

# ACF

Administration  
for Children  
and Families

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
**Administration for Children, Youth and Families**

**1. Log No:** ACYF-IM-82-06

**2. Issuance Date:** May 25, 1982

**3. Originating Office:** Children's Bureau

**4. Key Words:**

## INFORMATION MEMORANDUM

**TO:** STATE ADMINISTRATORS OF STATE PUBLIC WELFARE AGENCIES, CHILD WELFARE SERVICES STATE GRANT PROGRAM

**SUBJECT:** Cost Allocation Plans for Public Assistance Programs

**LEGAL & RELATED REFERENCES:** 45 CFR Parts 75, 95, 205, 304, 1392

**INFORMATION:** Attached are regulations which govern the preparation, submission and approval of State agency cost allocation plans.

**CONTENT:** These interim final rules revise existing regulations concerning the preparation, submission and approval of State agency cost allocation plans used in computing claims from Federal Financial Participation under public assistance programs. It also reflects the transfer of responsibility for review and approval of the plans to the Division of Cost Allocation (DCA) in the Department's regional offices. This responsibility was previously assigned to the Social and Rehabilitation Services, which was abolished by Secretarial Order published on March 9, 1977 (42 FR 13262). The current rule has been rewritten so that it is clearer, easier to understand more specific. The Department's Informal Grant Appeals regulation relative to cost allocation plans and indirect cost rates (45 CFR Part 75) is also being updated and revised to make it consistent with Subpart E of 45 CFR Part 95, cost allocation plans.

**EFFECTIVE DATE:** May 24, 1982

**INQUIRIES TO:** Regional Program Directors, Administration for Children, Youth and Families.

Clarence E. Hodges  
Commissioner

**Attachments:**

[Final regulations, 45 CFR Parts 75, 95, 205, 232, 302, 304, and 1392  
CWS 101](#)

Office of the Secretary

Office of Family Assistance

Office of Child Support Enforcement

Office of Human Development Services

45 CFR Parts 75, 95, 205, 232, 302, 304 1392

Cost Allocation Plans for Public Assistance Programs

**AGENCY:** Health and Human Services Department (HHS).

**ACTION:** Interim final rule with comment period.

**SUMMARY:** This rule revises existing regulations concerning the preparation, submission and approval of State agency cost allocation plans used in computing claims for Federal Financial Participation under public assistance programs. It also reflects the transfer of responsibility for review and approval of the plans to the Division of Cost Allocation (DCA) in the Department's regional offices. This responsibility was previously assigned to the Social and Rehabilitation Service which was abolished by Secretarial Order published on March 9, 1977 (42 FR 13262). The current rule has been rewritten so that it is clearer, easier to understand and more specific. The Department's Informal Grant Appeals regulation relative to cost allocation plans and indirect cost rates (45 CFR Part 75) is also being updated and revised to make it consistent with Subpart E. Cost Allocation plans of 43 CFR Part 93, General administration grant programs (public assistance and medical assistance).

Although these regulations are final, the Department has decided to invite public comments for the reasons described in the Supplementary Information below. Comments may be submitted in the manner described below. If changes are needed as a result of the comments received, those changes will be published in the Federal Register along with the comments received and the Department's responses to those comments.

**DATES:** @@@@ Comment date: To assure consideration, comments should be mailed by June 22, 1982.

**ADDRESS:** Address comments in writing to: Director, Office of Procurement and Assistance Policy, Office of Procurement Assistance and Logistics, Office of the Assistant Secretary for Management and Budget, U.S. Department of Health and Human Services, Room 513D, Hubert H. Humphrey Building, 200 Independence Avenue, SW, Washington, D.C. 20201.

Comments will be available for public inspection at the above address Monday through Friday from 9:00 a.m. to 5:30 p.m.

**FOR FURTHER INFORMATION CONTACT:** Edward M. Tracy (202) 2457411.

**SUPPLEMENTARY INFORMATION:** A Notice of Proposed Rule Making was published in the Federal Register on January 22, 1981 at 45 FR 7011, inviting comments on a proposed revision to the Department's current regulations on the preparation, submission and approval of State cost allocation plans for public assistance programs. The regulation, Subpart E of 45 CFR Part 95, consolidates on a Department wide basis all cost allocation requirements for public assistance agencies into a single regulation. Public comments were invited for 45 days ending March 9, 1981. Comments were received from nine State agencies and one association and were considered in the development of the final regulation.

