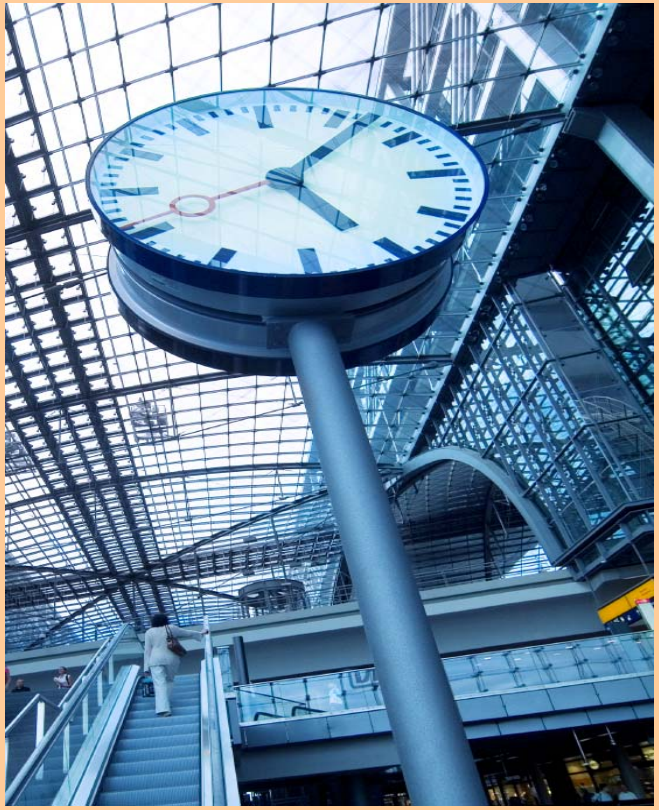
Accountability and Grants Management: Connecting the Dots



Cost Classification & Administrative Costs

U.S. Department of Labor
Employment and Training Administration

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Cost Classification Concepts

- Assign allowable costs to cost objectives
  - Direct charge
  - Allocation
- General ledger or books of account
- A CC System is required by GAAP
- Trace costs from Federally required reports
  - To books of account
  - To source documentation

Reporting Categories

- 4 primary categories
  - Administrative costs
  - Program costs
  - Program income
  - Match or leveraged resources/costs (if required by grant agreement)

Chart of Accounts

- Numerical listing or codes
- General ledger/books of account
- Identify costs in books of account
- Report financial results of operations
- Accumulate & track costs
- Source of funds
- Program activities or cost categories
- Interim & final cost objectives

Chart of Accounts (Continued)

- Handout #1 – Sample Chart of Accounts
- Example is for illustrative purposes only to demonstrate a four level coding system
- Grantee's Chart of Accounts should be based on:
  - Their funding, grant and organizational needs
  - Relevant costs principles
  - GAAP requirements

Documentation – defending how costs were classified…

- Supporting records/documents for both direct and indirect costs (Invoices, certified time sheets, actual receipts)
- Time distribution method (based only on actual time worked)
- Cost allocation method
- Between programs and/or cost pools

Administration Costs (WIA Definition)

- 20 CFR 667.220 – applies to all grants and programs receiving WIA Title 1 funds
- Allocable portion of necessary and reasonable costs that are not related to direct provisions of workforce services
- Coordination of and provision of general administrative functions (continued)

Administration Costs (WIA Definition)

- Financial and cash management
- Procurement and purchasing
- Personnel and property management
- Payroll, audit and general legal services
- Oversight and monitoring activities
- Costs of information systems related to administrative functions

Administration Costs (WIA Definition)

- Awards or contracts solely for the performance of administrative functions
  - i.e. a contract to a CPA firm to perform financial monitoring of subrecipients
- Allocating costs of personnel who performs both administrative and program services such as:
  - Salaries for executive staff
  - Travel for program or administrative purposes

Administration Costs

- Identify administrative costs that are direct and indirect:
  - Direct Costs – any costs that can be directly identified with a specific grant
  - Indirect Costs – any costs shared among multiple programs for which a definitive amount can not be directly attributed to a specific grant
- Direct and indirect costs can be either administrative or program costs

Administration Costs

For example:

