



**DEPARTMENT OF WORKFORCE SERVICES
ISSUANCE PY 12-16**

Artee Williams, Director

June 27, 2013

TO: All ADWS employees
Local Workforce Investment Areas and Service Providers

SUBJECT: Reporting Workforce Investment Act (WIA) Administrative Costs

1. **Purpose:** To provide Local Workforce Investment Area administrative, One-Stop operator and service provider staff guidance in determining reportable administrative costs under the WIA.
2. **General Information:** TEGL 1-00 provided guidance on proposed changes to the Interim Final Rule of the WIA; specifically to 20 CFR 667.220. The proposed language in this TEGL was adopted and is currently included in the Final Rule.

This issuance is meant to clarify the rules for determining reportable administrative costs as defined in the Final Rule and explained in TEGL 1-00. This is a complicated section of the code, so it seems fair to analyze this section by paragraph.

Paragraph "A"

Sec. 667.220- What Workforce Investment Act Title I activities constitute the costs of administration subject to the administrative cost limit?

- (a) The costs of administration are that allocable portion of necessary and reasonable allowable costs of State and local workforce investment boards, direct recipients, including State grant recipients under subtitle B of title I and recipients of awards under subtitle D of title I, as well as local grant recipients, local grant subrecipients, local fiscal agents, and one-stop operators that are associated with those specific functions identified in paragraph (b) of this section and which are not related to the direct provision of workforce investment services, including services to participants and employers. These costs can be both personnel and non-personnel and both direct and indirect.

Comment Number 1: Necessary and Reasonable costs, although mentioned together, is asking two questions:

1. Is the cost necessary to achieve the purpose of the award? This question asks about the type of purchase/expense and what function that expense was supporting.
2. Did we pay a reasonable amount considering the market?
A cost is not considered necessary or reasonable unless it is well-documented.

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Comment Number 2: The code generally states that administrative costs apply to Workforce Investment Boards, direct recipients, local grant recipients, local fiscal agents, and One-Stop operators.

This list does not extend, *directly* to service providers. The TEGL further states, “incidental administrative costs incurred by a contractor whose contract’s intended purpose is to provide identifiable program services do not have to be identified, broken out from other costs incurred under the contract, and tracked against the administrative cost limitation.”

In local areas where the one-stop operator and service provider are the same, the administrative cost limit would apply to the one-stop operator activities as defined by the agreement with the Local Board, as explained in 662.400(c). The administrative cost limitation would not apply to “incidental” administrative costs associated with the delivery of services. However, the distinction between one-stop activities and service provider activities must be clearly differentiated in the contract with the local board. Further, incidental administrative costs of providing services must be supported by job descriptions, time sheets, etc, that support the assertion that the administrative costs were incidental to the provision of services under the contract and therefore are reportable as program costs. If the distinction between administrative costs associated with one-stop activities and administrative costs associated with the delivery of services is not clearly supported by the contract, job descriptions, time sheets, and other supporting documentation, then all administrative costs must be reported in the administrative category and apply to the 10% limit.

Comment Number 3: Administrative costs can be both personnel and non-personnel, and both direct and indirect.

Indirect costs, or allocated costs, are not always administrative. Under the WIA definition, indirect costs can be programmatic or administrative. Indirect costs, under the OMB cost principles, are to be allocated in a way that equitably distributes the costs based on the cost objective/category benefited.

EX: An office has 10,000 square feet: 1,000 sq. ft. is used by accounting and other administrative staff, while 9,000 sq. ft. is used by programmatic staff. The costs of rent could be reasonably allocated based on the cost categories supported- 10% to administrative costs and 90% to program costs.

Paragraph “B”

(b) The costs of administration are the costs associated with performing the following functions:

(1) Performing the following overall general administrative functions and coordination of those functions under WIA title I:

- (i) Accounting, budgeting, financial and cash management functions;
- (ii) Procurement and purchasing functions;
- (iii) Property management functions;
- (iv) Personnel management functions;
- (v) Payroll functions;
- (vi) Coordinating the resolution of findings arising from audits, reviews, investigations and incident reports;
- (vii) Audit functions;

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- (viii) General legal services functions; and
 - (ix) Developing systems and procedures, including information systems, required for these administrative functions;
- (2) Performing oversight and monitoring responsibilities related to WIA administrative functions;
- (3) Costs of goods and services required for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space;
- (4) Travel costs incurred for official business in carrying out administrative activities or the overall management of the WIA system; and
- (5) Costs of information systems related to administrative functions (for example, personnel, procurement, purchasing, property management, accounting and payroll systems) including the purchase, systems development and operating costs of such systems.

Comment: This paragraph includes a specific list of functions or activities that are considered “administrative” and apply to the administrative limit. Those specific administrative functions are listed in paragraph number (1) i.e. accounting, budgeting, etc. Numbers (2) through (5) are activities that could be classified as either program or administrative, depending on the nature of cost. When classifying a cost that falls within (2) through (5), the question is, “does this activity relate to one of the administrative functions listed in number ((1))?”

