



HOMER ELECTRIC ASSOCIATION OVERHEADS

A ROUNDTABLE DISCUSSION - 2018 APA CONFERENCE



TYPES OF OVERHEAD ALLOCATIONS

- Labor Burden
- Construction and Retirement Labor Overheads
- Material or Stores Overheads
- Transportation

MEMORANDUM

State of Alaska


Department of Transportation & Public Facilities
Office of Internal Review

Allocation Method

To: Melanie Arnolds, P.E., PMP
Utilities Engineer, Central Region

Date: May 7, 2018

Telephone No: 269-0715

From: Lee R. Ellenburg, CIA, CMA
Chief of Internal Review 

Subject: Transmittal of Utility Systems
Desk Review of Homer
Electric Association, Inc.
Audit Number 18-UA-11

Transmitted herewith is the utility systems desk review of Homer Electric Association, Inc. (HEA), as requested.

The desk review included a review of HEA's indirect cost allocation procedures and work order accounting system. In addition, annualized overhead rates were reviewed having been established using their calendar year 2017 actual financial data.

Internal Review recommends that the following rates be utilized for reimbursement of overhead costs of HEA in utility relocation agreements with the department for calendar year 2018:

- Construction Rate 193.46% (as a percentage of direct labor dollars)
- Retirement Rate 88.30% (as a percentage of direct labor dollars)
- Materials Handling Rate 124.92% (as a percentage of materials issued)
- Transportation Rates See Appendix A

If for any reason there may be particular special circumstances in which these recommended rates will not be utilized, please advise us in advance with the related reasons for any variance.

We wish to thank HEA and DOT&PF employees for their cooperation and assistance.

Should you have any questions, or require additional information, please contact us; otherwise, no response on your part is required to this memorandum.