- Direct costs – Informational System costs for a specific grant:
  - Administrative: all costs directly related to financial recording and reporting
  - Program: all costs directly related to performance tracking and reporting
- Indirect costs – Equipment maintenance and operational costs for an office working with multiple programs
  - Administrative: general office copiers and printers
  - Program: motor vehicles used for transporting participants

Administration Costs

- Total expenditures equals
  - All program costs which includes:
    - All direct and indirect costs not defined as administrative expenditures

  Plus

  - All administrative costs which includes:
    - All direct and indirect costs identified as administrative expenditures

Administration Costs

Example

Total Reported Expenditures was $1,000,000			
Total Program Costs was $900,000		Total Administrative Costs was $100,000	
Direct $775,000	Indirect $125,000	Direct $40,000	Indirect $60,000

Administration Costs (WIA Definition)

- Administrative costs charged as Program costs
  - Specific costs (overhead or indirect) directly related to program cost
  - All subrecipients and vendors costs
    - Except when administrative functions are specifically addressed in the award or contract
  - Informational system costs directly related to tracking performance information

Administrative Costs

Handout #2 – Sample Matrix of Specific Cost and Category Allocation

Handout #3 – Administrative and Program Cost Fact Sheet

Administrative Costs

- Admin costs limitation is specific for each formula and discretionary grant
- Measured at conclusion of grant period
- Tracked, accounted for & reported
  - Single combined amount that includes direct and indirect costs
  - Must be appropriately allocated and cost allocation plans should be:
    - Supported by methodology documentation
    - Reconciled at regular intervals

Administrative Costs

Cost allocation plans

- Reasonable and consistently applied
- Supported by accurate and current data
- Appropriate to the particular cost being distributed
- Result in an accurate measure of the benefits provided to each activity

Administrative Costs vs. Indirect Costs/Rate

- Administrative costs associated with the efficient management of an organization's programs
- May be defined as a % or dollar limit of the Federal grant award
- May be either direct or indirect

Indirect Costs/Rate

- Costs that are not readily identified with a particular cost objective.
- May be defined as a % of base such as salaries but not necessarily the total federal grant award
- Always indirect but may include program costs

Administrative Caps and Approved Indirect Cost Rates

- Administrative caps supersede an approved indirect cost rate.
- The indirect cost rate allocates pooled expenses to the funding streams, but the payment of the allocated costs are limited by any/all administrative caps of each program

Is an Admin Limit % the same as an Indirect Cost Rate %?

- Administrative caps are normally defined as a % of the total grant/contract.
- Indirect cost rates are defined as a % of specific direct cost (base) such as total direct salaries or total direct costs.

Direct vs. Indirect

- Grantee sets up a small lab for their Youth program:
  - Direct or Indirect?
  - Program or Administrative?

- Grantee discovers their accounting system can not meet the High Growth program requirements:
  A. Contract to reprogram system: Direct or Indirect?
  B. Buys new accounting program: Direct or Indirect?
  - Program or Administrative?

Direct vs. Indirect

- Grantee who manages 7 different programs buys a new phone system:
  - Direct or Indirect?
  - Program or Administrative?
- Grantee who manages 5 programs, hires 6 new staff for their H1B grant (5 case managers & 1 administrative clerk). They buy a new computer system that is expanded to include new staff:
  - Direct or Indirect?
  - Program or Administrative?

Program Income

Gross Income earned from Grant Funds

- Examples:
  - Fees for services
  - User or rental fees
  - Sale of products
  - May include interest income (look to program regulations)

Program Income

Gross Income earned from Grant Funds

- Interest Income
  - 20 CFR 667.200 (a)(7) – Interest income earned on funds received under WIA Title I must be included in program income.
  - Non-WIA Interest Income
    - Non-governmental grantees
      - Excess of $250 earned must be remitted annually through PMS. Sub grantees remit to grantees.
    - Governmental grantees
      - Excess of $100 must be remitted through PMS. Sub grantees remit to grantees. (Note: May require adherence to the treasury-state CMIA agreement.)

