

1039.0.0 COST ALLOCATION PLAN CHANGES

This policy establishes Department of Human Services (DHS) procedures for making additions, deletions or revisions to the federally approved DHS Cost Allocation Plan and applies to all divisions and offices.

1039.1.0 Cost Allocation Plan

The DHS Cost Allocation Plan is updated quarterly by the DHS Office of Finance and Administration, Managerial Accounting, Cost Allocation/Research and Statistics. The completed amendments to the Plan are submitted to and approved by the regional office of the Federal Department of Health and Human Services (DHHS), Division of Cost Allocation, once each quarter. The Plan contains a description of each of the allocation methodologies employed in allocating costs of DHS to the appropriate programs. The Plan also includes cost center and cost allocation narratives and definitions.

1039.2.0 Compliance

All divisions/offices will, without exception, implement the data collection and allocation methodologies specified in the approved Plan.

1039.3.0 Revisions to the Cost Allocation Plan

Managerial Accounting is responsible for reviewing operations on a continuing basis to ensure that the currently approved Plan adheres to requirements established in Subpart E of 45 CFR Part 95 and 2 CFR Part 225. The existing Plan will be amended if:

- A. The procedures in the existing Plan become outdated because of organizational changes, changes in federal law or regulations, or significant changes in program levels affecting the validity of the approved procedures.
- B. DHS, the Director of the U.S. DHHS Division of Cost Allocation (DCA) or DHHS service program divisions discovers a material defect in the Plan.
- C. The State Plan for public assistance programs is amended to affect the allocation of costs.
- D. Program funds become fully expended or are eliminated due to congressional action.
- E. A twelve to eighteen month review of each methodology reveals an inconsistency within a division.
- F. Other changes occur which make the allocation basis or procedures in the approved Plan invalid.

1039.4.0 Changes in Cost Allocation Methodologies

When a division/office or the Cost Allocation unit identifies an area in which changes in cost allocation methodologies are needed, a review of the current methodology shall be initiated at least five (5) months prior to the beginning of a calendar quarter. This request along with the necessary supporting documentation shall be forwarded to the DHS Chief Fiscal Officer.

1039.5.0 Review of Proposed Changes

Any proposed changes to the Plan will be forwarded to all division/office directors. Each division/office will have ten (10) working days in which to comment prior to submission of the cost plan changes to federal authorities.

1039.6.0 Procedures for Implementation and Major Revisions of Cost Allocation Methodologies

1039.6.1 Any division or office requiring implementation of a new methodology or revision for allocating costs should submit form DHS-1088, Request for Revisions/Additions to the Cost Allocation Plan (on DHS Share at [http://dhsshare/DHS%20Policies/Request%20for%20Major%20Revision%20to%20Cost%20Allocation%20Plan%20\(DHS-1088\).doc](http://dhsshare/DHS%20Policies/Request%20for%20Major%20Revision%20to%20Cost%20Allocation%20Plan%20(DHS-1088).doc)), by the requesting unit/section manager, the division chief fiscal officer and the division director along with the supporting documentation to the DHS Chief Fiscal Officer in the Office of Finance and Administration. A revision is defined as one which:

- A. Requires a change to the statistical basis of collecting data. (e.g., changing from a time study methodology to a case count).
- B. Requires no change to the statistical basis for collecting data but requires extensive changes to the instrument used for collecting data to comply with federal reporting requirements or management's need for information. (e.g., extensive coding changes to a time study).
- C. Requires a change in methodology which will require an exceptional amount of time effort on the part of Managerial Accounting and the requesting unit to effect the change.
- D. Requires a change when funding for a program is expected to expire.

1039.6.2 A meeting to review the request will occur between Managerial Accounting staff and the requesting division.

1039.6.3 An estimated cost report on the impact of the proposed methodology will be submitted by the requesting division.

1039.6.4 A review of the proposal will then be made by Managerial Accounting staff. The proposal will be reviewed and any consultations made for:

- Consistency and compliance with federal/state regulations and guidelines.
- Impact on other divisions.
- Impact on current reporting period.
- Long-term financial effect.
- Validity of statistical procedures used in the proposed methodology.

1039.6.5 After this review, a recommendation regarding the proposed changes will be prepared by Managerial Accounting, advising the requesting division(s) of the results of the review.

1039.6.6 All divisions/offices will then be given a final opportunity for review of the amended request. If dissatisfied with the change as proposed, the divisions may return the documents within ten working days of the review process requesting further revision and review or that the original request be cancelled. EXCEPTION: Amendments due to expired funds will not be cancelled.

1039.6.7 The change will then be forwarded to the DHS Chief Fiscal Officer for review and approval.

1039.6.8 The Office of Finance and Administration will then request approval from the DHHS Division of Cost Allocation.

1039.6.9 Upon receipt of federal approval, all affected divisions/offices will be notified by the Office of Finance and Administration. The new cost allocation methodology will be implemented in the requested quarter with any approval exceptions adjusted in a subsequent quarter.

1039.7.0 Procedures for Maintenance of Existing Cost Allocation Methodologies

1039.7.1 Routine maintenance of existing methodologies does require a formal request from a division director. Changes may have prior coordination and discussion between Managerial Accounting and the requesting division/office when identified.

1039.7.2 Same as 1039.6.2 through 1039.6.9 above.

1039.8.0 Initiating Section/Department Contact

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