



OKLAHOMA
DEPARTMENT OF COMMERCE

OKLAHOMA WORKFORCE DEVELOPMENT ISSUANCE #06-2013

TO: Workforce Investment Board Chairs
Workforce Investment Board Staff
Workforce Investment Fiscal Agents

FROM: Tina Lindsay, Director of Grants Management
Workforce Services

DATE: June 3, 2013

SUBJECT: WIA Title I Administrative Cost Limitations and Allowable Administrative and Program Cost Categories

RESCISSIONS: This issuance rescinds OETI #23-2000 and Memorandum M-11-2010 and supersedes all previous ODOC guidance and determinations.

MESSAGE: The Title I cost classifications are Administration and Program. These cost classifications are described in general in 20 CFR 667.220 of the WIA Regulations. The costs of Administration at the local level must be tracked and reported by the *Local Workforce Boards (LWIBs), local grant recipients, local grant subrecipients, local fiscal agents, and One-Stop Operators*. Allowable costs shall be charged (allocated) to the benefiting funding stream and cost objective/category.

ADMINISTRATIVE COST CATEGORY:

Cost Limitations

Expenditures for administrative purposes under WIA formula grants are limited to no more than ten percent (10%) of the area's allocation.

Allowable Costs

1. The costs of administration are that allocable portion of necessary and allowable costs that are associated with the overall management and administration of the workforce investment system and which are not related to the direct provision of workforce investment activities. These costs can be both personnel and non-personnel and both direct and indirect
2. LWIB, local grant recipient, local grant subrecipient, local fiscal agent, and One-Stop Operator costs associated with the specific functions, identified in 20 CFR § 667.220, must be classified as administrative costs. These functions are:

- a. Performing the following overall general administrative functions and coordination of those functions under WIA Title I:
 - Accounting, budgeting, financial and cash management functions;
 - Procurement and purchasing functions;
 - Property management functions;
 - Personnel management functions;
 - Payroll functions;
 - Coordinating the resolution of findings arising from audits, reviews, investigations and incident reports;
 - Audit functions;
 - General legal services functions; and
 - Developing systems and procedures, including information systems, required for these administrative functions;
 - b. Performing oversight and monitoring responsibilities related to WIA administrative functions;
 - c. Costs for goods and services required for the administration functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and the rental and maintenance of office space;
 - d. Travel costs incurred for official business in carrying out administrative activities or the overall management of the WIA system; and
 - e. 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 system.
3. Awards to subrecipients or vendors that are solely for the performance of administrative functions are classified as administrative costs.
 4. Personnel and related non-personnel costs of staff that perform both administrative functions specified in paragraph 2 (a-e) and programmatic services or activities must be allocated as administrative or program costs to the benefiting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.
 5. Specific costs charged to an overhead or indirect cost pool that can be identified directly as an administrative cost must be charged as administrative costs. The key to charging indirect costs as administrative costs is to identify such costs directly as an administrative cost by function, not by its relationship to costs in the direct cost base.
 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.

PROGRAM COST CATEGORY:

Allowable Costs

1. Personnel and related non-personnel costs of staff that perform both administrative functions and programmatic services or activities must be allocated as administrative or program costs to the benefiting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.
2. Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost may be charged as a program cost. Sufficient documentation to identify these costs as programmatic must be maintained. “The key to charging indirect costs as program costs is to identify such costs directly as a program cost by function, not by its relationship to costs in the direct cost base.” [USDOL Monitoring Report dated 5/10/10]
3. Except as provided under the Administrative Cost Category item 3 above, all costs incurred for functions and activities of subrecipients and vendors are program costs.
4. Costs of the following information systems including the purchase, systems development and operating (e.g., data entry) costs are charged to the program category;
 - Tracking or monitoring of participant and performance information;
 - Employment statistics information, including job listing information, job skills information, and demand occupation information;
 - Performance and program cost information on eligible providers of training services, youth activities, and appropriate education activities;
 - Local area performance information; and,
 - Information relating to supportive services and unemployment insurance claims for program participants.
5. Continuous improvement activities are charged to administration or program category based on the purpose or nature of the activity to be improved. Sufficient documentation to identify these costs as programmatic must be maintained.

One-Stop Operator Administrative Costs

WIA regulation, 20 CFR § 667.220 (a), requires the administrative costs of One-Stop Operators to be subject to the administrative cost limit. Due to previous statewide confusion regarding One-Stop Operators who are also the contracted service provider, USDOL issued the following determination: “20 CFR § 667.220 (c)(4) does not supersede 667.220 (a) which assigns the accountability of administrative costs to the one-stop operator.” [USDOL Monitoring Report dated 05/10/10]

Further clarification on this subject is provided in DOL – Employment and Training Administration One-Stop Comprehensive Financial Management Technical Assistance Guide issued in July 2011. In the Cost Classification Chapter II-5-4, the following example is provided;

“An LWIA makes an award to a nonprofit organization as the One-Stop operator. The nonprofit organization must classify the costs associated with the operation of the One-Stop center as both program and administration. The administrative costs of the nonprofit would be only those costs listed in 20 CFR 667.220(b). **Caution:** Should the nonprofit organization also receive WIA funds as a service provider at the One-Stop, it must classify these costs as both administrative and program. If an organization is designated as a One-Stop operator or is part of a consortium developed to operate the One-Stop center, then it is the nature of the organization that determines whether the costs must be classified as administrative or program, not the nature of the award.”

In general, WIA Fiscal Agents must ensure costs are properly classified including those costs of the One-Stop Operators. This process may well require the revision of budgets and cost allocation plans related to administrative functions and administrative costs. The failure of Local Workforce Investment Areas to track and report the cost of One-Stop Operator’s administrative costs puts the Local Workforce Investment Area at risk of exceeding its 10 percent administrative cost limit. Any costs associated with administrative functions (e.g. payroll, personnel, procurement, property management, etc.) provided by an entity that is a One-Stop Operator, whether billed as indirect costs or direct costs, must be charged to the administrative cost category.

Staff and related costs should be classified against the appropriate cost category based on the job duties actually being performed. If staff members perform duties related to more than one category or activity, then the costs should be allocated on the basis of actual time worked or another equitable method. [20 CFR 667.220(c) (2)] A job description alone would not be sufficient to support the personnel compensation costs.

ACTION REQUIRED: Grantees must develop a policy that is consistent with this guidance. The lack of appropriate policies, procedures and systems could result in findings and disallowed costs. Copies must be distributed to appropriate staff and subcontractors. A copy of this issuance must be maintained as a part of your permanent file.

NOTE: ODOC issued guidance is subject to change pending new DOL regulation, audit requirements, or internal determinations on efficiencies and effectiveness to program delivery and stewardship of federal funds.

INQUIRIES: Questions regarding this issuance should be addressed to Tina Lindsay at Tina.Lindsay@OKCommerce.gov or your designated Program Manager.