



**STATE OF CONNECTICUT  
OFFICE OF POLICY AND MANAGEMENT**

TO: POS Agencies and Providers

FROM: Gale Mattison, Executive Financial Officer

SUBJECT: Implementation of Cost Standards

DATE: November 1, 2006

It has been two months since Secretary Robert Genuario released the new OPM policy on state-wide cost standards.

These standards are effective January 1, 2007 and must be incorporated into the provisions of State human service contracts according to the following timeframe: (1) all new contracts effective on or after January 1, 2007; (2) all contract amendments modifying funding effective on or after January 1, 2007; and (3) all contracts in effect on or after July 1, 2007. All of the State human service agencies and their providers must comply with these standards. Discussions should now be underway between agencies and their providers on how to adjust business practices and forms to the new policy.

The new standards define and enumerate allowable and unallowable costs, including Administrative and General (A&G) costs, and require documentation of all allowable administrative costs in a formal cost allocation plan. A key provision includes a comprehensive definition of A&G costs, i.e. those costs that are incurred for common or joint objectives and are not readily identifiable with a particular final cost objective. Outlining a hierarchy of costs methodology (direct, allocable as direct and A&G), the standards replace the varied and conflicting accounting practices of individual agencies that have been so difficult for private providers who contract with multiple state agencies. The hierarchy of costs provision is a solid step toward more consistent budgeting and greater accountability.

The cost standards are now available on-line at  
[http://opm.state.ct.us/finance/pos\\_standards/coststandards.htm](http://opm.state.ct.us/finance/pos_standards/coststandards.htm)

This link will serve as the central point for distributing information, assistance and updates on Cost Standards. Please check this site periodically as we will clarify policy

statements and make necessary adjustments to the standards at appropriate times. In the future we intend to publish a list of answers to frequently asked questions (FAQ). Any questions regarding the cost standards may be forwarded in writing to me at the Office of Finance.

As the phased implementation of the cost standards begins in January 2007, we urge agencies and providers to continue to work together to ensure the timely and successful transition to this new policy.