Handling of Program Income

- Addition method
  - Use to provide additional program services
- Deduction method
  - Use to reduce allowable costs incurred
- Report on the quarterly Federal expenditure report

Matching Requirements

- 29 CFR 95.23
  - Non-Profits, Hospitals, Institutions of Higher Education, and Commercial Organizations
- 29 CFR 97.24
  - State, local and Indian Tribal governments

Matching Costs and Leveraging Resources

- Matching Costs – additional non-Federal resources expended to further the grant objectives.
- Leveraging Resources – all resources used by the grantee to support grant activity & outcomes:
  - Includes both allowable match and other costs which supports the outcomes of grant activity
  - Resources must be expended on allowable costs

Matching Costs vs. Leveraging Resources

Matching Costs:

- Required by Law
- Recorded in Budget
- If not met, may result in disallowed costs
- Primary Component in program designed
- Can not be modified

Leveraging Resources:

- In Grant Agreement
- Not recorded in Budget
- Must be expended for allowable costs
- Intended to support program services
- Could be modified by Grant Officer

Matching Costs vs. Leveraging Resources

Matching Costs:

- Policy & Procedures:
  - Grant Match requirements
  - What is allowable
  - Establish method to track & report costs
- Is program meeting matching requirements

Leveraging Resources:

- Policy & Procedures:
  - Provide for use of leverage resources
  - Establish method for tracking use of these resources
- Is program on track in development and use of resources

Matching Costs and Leveraging Resources

Cash Matching:

- Cash donation from any source
- Must be used for allowable services

In-Kind Contributions:

- Not paid for by grantee or subgrantee
- Applied to allowable services or costs
- Must determine reasonable value
  - 29 CFR 97.24(b)(7)
  - 29 CFR 95.23(c-h)

In-Kind Contributions

- Personnel services
  - Volunteers or paid non-grantee staff
- Services
- Equipment & Supplies
- Space
- Valuation requirements
  - Must be documented

Records

- Source documentation
  - Books of account
  - Available for audit & review
- Support for 3rd party contributions
  - Verifiable from subgrantee records or
  - Maintained by grantee
  - Methods used to value in-kind

Other Cost Classification Issues

- WIA Formula Youth Program
  - In-school
  - Out-of-school
- Other DOL-ETA Grants/Programs
  - MSFW
    - Administration
    - Related assistance
    - Other program services
  - SCSEP
    - Admin headquarters
    - Admin local
    - Enrollee wages
    - Other program services

Web Site Addresses

- One Stop Comprehensive Financial Management Technical Assistance guide:
  - http://www.doleta.gov/grants/pdf/FinalTAG_August_02.pdf
- OMB Circulars
  - http://www.whitehouse.gov/omb/circulars/
- DOL Advisories and Memorandums (TEGL/TEN)
  - http://wdr.doleta.gov/directives/
- Code of Federal Regulations pertaining to DOL
  - http://www.dol.gov/dol/allcfr/cfr.htm

Web Site Addresses

- **OMB Circulars:** http://www.whitehouse.gov/omb/circulars/
  - **OMB Circular A-21**, Cost Principles for Educational Institutions (05/10/2004) **Relocated to 2 CFR, Part 220**
  - **OMB Circular A-87**, Cost Principles for State, Local and Indian Tribal Governments (05/10/2004) **Relocated to 2 CFR, Part 225**
  - **OMB Circular A-122,** Cost Principles for Non-Profit Organizations (05/10/2004) **Relocated to 2 CFR, Part 230**

Question #1

Review Questions

Question #1

Program income is similar to unrestricted funds in that it can be applied and used for agency wide purposes?

True or False

Question #1: Answer

FALSE: Program income must be applied to and used for program purposes in which it was earned.

Question #2

An agency has an approved indirect cost rate of 18% of salaries and fringe benefits and a 10% administrative cost limit on a recently awarded DOL grant. Can the agency recover expenses from both the indirect cost rate and the administrative cost limit?

YES or NO

Question 2: Answer

YES - The agency can recover costs stemming from the indirect cost rate as long as it does not exceed the administrative cost limit.

Question # 3 - Documentation

- An accounting system that can track all costs can provide adequate documentation to support allocability and allowability of each costs. TRUE or FALSE?
- Answer: Such a system may be able to show how all costs are allocated, but it is the Source Documentation (contracts, vouchers, time sheets, etc.) that can support allowability of any costs.

Presenter

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THANKS!

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