

**DEPARTMENT OF HUMAN SERVICES (DHS)**  
**COST ALLOCATION PLAN**

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**DEPARTMENT OF HUMAN SERVICES**

**COST ALLOCATION PLAN**

**SECTION I**

## Department of Human Services Cost Allocation Plan

### Section 1

#### PURPOSE:

1. To define the principles and standards for determining cost applicable to grants, contracts, or specific services or activities (cost objectives).
2. To establish a documentation system for accumulating and distributing cost, both direct and indirect.
3. To distribute indirect costs to the cost objectives served in a manner which produces an equitable result in consideration of the relative benefits derived.
4. To maintain a clear record of financial transactions in order to create an audit trail for internal and external audit accountability.

#### DEFINITIONS:

**DIRECT SERVICE STAFF** – Program staff for which labor time is expended for specific position functions in discrete activities, grants or programs.

**ADMINISTRATIVE STAFF** – Personnel whose position function is to provide administrative support either on a direct administrative basis in a specific activity, grant or program; or on a general agency-wide administrative basis.

Direct Administrative Support – When an administrative staff person expends time directly working in a specific program or activity.

General Administrative Support – When administrative staff person is not providing direct services and is not assignable to a specific cost objective.

**DIRECT TIME** – Time expended by program staff in carrying out a position function which is discretely identified in a program grant or activity which can then be directly allocated to that cost objective.

**INDIRECT TIME** -- General time spent by program staff related to the overall cost objectives in which they carry out position functions and or paid absences for holidays, vacations and sick time.

**COST OBJECTIVE** – A discrete activity, service, program or grant for which direct cost can be indentified and indirect cost can be allocated.

**REFERENCE DOCUMENTS:**

The following documents were used as reference material in the development of the DHS Cost Allocation Plan:

Office of Management and Budget (OMB) Circular A – 87:

Cost Principles for State, Local Governments and Indian Tribal Governments.