

ALLOWABLE COSTS

Introduction

This chapter of the Financial Management Manual will include the Department's allowable cost policies. These policies, however, are currently under review, and a revised policy will be issued before the end of 1994. A major goal of the revision is to better understand and explain the relationship between the state DHSS's [Allowable Cost Policy Manual](#), Chapter III of which contains most DHSS' cost policies, and federal guidelines governing the allowability of costs.

Until the policy review is complete, the Department is providing all manual holders with a copy of: (1) the existing Chapter III of the ACPM, (2) Office of Management and Budget ([OMB Circular A-87](#), "Cost Principles for State and Local Governments"; and (3) [OMB Circular A-122](#), "Cost Principles for Nonprofit Organizations." Manual holders may also choose to insert other program-specific allowable cost guidelines or policies.

These documents represent the best available written sources of information which counties and their vendors could use to determine whether a cost is to be considered allowable. If all of the allowable cost documents are pulled together in one spot for ready reference, agency staff should be in a better position to efficiently and more definitively determine a cost's status. As usual, however, department staff remain available to assist in answering any allowable cost questions.

The Department of Health and Social Services has adopted the Federal cost principles to provide guidance on the allowability of all Department grants and sub-grants, whether or not the grant or sub-grant includes Federal financial assistance. For each kind of organization, i.e. local government or tribe, non-profit agency, educational institution, and commercial organization, there is a set of Federal principles for determining allowable costs. Allowable costs are determined in accordance with the cost principles applicable to the organizations incurring the costs. The chart on the following page lists the kinds of organizations and the applicable cost principles.

Federal Cost Principles

For the costs of a -	Use the principles in -
State, local, or Indian tribal government	OMB Circular A-87
Private non-profit organization other than an (1) institution of higher education, (2) hospital, or (3) organization named in OMB Circular A-122 as not subject to that circular	OMB Circular A-122

Educational institution	OMB Circular A-21
For-profit organization other than a hospital and an organization named in OMB Circular A-122 as not subject to that circular	48 CFR Part 31 - Contract Cost Principles and Procedures, or uniform cost accounting standards that comply with cost principles acceptable to the awarding agency.

Since they are applicable to the majority of agencies which receive DHSS funding, copies of OMB Circulars A-87 and A-122 are included in this chapter. OMB Circular A-21 (and all other OMB Circulars) can be obtained from the U.S. Government Documents office by calling (202) 395-7332. 48 CFR Part 31 can be obtained from most larger public libraries or from the Office of Program Review and Audit, P.O. Box 7850, Madison, WI, 53707-7850.

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