

Interim Policy on Administrative Cost Limitations

Reference:

Workforce Innovation and Opportunity Act (WIOA), Sections 3 and 128(b)(4), [Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards Final Rule](#); [WIOA Notice of Proposed Rulemaking](#), [WIOA Notice of Proposed Rulemaking](#), 20 CFR §§ 683.205, 683.215; [TEGL 12-14](#).

Background:

WIOA and 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Final Rule (Uniform Guidance) provide administrative cost limitations that apply to local area Workforce Innovation and Opportunity Act (WIOA) expenditures.

Action:

After a 10 day review period, this Policy will be considered final. Questions and comments should be submitted in writing to the WIOA Policy Mailbox:
ndol.wioa_policy@nebraska.gov

Local areas need to establish a policy on administrative cost limitations addressing the provisions identified in this policy as well as ensure their local WIOA Plan addresses the requirements set forth in this policy.

Policy:

Administrative Cost Limitations under WIOA

Of the amount allocated to a local area under Sections 128(b) [Youth Activities] or 133(b) [Adult and Dislocated Worker Employment and Training Activities] for a fiscal year not more than 10 percent of the amount may be used by the local board for the administrative costs of carrying out youth workforce development activities or adult and dislocated worker employment and training activities.¹

The administrative allocation may be used by the local area for the administrative cost of carrying out youth workforce development activities or adult and dislocated worker employment and training activities, regardless of whether the funds were allocated under 128(b) or 133(b),² and do not need to be allocated back to the individual funding streams.

¹ WIOA Section 128(b)(4)(A)

² WIOA Section 128(b)(4)(B)

The costs of administration, or “administrative costs,” are expenditures incurred by state and local boards, regions, direct grant recipients (including state grant recipients under Subtitle B of Title I of WIOA [Workforce Investment Activities and Providers], and recipients of awards under Subtitle C [Job Corps] and Subtitle D [National Programs]), as well as local grant recipients and subrecipients, local fiscal agents and One-Stop operators that are associated with specific functions identified in 20 CFR § 215(b) (immediately below) and which are not related to the direct provision of workforce development services, including services to participants and employers. These costs can be both personnel and non-personnel, and both direct and indirect.³

The cost of administration are the costs associated with the following functions:

- Performing the following overall general administrative functions and coordination of those functions under Title I of WIOA:
 - 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
 - Fiscal agent responsibilities;
- Performing oversight and monitoring responsibilities related to WIOA administrative functions;
- 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;
- Travel costs incurred for official business in carrying out administrative activities or the overall management of the WIOA system; and
- 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.⁴

Activities that can be Administrative, Programmatic, or Both

Awards to subrecipients or contractors that are solely for the performance of administrative functions are classified as administrative costs.⁵

Personnel and related non-personnel costs of staff that perform both administrative functions specified in 20 CFR § 683.215(b) (the bulleted list above) and programmatic services or activities must be allocated as administrative or program costs to the

³ WIOA Sec. 3(1), 20 CFR §683.215(a)

⁴ 20 CFR § 683.215(b)

⁵ 20 CFR § 683.215(c)(1)

benefitting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.⁶

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.⁷ These charges are most commonly found on invoices and accounts payable documents.

Except for awards to recipients or contractors that are solely for the performance of administrative functions, all costs incurred for functions and activities of subrecipients (other than a subrecipient appointed pursuant to 107(d)(12)(B)(i)(II)) and contractors are program costs.⁸

Continuous improvement activities are charged to the administration or program category based on the purpose or nature of the activity to be improved.⁹

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

- Tracking and 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.¹⁰

Streamlining

Where possible, entities identified in 20 CFR § 683.215(a) must make efforts to streamline the services described in 20 CFR § 683.215(b) in order to reduce administrative costs by minimizing duplication and effectively using information technology to improve services.¹¹

Direct & Indirect Costs under the Uniform Guidance

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of federal awards. Typical costs charged directly to a federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the federal award. If directly related to a specific award, certain costs that otherwise would be treated as indirect costs may also

⁶ 20 CFR § 683.215(c)(2)

⁷ 20 CFR § 683.215(c)(3)

⁸ 20 CFR § 683.215(c)(4)

⁹ 20 CFR § 683.215(c)(5)

¹⁰ 20 CFR § 683.215(c)(6)

¹¹ 20 CFR § 683.215(d)

include extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations.¹² Administrative costs are allowable when they are included in the approved budget or have prior approval by the federal awarding agency.

