

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

/s/ Sandy Mcconnell  
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.

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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.

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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:
    - (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.
- (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.
- (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.