



## ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 14 – Federal Funds 3.0	EFFECTIVE DATE: 05/03/1983
TITLE: Definition of Administrative Costs for Block Grants	REVISION DATE: 02/04/2014
AUTHORIZED BY: Director, Bureau of Fiscal Services	

### BACKGROUND

Administrative costs, within specified limits, are allowable costs for block grants. Federal block grant regulations allow states to establish their own definitions of administrative costs.

The Department of Health Services (DHS) Administrative Cost Workgroup developed the following definition of Block Grant Administrative Costs for use within the Department:

"Administrative costs are those state costs that cannot be identified with any single program (block) but are indispensable to the conduct of agency activities and to the organization's survival. They include the overall directing of the organization, record keeping, business management, budgeting and related activities. If individuals spend a portion of their time directly supervising program services, their salaries and expenses may be prorated between program and administration. Administrative costs in the Department of Health and Family Services commonly include administrative overhead allocation, internal accounting and information system charges, budgeting, and other charges on expenditures generated from the operations and management units of the operating division. Expenditures of a program bureau will not be considered administration, except, if specific administrative functions, as identified above, are assigned to the program bureau (accounting, budgeting, etc.)."

An administrative decision may be made to reduce, or eliminate, a claim for administrative costs if available funds are not adequate to cover all program and administrative costs.

### POLICY

Subject to administrative decision which may limit the amount to be applied, this definition will be used as the basis for determination of block grant administrative costs in accordance with specific guidelines for each grant.

### PROCEDURES

1. Indirect costs will be computed in accordance with the latest approved, or provisional, plan.
2. Established cost allocation systems (i.e., BFS Fiscal Work Reporting System or the Department Cost Allocation Plan) will provide the detail for allocating charges whenever possible.
3. Other defined costs will be allocated on the basis of the best available information.

**CONTACTS**

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