In the intervening period of time, however, a number of changes have been introduced that have necessitated revisions to the Notice of Proposed Rulemaking. In addition, a Guide designed to assist States in the preparation and implementation of cost allocation plans for public assistance agencies has been developed with the assistance of a number of States and is being circulated for comment to all States. We believe it appropriate, therefore, that this regulation be issued as interim final to give the public an opportunity to comment and recommend additional changes. Commentators may also wish to address the General Accounting Office findings in their Report HRD8151 @ May 18, 1981 recommending that more detailed standards be included in the regulation. Comments are also solicited indicating whether the flexibility provided in this regulation that allows for a variety of State organization alignments, program configurations and accounting structures currently in existence is adequate or inadequate. Comments or changes that should be made to assist States in preparing and obtaining approved cost allocation plans, while assuring the necessary documentation as required for audit purposes are desirable. The suggested areas of consideration for comment should not be construed as restricting comments to those areas; all comments will be considered.

The Notice of Proposed Rulemaking was published before the Administration proposed or Congress established seven block grant programs in the Omnibus Budget Reconciliation Act of 1981 (Pub. L. 9735). The Notice of Proposed Rulemaking included Title XX of the Social Security Act which is now a part of the Social Services Block Grant. Since the block grant regulations deleted all regulations in 45 CFR Part 1395 and Part 1396, the references to Title XX are removed from this rule. The Social Services Block Grant will be treated as a State operated program for cost allocation purposes and the State need only separate the Title XX Block Grant costs from those incurred under other programs. In addition, 45 CFR 1392.64 contains a cross reference to 45 CFR 1395.2 in establishing cost allocation requirements for Service Programs for Families and Children under Parts A and B of Title IV of the Social Security Act. Since Part

1395 has been removed as of October 1, 1981, 45 CFR 1392.64 has been revised to reference Subpart E of 45 CFR Part 95.

The comments to the Notice of Proposed Rulemaking were generally favorable, especially with respect to consolidating the cost allocation requirements in one location requirements in one location, strengthening and simplifying the cost allocation plan approval process and in simplifying the cost disallowance and appeal process. The following summarizes and discusses the public comments and the major changes made in the regulation in consideration of these comments:

## 1. Scope

Comment: The regulations does not indicate whether the approval of a cost allocation plan by the Department's regional Divisions of Cost Allocation (DCAs) also applies to programs of other Federal Agencies.

Responses: The Office of Management and Budget Circular A87 requires that a single Federal agency (referred to as the "cognizant agency") be designated to approve a State agency's cost allocation plan on behalf of all Federal agencies. A list of cognizant agencies was published in the Federal Register on February 28, 1980 at 45 FR 13396. Since this subject is adequately covered in these documents, it is not necessary that it also be addressed in this regulation.

## 2. Definitions

Comment: The definition of "administrative costs" is too broad since it would include the direct delivery of social services by State agency staffs. These costs are a direct program cost and should therefore be excluded from the definition of administrative costs so that there is not a distortion of the true administrative costs of the Title XX program.

Response: Pub. L. 9735 has since established the Title XX Social Services Block Grant. Also, the term "administrative costs" has ben changed in the interim final rule to clarify the intended meaning and to eliminate any possible confusion. "State agency costs" include all costs normally identified as "indirect" as well as costs incurred by the State agency in the direct delivery of services. The Department continues to require the inclusion of all state agency costs in the cost allocation plan in order to ensure that they are properly distributed to the appropriate programs on a consistent basis as required by the cost principles published by OMB.

Comment: The definition of a "State agency" should be clarified to indicate how it applies in situations where there is one large department (i.e., an "umbrella Department") that has several operating components or agencies, each of which may administer one or more of the programs identified in § 95.503. Specifically, is the "State agency" defined to be the overall department or is it defined as the individual component or agency.

Response: In those States where this form of organizational arrangement exists, the term "State agency" for purposes of this regulation, is defined to mean the individual component or agency that is directly responsible for the administration of, a program noted in § 95.503. This point has been clarified in the rule.

We recognize, though, that this is a narrow definition but believe that it will simplify the overall cost allocation plan preparation process. For instance, the development of a cost allocation plan will not be required for those components or agencies of a overall department that do not have any direct Federal awards. In addition, in those situations where a cost allocation plan is required for more than one component or agency with the State department, we encourage the consolidation of individual plans into one overall submission wherever possible. We also encourage that the Director. DCA be consulted during the plan preparation process.

Further, where an action is required, the term "State has been substituted for the term "State agency." This has been done to allow @ flexibility in the preparation and submission of required plans and amendments. As stated in the NPRM, the "State agency" would have had to submit this plan directly to the DCA, without clearly allowing the Governor or umbrella agency a role.

While we believe that most States will continue to write and submit plans from the agency directly responsible for the administration of the program, this revision will allow alternative processes to be used at State option. In all cases, we would expect the expertise of the State agency administering each program to be reflected in the plan.

### 3. Cost Allocation Plan Requirements

Comment: Official organizational charts are developed and issued once a year. The requirement of submitting organizational charts with every cost allocation plan submission is therefore an unnecessary additional administrative burden.

