 5. Allowable Indirect Expenses
- Indirect Base
  - Direct costs accumulated within a Direct GL Account Group and grouped by user-defined field identifying the employee service organizations charged in from
    1. Direct Labor
    2. Allocated PTO Labor Received per Direct Labor
    3. Fringe Allocation Received per 1 and 2
      - Indirect Fixed Rate Allocation only includes Fringe Fixed Rate Allocation
    4. Allocated Occupancy Received by Direct Projects
    5. Direct Expenses
  - Excludes prior tier allocation pools (Occupancy, PTO, and Fringe Pools)
  - Excludes GL Accounts grouped as excluded from Indirect Base
  - Direct Expense charged to Direct GL Account Group and projects under Indirect Organization Groups are included in the Indirect Base
- Allocate
  - 1. Fixed Rate to projects based on dollars contributed to the Indirect Base grouped by user-defined field identifying the employee service organizations charged in from
    1. A unique GL Account is debited
      - The GL Account is paired with a user-defined field identifying equivalent employee service organizations charged in from
      - **(Note: Overhead projects could be billable)**
    2. A unique GL Account is credited to the Indirect Pool
      - The GL Account is paired with a user-defined dimension identifying the Indirect Pool
  - 2. Dollar value of Variable Rate allocation to projects based on dollars contributed to the Indirect Base grouped by user-defined field identifying the employee service organizations charged in from **LESS** Fixed Rate allocation
    1. A unique GL Account is debited
      - The GL Account is paired with a user-defined field identifying equivalent employee service organizations charged in from
      - **(Note: Overhead projects could be billable)**
    2. A unique GL Account is credited to the Indirect Pool
      - The GL Account is paired with a user-defined dimension identifying the Indirect Pool
- Liquidation
  - The Indirect Pool nets to zero
- Time Period
  - YTD with period by period true-up
  - YTD rate reported
  - Current period rate reported

## Tier 5 – G&A Allocation

- Basis
  - Variable Rate =  $G\&A\ Pool / (Service\ Organization\ Labor + Allocated\ PTO\ Labor\ Received)$
- G&A Pool
  - Direct costs accumulated within a G&A Organization (project group/project) aligned with an employee service organization
    1. Direct Labor
    2. Allocated PTO Labor Received per Direct Labor
    3. **Fixed Rate** Fringe Allocation Received per 1 and 2
    4. Occupancy Allocation Received
    5. Direct Expenses
    6. **Fixed Rate** Indirect Allocation Received per 1 to 5
- G&A Base
  - Labor accumulated by project and grouped by a user-defined field identifying the employee service organizations charged in from
    1. Direct Labor
    2. Allocated PTO Labor Received per Direct Labor
  - Excludes prior tier allocation pools (Occupancy, PTO, Fringe Pools, and Indirect Pools)
  - (**Note:** Direct Labor in the pool and base is sourced from Timesheets, Project Labor Accrual, and other Journal Entry transactions)
- Allocate To
  - Projects based on Labor posted with the same employee service organization as the G&A Pool
    1. A unique GL Account is debited
      - The GL Account is paired with a user-defined transaction field identifying which G&A Pool the allocation was sourced from
      - (**Note:** Overhead projects could be billable)
    2. A unique GL Account is credited to the G&A Pool
      - The GL Account is paired with a user-defined transaction field identifying which G&A Pool the allocation was sourced from
- Liquidation
  - Each G&A Pool balance nets to zero up to Fixed Fringe and Indirect allocations received
- Time Period
  - YTD with period by period true-up
  - YTD rate reported for each pool

**Note:** More than one G&A allocation pool can occur in the same tier

#### Tier 6 – Core Service Allocation

- Basis
  - Fixed distribution rate or variable distribution rate based on costs accumulated under an Account Group within an Organization/Project Group
- Core Service Pool
  - Direct costs accumulated within a Core Service Organization (project group/project)
    1. Direct Labor

2. Allocated PTO Labor Received per Direct Labor
  3. **Fixed Rate** Fringe Allocation Received per 1 and 2
  4. Occupancy Allocation Received
  5. Direct Expenses
  6. **Fixed Rate** Indirect Allocation Received per 1 to 5
  7. G&A Allocation Received per 1 and 2
- Allocate To
    - Individual projects, a group of projects or a single project within each Organization/Project Group
      1. A unique GL Account is debited
        - The GL Account is paired with a user-defined transaction field identifying which Core Service Pool the allocation was sourced from
        - **(Note: Overhead projects could be billable)**
      2. A unique GL Account is credited to the Core Services Pool
        - The GL Account is paired with a user-defined transaction field identifying which Occupancy Pool the allocation was sourced from
  - Liquidation
    - The Core Services Pool balance nets to zero up to Fixed Fringe and Indirect allocations received
  - Time Period
    - YTD with period by period true-up
    - YTD distribution rate reported

**Note:** More than one Core Service allocation pool can occur in the same tier

### **Tier 7 – Interdivisional Allocation**

- Basis
  - Fixed distribution rate
- Interdivisional Pool
  - Direct costs by GL Account accumulated within a project aligned with an employee service organization, Occupancy Allocation, or Core Service Allocation
    1. Direct Labor
    2. PTO Allocation Received per Direct Labor
    3. Fringe Allocation Received per 1 and 2
    4. Allocation Occupancy Received
    5. Direct Expenses
    6. Indirect Allocation Received per 1 to 5
    7. G&A Allocation Received per 1 and 2
    8. Core Services Allocation Received
- Allocate To
  - GL Account to individual projects grouped by user-defined field identifying the employee service organizations charged in from or Occupancy/Core Service Allocation received from
    1. A unique GL Account is debited to the recipient project

- The GL Account is paired with a user-defined transaction field identifying which employee service organization/Occupancy/Core Service Allocation was source from
    - **(Note: Overhead projects could be billable)**
  - 2. A unique GL Account is credited to the project of the Interdivisional Allocation Pool
    - The GL Account is paired with a user-defined transaction field identifying which employee service organization/Occupancy/Core Service Allocation was source from
- Liquidation
  - The Interdivisional Pool balance nets to zero
- Time Period
  - YTD with period by period true-up