EX: Central office creates reports using two information systems (5): an accounting system and a system used for tracking participants and reporting performance measures.

Costs associated with the accounting system would be considered administrative costs because accounting is a specific administrative function in number (1) of the definition.

Costs associated with the participant/performance information system would be program costs.

Paragraph “C”

c)(1) Awards to subrecipients or vendors that are solely for the performance of administrative functions are classified as administrative costs.

(2) Personnel and related non-personnel costs of staff that perform both administrative functions specified in paragraph (b) of this section and programmatic services or activities must be allocated as administrative or program costs to the benefitting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.

(3) Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost are to be charged as a program cost. Documentation of such charges must be maintained.

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(4) Except as provided at paragraph (c)(1), all costs incurred for functions and activities of subrecipients and vendors are program costs.

(5) Costs of the following information systems including the purchase, systems development and operating (e.g., data entry) costs are charged to the program category:

(i) Tracking or monitoring of participant and performance information;

(ii) Employment statistics information, including job listing information, job skills information, and demand occupation information;

(iii) Performance and program cost information on eligible providers of training services, youth activities, and appropriate education activities;

(iv) Local area performance information; and

(v) Information relating to supportive services and unemployment insurance claims for program participants;

(6) Continuous improvement activities are charged to administration or program category based on the purpose or nature of the activity to be improved. Documentation of such charges must be maintained.

Comment: Paragraph (c) is a list of 6 clarifications regarding the definition of administrative costs. Many of these clarifications apply the first two paragraphs to specific situations:

c (1) - Contracts solely for administrative functions are considered entirely administrative.

c (2) - Reiterates that if a cost supports both program and administrative functions, it must be reasonably allocated based on the cost categories benefited.

c (3) - Reiterates that program cost can be indirect (allocated), if they are identified as a program activity.

c (4) - This paragraph further clarifies that incidental administrative costs of a contractor whose intended purpose is the delivery of services, do not have to be reported to the administrative cost category.

c (5) - Specifically lists information system types that are considered program.

c (6) - Reiterates that the classification of administrative costs is determined by the cost category supported by the expense.

3. **Action Required:** Report administrative costs on all required levels in accordance with this guidance.

4. **Inquiries:** Kris Jones (501) 683-5358 or kris.jones@arkansas.gov

5. **Attachments:** TEGL 1-00 (includes 20 FCR 667.220)

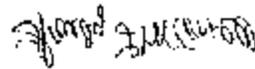
6. **Expiration Date:** Continuing

U. S. Department of Labor Employment and Training Administration Washington, D.C. 20210	CLASSIFICATION WIA/Administrative Costs
	CORRESPONDENCE SYMBOL One-Stop
	DATE July 10, 2000

TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 1-00

TO : ALL STATE WORKFORCE LIAISONS
 ALL STATE EMPLOYMENT SECURITY AGENCIES
 ALL STATE WORKER ADJUSTMENT LIAISONS
 ALL ONE-STOP CAREER CENTER SYSTEM LEADS

for
FROM : LENITA JACOBS-SIMMONS
 Deputy Assistant Secretary



SUBJECT : Summary of Anticipated Changes to the Administrative Costs
 Section of the Proposed Final Regulations for the Workforce
 Investment Act of 1998

1. Purpose. To transmit the proposed change to the Interim Final Rule on the Workforce Investment Act (WIA) of 1998 relative to the classification of Administrative Costs. This language has been reviewed by the Office of Management and Budget and it mirrors what will be published in the Final Rule late in July. Due to the full implementation date of July 1, 2000, OMB has cleared this language prior to the publication of the Final Rule, to assist the system with further implementation. This definition of Administrative Cost classification goes into effect on July 1, 2000.

2. References. Workforce Investment Act of 1998 (Public Law 105-220); and Interim Final Rules and Regulations (20 CFR Part 652, et al).

3. Background. Under the Job Training Partnership Act, as amended, the Administrative percentage allowed ranged from 15% to 20%. Provisions governing Title I B of the WIA of 1998 reduced the allowable percentage of allocated funds which could be spent on the local administrative costs of operating the WIA program to 10% of the local allocation for each of the three funding streams, i.e., adult, dislocated worker, and youth.

After extensive consultation with State and local partners in the system, the Department conducted an independent study sampling ten areas to determine whether the One-Stop service delivery model could be supported with a 10% administrative ceiling, using the WIA interim final rule definition of administrative costs. Based on the consultations and the study, the Department has redefined how to classify costs under WIA, and this will be reflected in the WIA Final Rule.

This issuance is to transmit the language expected to be incorporated in the Final Rule, and provide guidance that has been used to illustrate how to classify costs under WIA during recent training sessions.

