Indirect Reallocation & Allocation Pools
Reference Guide
Version 24.x
Last Modified 24.0 | March 2024

Overview and Summary

In order to arrive at an accurate cost of ownership for each unit in the fleet a process called Indirect Reallocation can be used. It effectively gathers indirect costs and overhead and combines them with direct or billable work order and fuel costs to arrive at an accurate per unit cost of ownership. These overhead and indirect charges fall into three groups:

1. Shop overhead is the cost of operating and maintaining the garage. This includes labor and parts expended to tow cars, sweep and repair the garage and employee benefits such as jury duty, union time, and vacations. In M5, these are represented by Indirect charges, and are allocated back to each unit based on the proportion of each unit's work order costs.

2. Administrative overhead is the cost of shop management, including personal mileage. In M5 these are also represented by indirect charges and are allocated back to each unit evenly.

3. Fleet-owned equipment repair. Equipment owned by the fleet cannot be charged back to anyone so these costs are overhead to the units that can be charged back. This includes work orders on units and components such as buildings, radio towers, and tow trucks. This overhead is also allocated back to each unit evenly.

Each of the overhead have different sources and designations. M5 allows you to set up a series of Allocation Pools. Each allocation pool shows the different indirect accounts, types of work orders and fuel costs that contribute to the pool. It also shows the method used to distribute the money from the pool. The Allocation output filter controls which units receive money from the pool.

Allocation pools always work on a period-by-period basis. The input to the pool consists of charges made during the fiscal period without regard to work order completion or closing dates. A charge is part of a fiscal period if the effective date of the transaction falls within the period's start and end dates according to the fiscal calendar and the period has not been closed with the end-of-period process. If the charge's period is closed, then the charge is assigned the next open period. The cost output from the pool is allocated to units with a status of active or flagged for disposal at the end of the fiscal period.

No money is accumulated and carried over from period to period. In this sense the allocation pool is like a clearing account that money passes through from one place to another.

Allocation Pool Definition

The Allocation Pool Definition frame is where you define your overhead pools. Pools are like work campaigns or replacement models, consisting of named objects and selection criteria. Changes to the pool definitions may be audited if the auditing feature is turned on.

To create a new Allocation Pool enter the name you would like to use and a description. The description is a required field. Next, select the Method of Distribution to be used, evenly proportionate to book value or proportionate to maintenance. Evenly is the default. Select SAVE.

On the first tab, Unit, is the Unit Allocation Output Filter. Only units receive allocated costs from these pools. This filter identifies units to be selected using a long list of criteria shown in the Field column. Each criteria is first checked as enabled and then qualified through a selection of operators and associated values and ranges of values. Establish the filters you want to use and ensure that the resulting units are going to satisfy the output results you anticipate for this pool allocation.

Pools have seven sources of money, indirect charges, unit, department and component work orders, indirect, unit and department fuel. There is a tab for each source. Each one has a distinct set of selection criteria based on the data available from their individual tables. Review and select the criteria for each one carefully as they will define the cost stream that will be directed through the Unit filter in this pool allocation. Select SAVE when you are through setting up the pool.

After the pools are defined the allocation process may be run as part of the end of day process and manually.

During the end-of-day process all charges that have not been allocated to pools are checked to see if they match any pool definition and then processed. Once processed, they are marked so that they will not be processed by the end-of-day again.

To run it manually, execute the interface job System Run Unit Allocation. It is possible to re-run an allocation for a given period but the rules applied will always be the ones currently in effect. Historical rules are not maintained.

Updates

Release	Section	Description
23.2	All sections	Applied miscellaneous writing style updates throughout the document.