LRE:JMS1/tmr

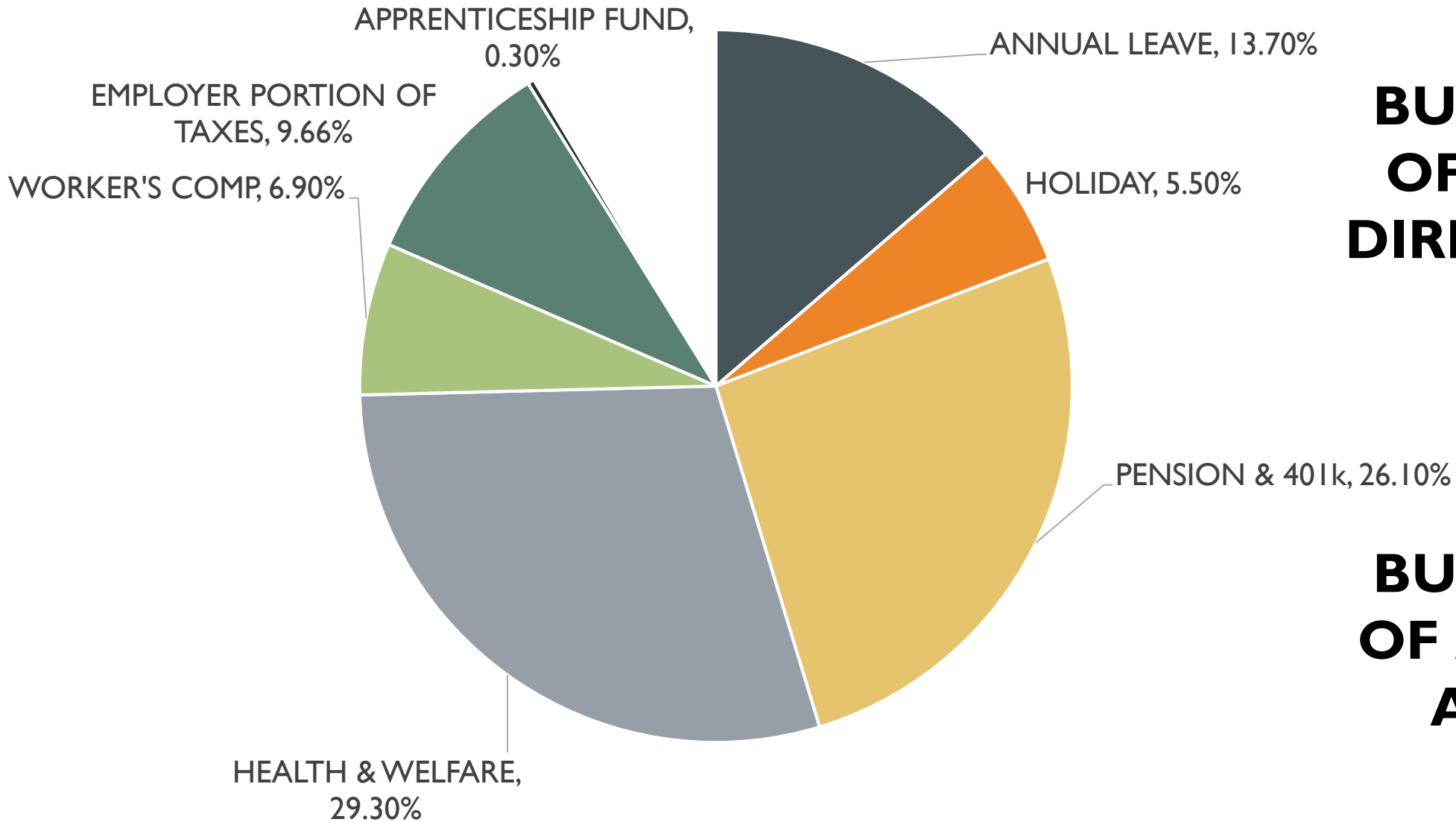
Attachment

Costs are accrued in clearing accounts

Allocated based on set rate January – November

Remaining balances are cleared in December

Actual rate from prior year is adopting for the next year



**LABOR
BURDEN AS %
OF LINEMAN
DIRECT LABOR:
91.45%**

**LABOR
BURDEN AS %
OF ALL LABOR
AVG 2017:
88.79%**

LABOR BURDEN
ON DIRECT
LABOR

LABOR BURDEN ON
INDIRECT LABOR

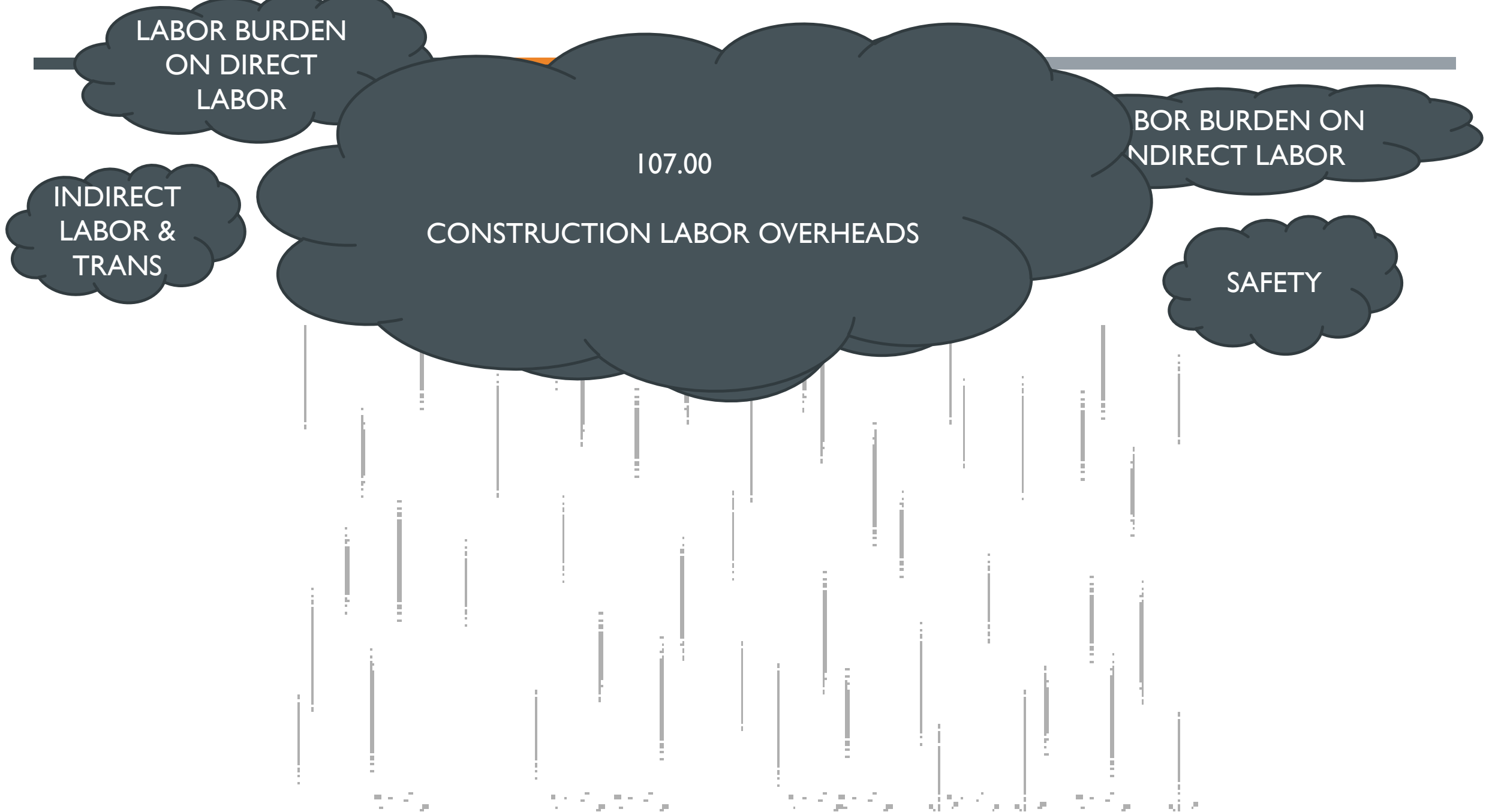
107.00

CONSTRUCTION LABOR OVERHEADS

INDIRECT
LABOR &
TRANS

SAFETY

ALLOCATED TO WORK ORDERS ON THE BASIS OF DIRECT LABOR

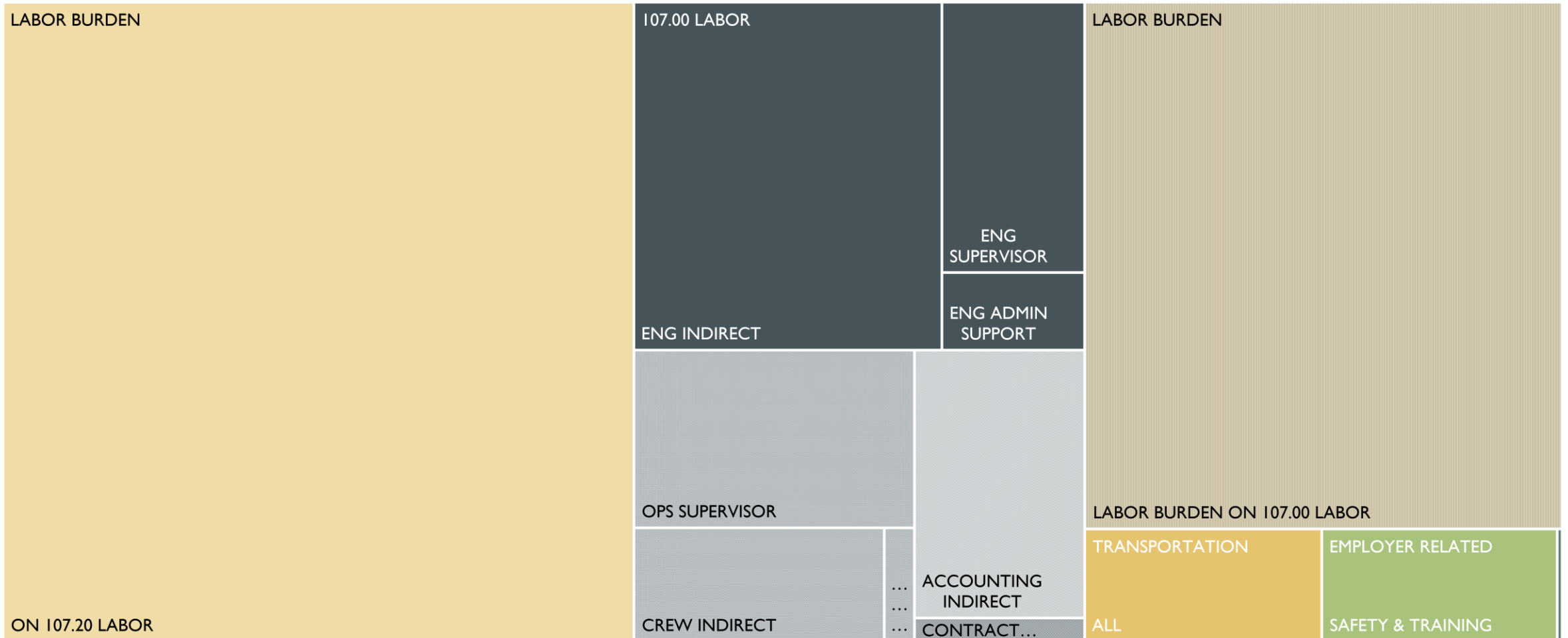


CATEGORY	OVERHEAD RATE
WAREHOUSE & PURCHASING LABOR	48.71
LABOR BURDEN	43.72
MINOR MATERIALS	16.24
SMALL TOOLS	13.74
TRANSPORTATION	7.49
PROCEEDS FROM SALES & SALVAGE	-2.49
