



January 27, 2011

SUBJECT: Follow-up Q&A to Information Memorandum (IM) dated November 18, 2010 – Revision to the Methodology for Allocating Costs to Programs Participating in an Information System (IS) Project

TO: Regional Administrators – Food and Nutrition Service

The questions and answers below are meant to provide additional guidance for the memorandum named above.

Question 1: The IM uses the term ‘component’ whereas in the Cost Allocation Methodology (CAM) Toolkit the term used is ‘module’. Are these two terms talking about the same thing?

Answer 1: Yes, these terms are interchangeable, however, to eliminate any confusion we will use the terms as they appear and are describe below in the CAM Handbook (from page 34).

When developing a system with all its required program functions, Information Technology personnel organize their solution within a technical structure. One typical technical structure is a ranking with different levels of detail about system functions and the technical work needed to develop those functions. Level 1 gives the broadest view of system functions, while lower levels, e.g., Level 3 give more details. For clarity and efficiency, the system (cost) allocation structure should map to the system’s technical structure so that the Benefit Received cost allocation tracks to specific software development work.

The CAM-TOOL provides a suggested naming convention and levels for a system allocation structure. These are:

Structure	Name	Description	Example
<i>Level 1</i>	<i>Functional Modules</i>	<i>Program Functional Areas</i>	<i>Reports</i>
<i>Level 2</i>	<i>Sub-Modules</i>	<i>Group of system activities within a Functional Module</i>	<i>Management</i>
<i>Level 3</i>	<i>Details</i>	<i>Distinct segments of system activities within a Sub-Module</i>	<i>Report 1</i>

It should be noted that all functional modules do not have to have sub-modules or details and all sub-modules do not have to have details.

Question 2: From the example provided in the IM can we assume that the overall cost of the system will be shared equally by the large programs?

Answer 2: No. The equal sharing of costs by large programs may only happen at the lowest levels. It is highly unlikely that an entire functional module will have equal shares for large programs since the number and types of data used by the large programs varies enormously. The overall cost allocation built from all these functional modules will result in each program, large and small, having a cost share unique to itself.

We will build on the example in the IM to illustrate this point. Note that the calculation for the first sub-module is adjusted from what is reflected in IM to account for the recipient universe specific to that sub-module.

Program	Recipient Count	Percentage of Total	Large/Small
TANF	4,680	4.68%	Small
Child Welfare	2,470	2.47%	Small
Child Support	15,250	15.25%	Large
Medicaid	42,350	42.35%	Large
SNAP	35,250	35.25%	Large
Total	100,000	100%	

Sub-Module 1: All programs except Child Support benefit. The level of effort (cost) to build the component is \$100,000.00. Based on duplicated recipient counts, there are two small programs for which a pro rata share of the cost is calculated:

Recipient universe for Sub-Module 1 = $100,000 - 15,250 = 84,750$

TANF – $4,680/84,750 = 5.52\% \times \$100,000 = \$5,520$

Child Welfare – $2,470/84,750 = 2.91\% \times \$100,000 = \$2,910$

Subtotal – 8.43% or \$8,430

The two benefiting large programs split the remainder of the cost. (Child Support does not benefit from this component at all, so it does not pay a share.)

$\$100,000 - \$8,430 = \$91,570/2 = \$45,785$ each (Medicaid and SNAP)

This example demonstrates that programs are defined as 'large' or 'small' at the project level. So even though TANF is over 5% of the recipient universe for this sub-module it is still defined as small.

Sub-Module 2: Only Medicaid benefits and the cost is \$50,000. Medicaid bears the total cost of this module.

Sub-Module 3: Only Child Welfare and Child Support benefit and the cost is \$30,000.

Recipient universe for Sub-Module 3 = $2,470 + 15,250 = 17,720$

Child Welfare – $2,470/17,720 = 13.94\% \times \$30,000 = \$4,182$

Child Support – $15,250/17,250 = 86.06\% \times \$30,000 = \$25,818$

By adding up what we have determined so far we have the following costs or percentage of costs:

TANF	$\$5,520 + \$0 + \$0 =$	\$5,520	3.07%
Child Welfare	$\$2,910 + \$0 + \$4,182 =$	\$7,092	3.94%
Child Support	$\$0 + \$0 + \$25,818 =$	\$25,818	14.34%
Medicaid	$\$45,785 + \$50,000 + \$0 =$	\$95,785	53.21%
SNAP	$\$45,785 + \$0 + \$0 =$	\$45,785	25.44%
Total		\$180,000	100%

The SA will need to go through this process until each Module/Sub-Module/Detail is cost allocated and then build the blended allocation percentage/cost.

Question 3: Where can we find the CAM Toolkit and a step by step explanation of this methodology?

Answer 3: The CAM Toolkit, along with the Handbook and the User's Guide, can be found at our website at <https://www.fns.usda.gov/sso/cam-toolkit>. We are in the process of updating the Toolkit with the revised guidance and making sure that all the links and formulas are working properly.