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of federal awards.¹³ Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.¹⁴

All non-federal entities, pass through entities, and subrecipients must have a federally approved indirect cost rate (either negotiated or de minimis) **in writing**. Requirements for development and submission of indirect (F&A) cost rate proposals and cost allocation plans are contained in Appendices III-VII and IX of the Uniform Guidance. In addition to these procedures outlined in the appendices, any non-federal entity that has never received a negotiated indirect cost rate, except for those non-federal entities described in Appendix VII (States and Local Government and Indian Tribe Indirect Cost Proposals), paragraph D.1.b, may elect to charge a de minimis rate of 10 percent of modified total direct costs (MTDC) which may be used indefinitely. As described in §200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology must be used consistently for all federal awards until such time as a non-federal entity chooses to negotiate for a rate, which the non-federal entity may apply to do at any time.¹⁵

Any non-federal entity that has a current federally negotiated indirect cost rate may apply for a one-time extension of the rates in that agreement for a period of up to four years. This extension will be subject to the review and approval of the cognizant agency for indirect costs. (The cognizant agency for WIOA is USDOL.) If an extension is granted the non-federal entity may not request a rate review until the extension period ends. At the end of the 4-year extension, the non-federal entity must re-apply to negotiate a rate. Subsequent one-time extensions (up to four years) are permitted if a renegotiation is completed between each extension request.¹⁶

¹² 2 CFR § 200.413(b)

¹³ 2 CFR § 200.412

¹⁴ 2 CFR § 200.413(a)

¹⁵ 2 CFR § 200.414(f)

¹⁶ 2 CFR § 200.414(g)

Administrative Costs may be Associated with Direct Costs

Direct costs are those costs that can be specifically identified to a federal award, project, or activity; or that can be directly assigned to such activities relatively easily with a high degree of accuracy.¹⁷ Examples of direct costs include direct labor and related fringe benefit cost, direct material, supplies, consultants, sub-awards, and travel.¹⁸

The salaries of administrative and clerical staff should normally be treated as indirect (facilities & administrative (F&A)) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs.¹⁹

Administrative Costs may be Associated with Indirect Costs

The Uniform Guidance provides that indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.²⁰

Indirect costs are costs not directly identified with a single final cost objective (grant), but instead relate to two or more final cost objectives/grants.²¹ Such costs cannot be economically traced to each grant so they must be placed in a cost pool to be allocated on a causal-beneficial basis to the final cost objective or grant.

Indirect (F&A) Costs for Major Institutes of Higher Education and Major Nonprofit Organizations

“Major IHE” means an institution where the total direct cost of work exceeds \$10 million in a fiscal year.²² Major IHEs are required to use the Standard Format for Submission as noted in Appendix III to Part 200 – Indirect F&A Costs Identification and Assignment, and Rate Determinations for IHEs paragraph C. 12. Major nonprofit organizations are those which receive more than \$10 million dollars in direct federal funding.²³

¹⁷ Id.

¹⁸ 2 CFR § 200.413(b), Appendix IV B.3.b(4)

¹⁹ 2 CFR § 200.413(c)

²⁰ 2 CFR § 200.56

²¹ 2 CFR Part 200, Appendix IV A.1

²² 2 CFR §200.414(a), Appendix III to 2 CFR Part 200 paragraph C.12 and Section D

²³ Id.

Appendix III to the Uniform Guidance provides criteria for identifying and computing indirect (or indirect (F&A)) rates at IHEs (institutions). Indirect (F&A) costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

Appendix IV of the Uniform Guidance provides information on indirect (F&A) costs identification and assignment, and rate determination for nonprofit organizations. Because of the diverse characteristics and accounting practices of nonprofit organizations, it is not possible to specify the types of cost which may be classified as indirect (F&A) cost in all situations. However, typical examples may include the costs of general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.²⁴

Facilities and Administration Classification

For major IHEs and major nonprofit organizations, indirect (F&A) costs must be classified within two broad categories: “Facilities” and “Administration.”

“Facilities” is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses.²⁵

“Administration” is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of “Facilities.”²⁶

For nonprofit organizations, library expenses are included in the “Administration” category; for IHEs, they are included in the “Facilities” category.²⁷

One-Stop Administrative Cost Limits

In a One-Stop environment, administrative costs borne by other sources of funds, such as the Wagner-Peyser Act, are not included in the administrative cost limit calculation. Each program’s administrative activities are chargeable to its own grant and subject to its administrative cost limitations.²⁸

The costs of negotiating a memorandum of understanding or infrastructure agreement under Title I of WIOA are excluded from administrative cost limitations.²⁹

²⁴ 2 CFR § 200.414(b)

²⁵ 2 CFR § 200.414(a)

²⁶ Id.

²⁷ Id.

²⁸ 20 CFR § 683.205(a)(4)

²⁹ 20 CFR § 683.205(a)(5)

Disclaimer:

This interim policy is based on NDOL's reading of the statute along with the Notice of Proposed Rulemaking released by USDOL. This policy may be subject to change as additional federal regulations and TEGLs are released. This policy is not intended to be permanent and should be viewed as a placeholder until final federal regulations are released in early 2016.

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