Response: The submission of an organizational chart is only required in those instances where a plan or plan amendment is being proposed because of an organizational change that materially affects the distribution of costs (see § 95.509). The submission of an organizational chart depicting the change being proposed to a currently approved plan is necessary to allow for an adequate evaluation of the proposal. In those situations where "official" organizational charts are prepared on an annual basis, the plan or plan amendment submitted should, as a minimum, include an interim chart that clearly reflects the organizational relationships and responsibilities of the units being described in the proposal. The accuracy of the interim chart should be certified by the Director of the State agency.

Comment: The requirement for including the "\* \* \* estimated cost impact resulting from a proposed change \* \* \*" should be or significantly revised. Determining the actual impact would be difficult to predict in a number of cases and, where obtainable, would be prejudicial and only hinder the approval process.

Response: The requirement for the "\*\*\* estimated cost impact resulting from a proposed change \*\*\*" was suggested by a Task Force of State finance officers that worked with the Department in developing the regulation. This provision was proposed as a means of simplifying the current procedures that requires the "\*\*\* estimated costs for an annual period by cost centers or pools which include the costs of all organizational units \*\*\*". While we agree that the acceptance of a proposed cost allocation procedure should be governed primarily by the equity of the procedure, an indication of the dollar effect of the procedure is useful in determining the scope of the Department's review of the procedure. In all situations it may not be practical to obtain this data without incurring significant additional costs and therefore we have modified the language contained in the Notice. Where it is not practical to obtain this information, the revised language requires that the State agency reach agreement with the DCA on an alternative approach, prior to submitting a cost allocation proposal.

Comment: The regulation should address the submission of cost allocation plans for local government agencies who operate public assistance programs under a "State supervised" system.

Response: We agree with this comment and have modified the regulation by adding a new paragraph § 95.507(b)(7). The current requirements allow for the submission of a cost allocation plan for local public assistance agencies as part of a State agency's cost allocation plan. However, this has generally been limited to one plan for all local agencies within the State. The revised regulation specifically suggests that the affected State agency consult with the DCA on this matter during the development of the cost allocation plan.

## **Other Matters**

The Department's Informal Grant Appeals Procedures (Part 75 of this Title) have also been updated and amended to make them consistent with Subpart E of Part 95 and Part 16 of this Title. Part 75 has been amended to reflect current organizational identifications of various components of the Department and incorporates the cost disallowance/appeal procedure previously addressed in the Notice of Proposed Rulemaking for Subpart E of Part 95 (46 FR 7011). Consequently, proposed rulemaking procedures were considered unnecessary with respect to Part 75. Part 75 with the above modifications will be published in its entirety to facilitate reading.

The Department has determined that this is not a "major rule" as defined in Executive Order 12291. Pursuant to the provisions of 3 U.S.C. 605(b), I hereby certify that this rule will not have a significant economic impact on a substantial number of small entities. The reporting and recordkeeping requirements contained in this regulation have been approved by OMB in accordance with the Paperwork Reduction Act of 1980 (Pub L. 96511). The OMB number for these requirements is 09900073.

Accordingly, a new Subpart E is added to 45 CFR Part 95 and 45 CFR Parts 75, 205, 232, 302, 304 and 1392 are amended as follows.

**Dated:** April 1, 1982.

Richard S. Schwalker,  
Secretary of Health and Human Services

PART 205-GENERAL  
ADMINISTRATION-PUBLIC  
ASSISTANCE PROGRAMS

- A. 45 CFR 205.150 is revised to read as follows:

§ 205.150 Cost allocation.

A State plan under Title I, IVA, X, XIV, or XVI (AABD) of the Social Security Act must provide that the State agency will have an approved cost allocation plan on file with the Department in accordance with the requirements contained in Subpart E of 45 CFR Part 95. Subpart E also sets forth the effect on FFP if the requirements contained in that Subpart are not met.

PART 1392-SERVICE PROGRAMS FOR FAMILIES AND CHILDREN: TITLE IV  
PARTS A AND B OF THE SOCIAL SECURITY ACT

- B. 45 CFR 1392.64 is revised to read as follows:

§ 1392.64 Cost Allocation.

A State plan for the Child Welfare Services Program and the services program in the territories under Title IV Parts A and B of the Social Security Act must provide that the State agency will have an approved cost allocation plan on file with the Department in accordance with the requirements contained in Subpart E of 45 CFR Part 95. Subpart E also sets forth the effect on FFP if the requirements contained in that Subpart are not met.

PART 232 SPECIAL PROVISIONS APPLICABLE TO TITLE IVA OF THE SOCIAL  
SECURITY ACT

§ 232.30 [Amended]

- C. The title to § 232.30 is revised as follows:

232.30 Cost of staff of special administrative units.

\* \* \* \* \*

In addition, 45 CFR 232.30 paragraph (a) is removed. and the (b) preceding the second paragraph is also removed.

PART 302STATE PLAN REQUIREMENTS

§ 302.16 [Redesignated as § 304.D NOT TO TYPE ANY *FEDERAL REGISTER*