RESCISSIONS	EXPIRATION DATE Continuing
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4. Information. The proposed Final Rule provides an all inclusive list of the functions that are to be classified as administration and subject to the cost limitation. The list follows:

1. Performing the following overall general administrative functions and coordination of those functions under WIA title I:
 - (i) accounting, budgeting, financial and cash management functions;
 - (ii) procurement and purchasing functions;
 - (iii) property management functions;
 - (iv) personnel management functions;
 - (v) payroll functions;
 - (vi) coordinating the resolution of findings arising from audits, reviews, investigations and incident reports;
 - (vii) audit functions;
 - (viii) general legal services functions; and
 - (ix) developing systems and procedures, including information systems, required for these administrative functions;
2. Performing oversight and monitoring responsibilities related to WIA administrative functions;
3. Costs of goods and services required for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space;
4. Travel costs incurred for official business in carrying out administrative activities or the overall management of the WIA system; and
5. Costs of information systems related to administrative functions (for example, personnel, procurement, purchasing, property management, accounting and payroll systems) including the purchase, systems development and operating costs of such systems

The WIA Final Rule will clarify that **only the following Title IB entities** will incur costs that are to be reported as administrative costs:

- a. The State as the grant recipient;
- a. The State Workforce Investment Board;
- b. The Local Workforce Investment Board;
- c. The local grant recipient - the local chief elected official(s) and the local government entity represented by that official;
- d. A local grant subrecipient and/or fiscal agent designated by the chief elected official to assist in the administration of the grant funds [akin to a JTPA administrative entity]; and
- e. The local one-stop operator.

All costs of vendors and subrecipients, other than local grant subrecipients, are program costs with the single exception of awards to such vendors and subrecipients which are solely for the purpose of performing functions enumerated in Section 4 above. Thus, incidental administrative costs incurred by a contractor whose contract's intended purpose is to provide identifiable program services do not have to be identified, broken out from other costs incurred under the contract, and tracked against the administrative cost limitation. Costs incurred under contracts whose intended purpose is administrative have to be charged to the administrative cost category.

This guidance pertains to all WIA Youth costs after April 1, 2000, and WIA Title IB costs for Adults and Dislocated Worker services posted after July 1, 2000.

5. Action. This information should be immediately provided to appropriate staff of State and local entities, including all of the entities identified in item 4. Information, (see above), who will be responsible for the recording of costs incurred for the delivery of services under the Workforce Investment Act of 1998.

6. Inquiries. Questions or comments on this guidance should be directed to the appropriate Regional Office.

7. Attachment. Proposed language for the definition of administrative costs at 20 CFR 667.220 excerpted from the Final Rule for the Workforce Investment Act, of 1998, to be published in late July 2000.

**Proposed language for the WIA Final Rule
on Administrative Cost Classification
June 21, 2000**

Sec. 667.220 What Workforce Investment Act title I functions and activities constitute the costs of administration subject to the administrative cost limit?

(a) The costs of administration are that allocable portion of necessary and reasonable allowable costs of State and local workforce investment boards, direct recipients, including State grant recipients under subtitle B of title I and recipients of awards under subtitle D of title I, as well as local grant recipients, local grant subrecipients, local fiscal agents and one-stop operators that are associated with those specific functions identified in paragraph (b) of this section and which are not related to the direct provision of workforce investment services, including services to participants and employers. These costs can be both personnel and non-personnel and both direct and indirect.

(b) The costs of administration are the costs associated with performing the following functions:

(1) Performing the following overall general administrative functions and coordination of those functions under WIA title I:

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(v) payroll functions;

(vi) coordinating the resolution of findings arising from audits, reviews, investigations and incident reports;

(vii) audit functions;

(viii) general legal services functions; and

(ix) developing systems and procedures, including information systems, required for these administrative functions;

(2) Performing oversight and monitoring responsibilities related to WIA administrative functions,

(3) Costs of goods and services required for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space;

(4) Travel costs incurred for official business in carrying out administrative activities or the overall management of the WIA system; and

(5) Costs of information systems related to administrative functions (for example, personnel, procurement, purchasing, property management, accounting and payroll systems) including the purchase, systems development and operating costs of such systems.

(c)(1) Awards to subrecipients or vendors that are solely for the performance of administrative functions are classified as administrative costs.

(2) Personnel and related non-personnel costs of staff who perform both administrative functions specified in paragraph (b) of this section and programmatic services or activities are to be allocated as administrative or program costs to the benefitting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.

(3) Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost are to be charged as a program cost. Documentation of such charges must be maintained.

(4) Except as provided at paragraph (c)(1), all costs incurred for functions and activities of subrecipients and vendors are program costs.

(5) Costs of the following information systems including the purchase, systems development and operating (e.g. data entry) costs are charged to the program category.

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