

**To: ND Senator Judy Lee, Chair Interim Human Services Committee  
Brady Larson, ND Legislative Council**

**From: Sara Stolt, Chief Operating Officer ND DHS**

**Re: Interim Indirect Cost Study for Human Service Zones**

**Date: July 31, 2022**

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### **Overview**

The ND Department of Human Services formed a work group to review the current indirect cost methodology, study the impact of the current methodology and to make recommendations for how indirect costs should be managed moving forward. This workgroup has met regularly for the past 9 months.

Participants in this workgroup included:

- Kristen Hasbargen, Director of Zone Operations, DHS
- Donna Aukland, Assistant CFO, DHS
- Jonathan Alm, Legal Advisory Unit, DHS
- Daphne Pfeiffer, Fiscal, DHS
- Terry Traynor, NDACo
- Linda Svihovec, NDACo
- Diane Mortenson, Zone Director Rough Rider North
- Lorrie Buzalsky, Slope County Auditor
- Wanda Sheppard, Dickey County Auditor
- Robert Wilson, Cass County Administrator
- Stanley Dick, Northern Valley Zone Board member
- Steve Reiser, Zone Director Dakota Central
- Kim Jacobson, Zone Director Agassiz Valley
- Marcia Lamb, Billings County Auditor
- Valerie McCloud, Rolette County Auditor
- Rachele Tang, Cass County
- Gail Bollinger, Zone Director Cass County
- Sara Heinle, Cass County
- Diane Blashko, Abacus

### **Indirect Costs Process Proposal**

1. Update “direct costs” definition to specify that direct costs must be approved by the department. Either update “direct costs” or “indirect costs” definition to

indicate that costs 100% attributable to the human service zones will be 100% reimbursable as direct cost, except for space and facility costs and expenses. Space and facility costs and expenses will always be considered an indirect cost. The remaining items listed in the "indirect costs" definition or non-100% costs would remain as an indirect cost.

2. Clarify that counties cannot direct bill human service zones or the department as counties will receive reimbursement only through the indirect cost plan and any other expense incurred would have to incur through the human service zone's budget.
3. Establish timelines for the department or designee to notify county auditors and county commissioners and for county auditors and county commissioners to respond to requests of information to develop the indirect cost plan. If county auditors or county commissioners fail to respond within the required timeframe, the indirect cost plan will be finalized without the county's information, thus no reimbursement from the department and the county will be responsible for 100% of indirect costs. The intent is not to punish counties, but to obtain current data from the counties within a reasonable time to finalize the indirect cost plan prior to the county finalizing its budget and to give the counties the option to participate in the indirect cost plan. Otherwise, the indirect cost plan will always be reimbursing counties with old and incorrect data. State's attorneys will also need to report information to the indirect cost plan regarding their time and effort for the county to be reimbursed through the indirect cost plan.
4. The language regarding the indirect cost plan would be updated to remove the requirement that it be based on the state fiscal year 2018 and reflect that it would be based on odd year indirect cost plan taking effect on August 1, 2023 for the counties to budget for 2024 as long as it is within legislative appropriation.
5. Update the law to exclude indirect cost payment from having to be deposited into the human service zone human services fund. Currently, all expenditures by the human service zone for human services must be paid from the human service zone human services fund.

cc: Chris Jones, Executive Director ND DHS  
Jon Alm, Legal Advisory Unit ND DHS