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| **Administrative Cost Limitations****Policy** | Policy No.  | 2 |
| **Greater Nebraska Workforce Development Area** 550 South 16th Street Lincoln, NE 68508402.471.9878ndol.greaternebraska@nebraska.gov  | Effective Date | 7/1/2017 |
| Supersedes  |  |
| Revision Date |  |
| Revision No.  |  |
| Approval  | GNWDB  |

**Reference**

Workforce Innovation and Opportunity Act (WIOA) Section 3

Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards Final Rule

2 CFR Part 200

20 CFR § 683.205, 683.215

TEGL 12-14

Nebraska Department of Labor (NDOL) Interim Policy on Administrative Cost Limitation

**Purpose**

This policy defines administrative cost limitations.

**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**

Effective 7/1/2017, the Administrative Entity, NDOL finance staff, and related service provider staff must implement this policy. Questions and comments should be submitted in writing to the Greater Nebraska WIOA Mailbox: ndol.greaternebraska@nebraska.gov.

**Policy**

Limit

For a fiscal year not more than 10 percent of the amount of program funds (Adult, DLW, & Youth) 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]](#footnote-1)

Cost of Administration

The costs of administration, or “administrative costs,” are expenditures incurred by the Chief Elected Officials Board, Greater Nebraska Workforce Development Board, Administrative Entity, program service providers, and One-Stop Operator that are associated with following functions:

1. Performing 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;
2. Performing oversight and monitoring responsibilities related to WIOA 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 WIOA 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.[[2]](#footnote-2)

These costs can be both personnel and non-personnel, and both direct and indirect.

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.[[3]](#footnote-3)

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 benefitting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.[[4]](#footnote-4)

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.[[5]](#footnote-5) These charges are most commonly found on invoices and accounts payable documents.

Except for awards to local area 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.[[6]](#footnote-6)

Continuous improvement activities are charged to the administration or program category based on the purpose or nature of the activity to be improved.[[7]](#footnote-7)

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.[[8]](#footnote-8)

Streamlining

Where possible the local area makes every effort to streamline services in order to reduce administrative cost by minimizing duplication and effectively using information technology to improve services.

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 Facilities and Administration (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 include extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations.[[9]](#footnote-9) 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.[[10]](#footnote-10) Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.[[11]](#footnote-11)

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.[[12]](#footnote-12) Examples of direct costs include direct labor and related fringe benefit cost, direct material, supplies, consultants, sub-awards, and travel.[[13]](#footnote-13)

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.[[14]](#footnote-14)

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.[[15]](#footnote-15)

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.[[16]](#footnote-16) 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.

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.[[17]](#footnote-17)

The costs of negotiating a memorandum of understanding or infrastructure agreement under Title I of WIOA are excluded from administrative cost limitations.[[18]](#footnote-18)

**Disclaimer**

This policy is based on Greater Nebraska’s reading of the applicable statutes, regulations, rules and guidance released by the U.S. Government and the State of Nebraska. This policy is subject to change as revised or additional statutes, regulations, rules and guidance are issued.

1. WIOA Section 128(b)(4)(A) [↑](#footnote-ref-1)
2. 20 CFR § 683.215(b) [↑](#footnote-ref-2)
3. 20 CFR § 683.215(c)(1) [↑](#footnote-ref-3)
4. 20 CFR § 683.215(c)(2) [↑](#footnote-ref-4)
5. 20 CFR § 683.215(c)(3) [↑](#footnote-ref-5)
6. 20 CFR § 683.215(c)(4) [↑](#footnote-ref-6)
7. 20 CFR § 683.215(c)(5) [↑](#footnote-ref-7)
8. 20 CFR § 683.215(c)(6) [↑](#footnote-ref-8)
9. 2 CFR § 200.413(b) [↑](#footnote-ref-9)
10. 2 CFR § 200.412 [↑](#footnote-ref-10)
11. 2 CFR § 200.413(a) [↑](#footnote-ref-11)
12. Id. [↑](#footnote-ref-12)
13. 2 CFR § 200.413(b), Appendix IV B.3.b(4) [↑](#footnote-ref-13)
14. 2 CFR § 200.413(c) [↑](#footnote-ref-14)
15. 2 CFR § 200.56 [↑](#footnote-ref-15)
16. 2 CFR Part 200, Appendix IV A.1 [↑](#footnote-ref-16)
17. 20 CFR § 683.205(a)(4) [↑](#footnote-ref-17)
18. 20 CFR § 683.205(a)(5) [↑](#footnote-ref-18)