

**SOUTH CENTRAL WORKFORCE DEVELOPMENT BOARD**



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**POLICY: WIOA COST ALLOCATION AND COST LIMITATIONS POLICY**

**EFFECTIVE DATE: JULY 1, 2018**

**POLICY NUMBER: 2018-29**

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**SUBJECT: ALLOCATING COSTS AND COST LIMITATIONS UNDER WIOA**

**PURPOSE:**

To establish cost allocation principles and methods for costs chargeable to the WIOA program and to transmit policy on how the fiscal agent and the grant subrecipients will allocate costs.

**EFFECTIVE DATE:** July 1, 2018

**ACTION REQUIRED:**

Within 15 days of the receipt of this policy it is the recipient's (e.g., vendors, partners) responsibility to ensure all staff are informed of the policy and to create an internal process to ensure accountability.

**BACKGROUND:**

The Local Elected Officials Consortium and the South Central Workforce Development Board (SCWDB) contracts for its fiscal agent, are funded by WIOA formula funds (both administrative and program) as well as other federal and non-federal grants. This policy applies to those operations or portion of operations allocated to WIOA formula funds. 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. All SCWDB costs are determined to be direct costs, none are indirect.

**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.<sup>1</sup>

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

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<sup>1</sup> WIOA Section 128(b)(4)(A)

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.

The costs of administration, or “administrative costs,” are expenditures incurred by the local board, local grant recipients and subrecipients, local fiscal agents and One-Stop operators that are associated with specific functions identified in 20 CFR § 215(b) 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.<sup>2</sup>

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.<sup>3</sup>

***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.<sup>4</sup>

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

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<sup>2</sup> WIOA Sec. 3(1), 20 CFR §683.215(a)

<sup>3</sup> 20 CFR § 683.215(b)

<sup>4</sup> 20 CFR § 683.215(c)(1)

documented distributions of actual time worked or other equitable cost allocation methods.<sup>5</sup> SCWDB's procedure is to use actual time worked and cost pooling.

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. Invoices and accounts payable documents are considered acceptable documentation.

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.<sup>6</sup>

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

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.<sup>7</sup>

With regard to the purchase of such systems above, every effort will be made to streamline the services through common technology systems to reduce administrative costs by minimizing duplication and effectively using information technology to improve services.

***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.<sup>8</sup>

Examples of direct costs include direct labor and related fringe benefit cost, direct material, supplies, consultants, sub-awards, and travel.

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;

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<sup>5</sup> 20 CFR § 683.215(c)(2)

<sup>6</sup> 20 CFR § 683.215(c)(4)

<sup>7</sup> 20 CFR § 683.215(c)(6)

<sup>8</sup> 2 CFR § 200.414(g)

- 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.

**Direct Costs:**

**Administrative Costs:** Charged wholly to SCWDB's administrative budget function.

**Program Costs:** Charged proportionally across the total amount of staff time and determined on a quarterly basis retroactively from the most recent quarter and charged to the SCWDB program budget function.

***Description of Cost Allocation Methodology***

**A. Salaries and Wages**

- 1. Program Costs** – Some of SCWDB's employee's direct charge their salary costs since their work is specifically identifiable to WIOA formula funding streams. The charges are supported by auditable time records which reflect the actual activities of employees.
- 2. Administrative Costs** – As a matter of practice, the following staff charge 100% of their salary costs to WIOA Administrative Category:
  - CEO
  - Chief Financial Officer/Fiscal Contractor
  - Administrative Assistant

The CEO may include time charged to the program category when their work is specifically identifiable for a particular adult, youth or dislocated worker program reason, supported by time records and description of the activity.

- 3. Mixed Charges** – The following employees may charge their salary costs to both program and administrative activities:
  - Vice President

Auditable time records which reflect the actual activities of employees are maintained to support the mix of direct/indirect charges. The time records are certified by the CEO. Release time costs (variation leave earned, sick leave used, and holiday pay) are considered part of salary costs.

**B. Travel**

Travel costs are charged either as a program or administrative charge depending upon the predominant purpose of the trip. Costs incurred for travel are supported by auditable travel vouchers and costs are limited to those allowable under the Federal Travel Regulations, unless expressly allowed by a contract or grant.

**C. Supplies and Material**

To the maximum extent possible, office supplies and materials are direct charged to the contract/grant which uses the supplies or materials. Supplies and materials used by staff who are engaged in indirect activities will be charged on an indirect basis.

***Cost Pooling***

The SCWDB's fiscal agent will manage cost pooling when appropriate.

### ***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.<sup>9</sup>

The costs of negotiating a memorandum of understanding or infrastructure agreement under Title I of WIOA are excluded from administrative cost limitations.<sup>10</sup>

### **Transfer of Funds**

The Workforce Innovation and Opportunity Act (WIOA – Section 133) provides Local Workforce Development Boards (Boards) with the flexibility to transfer up to and including 100 percent of funds between WIOA adult and dislocated worker allocations. A Local Board may transfer up to and including 100 percent of a Program Year (PY) and Fiscal Year (FY) allocation for Adult employment and training activities, and up to and including 100 percent of a PY and FY allocation for Dislocated Worker employment and training activities between the two programs. Transfers may only occur between Adult and Dislocated Worker funds within the same funding phase. For example, PY 2018 expenditures cannot be transferred to PY 2017 funding. Local Boards may not transfer funds to or from the Youth program.

SCWDB allows for the full 100% to be transferred based on the following criteria:

- All transfers of funds are subject to the priority of service requirement. Section 134(c)(3)(E) requires that priority of service be given to recipients of public assistance, other low-income individuals, and individuals who are basic skill deficient. Additionally, TEG 3-15 further emphasizes that Local Areas must give priority of services regardless of the levels of funds.
- Participants served with transferred funds will be subject to the performance outcomes of the new funding source.

In addition, the SCWDB CEO will use the following factors to justify a transfer request:

- Changes in planned services to eligible participants.
- Unexpected layoffs requiring additional funds.
- Changes in the goals for serving eligible participants.
- Changes in labor market conditions.
- Effect of transfer on jointly funded employment and training programs in the Kentucky Career Centers and Partner Affiliate sites.
- Effect on existing agreements for the delivery and/or coordination of employment and training services.
- Effect on current state and Local Area employment and training systems.
- Effect on the employment and training needs of eligible participants in the Local Area.

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<sup>9</sup> 20 CFR § 683.205(a)(4)

<sup>10</sup> 20 CFR § 683.205(a)(5)

**REFERENCES:**

- Workforce Innovation and Opportunity Act (WIOA Pub. L. 113-128), Sections 3 and 128(b)(4),
- Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards Final Rule;
- WIOA: Joint Rule for Unified and Combined State Plans, Performance Accountability, and the One-Stop System Joint Provisions - Final Rule (81 FR 55792, Aug. 19, 2016); TEGL 12-14;

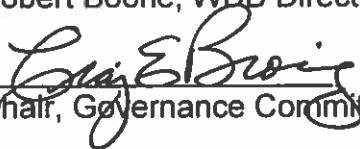
**Approved:**

1-11-19  
Date of WDB Approval

12-19-18  
Date of Governance  
Committee Approval

**Signed by:**

  
Robert Boone, WDB Director

  
Chair, Governance Committee