INVENTORY ADJUSTMENT	-2.49
	124.92%

MATERIALS OVERHEAD 124.92%

CONSTRUCTION LABOR OVERHEADS

■ 107.00 LABOR ■ LABOR BURDEN ■ TRANSPORTATION ■ LABOR BURDEN ■ EMPLOYER RELATED ■ OTHER



CATEGORY	OVERHEAD RATE
LABOR BURDEN ON DIRECT WAGES IN 107.20	89.93%
INDIRECT WAGES & PER DIEM TO 107.00	49.00%
LABOR BURDEN ON INDIRECT WAGES	42.31%
INDIRECT TRANSPORTATION	4.51%
SAFETY	3.74%
UTILITIES	1.62%
OTHER	<u>2.35%</u>
	193.46%

CONSTRUCTION LABOR OVERHEADS 193.46%

Header Section

Overhead Type: Display:

Detail Entry

Account Item ID Construction Amount Retirement Amount

Account	Account Description	Item ID	Item ID Description	Construction Amount	Retirement Amount
107.00	CONST WK IN PROCESS OVERHEAD	OVHD 00	OVERHEAD EXPENSE	329,125.06	.00
108.00	RET WORK IN PROGRESS-OVH	OVHD 00	OVERHEAD EXPENSE	.00	15,654.54

Select a record to edit.