

President's Council on Integrity and Efficiency
Government Performance And Results Act Roundtable - Minutes
 March 11, 2004, 9:30 AM Room 1153, EPA East 1201 Constitution Ave. NW
Implementing Cost Accounting in OIGs, Best Practices, Challenges, Methodology

Michael Binder, EPA, Chair introduced the topic and the panel members, saying that Cost Accounting is an important element of GPRA to get a sense of value and return on investment by comparing the results with the costs, and necessary for improving efficiency and accountability. The panel members were selected for the purpose of answering the following questions with an IG, program level, and agency-wide perspective and examples: *Power Point presentations by all panel members are attached. There were about 50 attendees.*

1. **What progress is being made in implementing cost accounting or ABC?**
2. **What are the Challenges?**
3. **What Methodology is being applied?**
4. **How is cost accounting information being used?**

In Summary: the following were the common themes as requirements and challenges in implementing cost accounting

- Setting cost allocation/overhead rates
- Defining direct vs indirect activities and business rules
- Integration of agency payroll system for labor costs
- Historical data is needed to set rates
- Resistance to change; training is needed to get buy-in, understanding and active participation
- Getting managers to use the data

Panel Members and Key Ideas Presented:

Todd Zinzer, Deputy IG and; Department of Transportation OIG,

- DOT OIG has implemented full cost accounting, linking OIG work directly to the Department's five Strategic Goals.
- Provisional overhead rates are applied to direct costs to get the "full cost".
- Reporting categories were reduced from 90 to 50 for easier classification and accuracy in data entry/reporting.
- Financial data including payroll is imported from Department's financial system into OIG cost accounting system.
- Audit and Investigations have their own overhead rates
- Linking the Department's labor distribution system to OIG is in discussion, but not done yet
- Project management uses milestones chart and comparing planned with actual start/completion dates with time/cost.

DOT OIG full costing methodology follows this chain

Project #	Direct Hours	+Applied Overhead %	+Travel costs	=Subtotal	+Applied G& A%	=TOTAL
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Michael Wood, AIG, Department of the Interior OIG

- Department of the Interior OIG has implemented cost accounting, and is still refining it
- Some of the biggest problems and decisions were about overhead rates and calculations
- Determining definitions of activities is very also a very difficult process
- Developing historical data is needed to set planning overhead and indirect rates
- The results of the cost accounting reports are used to built activity based budgets.

Vince Markey, Dept. of Veteran's Affairs, Chief Strategic Planning & Budget, Veterans Benefits Admin., Insurance

- VA began implementing Activity Based Costing several years ago
- Each year, the cost figures are populated with end of year actual costs to compare planned to actual costs.
- Labor costs are charged directly and non-labor costs are allocated by FTE. Assigning nonlabor costs is difficult.

Overhead is calculated two ways, direct overhead and corporate overhead
VA decided to limit the number of activities that are counted
VA was able to change processes and show savings through Activity Based Costing

Dennis Nolan, EPA, Office of Financial Management

EPA does not yet have ABC, but is setting its financial management system to account for activity costs.
EPA uses a Data Ware House where all related costs can be linked to any common denominator.
When project codes are used, all related costs can be assembled, sorted and rolled up from projects to Agency Goals.