

## **1061.0.0 INDIRECT COST POLICY**

### **1061.1.0 Purpose**

This policy establishes the requirement that each funding source be charged with its fair share of indirect cost based on the federally approved Cost Allocation Plan.

### **1061.2.0 Scope**

This policy applies to all Divisions of the Department of Human Services (DHS) and their respective funding sources except those specifically restricted or prohibited by law from charging indirect cost.

### **1061.3.0 Policy**

1061.3.1 The federal government has made provision for state and local governments to have administrative support services funded from federal grants through the means of a federally approved Cost Allocation Plan. The Code of Federal Regulation 2 CFR Part 225 (previously known as OMB Circular A-87) (Cost Principles Applied to Grants and Contracts with State and Local Governments) sets forth the principles whereby the state government can claim the allowable administrative costs associated with each grant administered by a state agency such as DHS.

1061.3.2 Since these provisions have been made by the federal government and DHS has an approved Cost Allocation Plan in accordance with Subpart E of 45 CFR Part 95 and 2 CFR Part 225, it will be the policy of DHS to:

- A. Charge each federal funding source with their appropriate share of indirect cost in accordance with the approved Department Cost Allocation Plan, which is prepared in accordance with 2 CFR Part 225 unless it is specifically prohibited by law or applicable regulations.
- B. Charge all other funding sources with their appropriate share of indirect cost in accordance with the approved Department Cost Allocation Plan unless such costs have been funded by General Revenue funding allocated for the support divisions.

1061.3.3 In the case where indirect cost funding from a federal grant is restricted or prohibited by law, the indirect cost attributed to that program must be paid with other non-federal funds of the division administering the program.

1061.3.4 It is be the responsibility of each Division Director to work closely with the DHS Chief Fiscal Officer to insure that DHS has made adequate provisions to budget, fund and report the allowable costs associated with each funding source.

### **1061.4.0 Initiating Section/Department Contact:**

Office of Finance & Administration  
Managerial Accounting  
P.O. Box 1437 – W204  
Little Rock, AR 72203-1437  
Telephone: (501) 682-6355

Replacement Notation: This policy replaces DHS Policy 1061 dated June 8, 1992.

Effective Date: February 1, 2008

Page 1 of 1