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DEPARTMENT OF ADMINISTRATION ORGANIZATIONAL CIRCULAR NO.: 2022-018

To: All Line Agency and Department Heads
From: Director of Administration
Subject: **Federal Grants: Administrative Cost Reimbursements**

Buenas yan Hafa Adail

A review of journal entries and other adjustments to administrative expenditure accounts for which federal reimbursement grants are available indicates that much effort and time is expended compiling data, composing, and posting journal entries recording cost allocations.

Grant writers for your agencies and departments should consider advising federal grantor officials, in their proposals, that we intend to charge an agreed pre-set proportion of personnel administrative costs (labor and benefits) to the grant. If necessary, a final reconciliation may be made at the final grant close out.

The following is taken from Health and Human Services, Administration for Children and Families Cost Allocation Narrative.

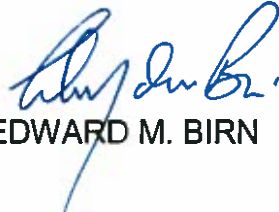
"The requirement to allocate the costs of shared resources can be met by using logical and rational methods to ensure that each program is paying only its fair share of the cost of an item used is common, and that no program is subsidizing another. Generally, the methods used to allocate a shared cost should be the simplest, most straightforward way of allocating the type of cost fairly. Complex, highly detailed methods should be avoided when a simple one will achieve the objective.

Methods, rules, or formulas that use percentages or fractions of cost items are acceptable. For example, a method of allocating staff costs could be as simple as a statement of the percentage of time attributable to a funding source. If an individual spends half the day in Head Start activities, another 25% percent on activities supported

by funding source A and 25 percent in funding source 13, then cost allocation rule is 50 percent to Head Start, 25 percent to funding source A, and 25 percent to funding source B. These percentages may then be applied to all relevant personnel costs for that individual (or group of individuals) for a budget period. Minute by minute, hour by hour allocation is not required, but there must be a way to reasonably to establish the basis for the allocation rule such as agency or classroom schedules or prior year reports."

Should you have any further questions, please do not hesitate to call our office at (671) 475-1101 or (671) 475-1250.

Si Yu'os Ma'ase.



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