
Workforce Investment Act State Compliance Policies

Section: 3.7

Cost Allocation

August 2005

I. Cost Classification

Under the Workforce Investment Act, costs are generally allocated across two categories: program and administrative.

A. General Categories of Cost Allocation

1. **Administration:** §667.210 and §667.220 describe administrative cost limits and provide administrative costs categories for title I of WIA. The costs of administration are the portion of necessary and allowable costs that are associated with the overall management and administration of the workforce investment system and are not directly related to the provision of workforce investment activities. These costs may be either direct or indirect costs (refer to Section II - Cost Allocation for additional information.).
Administrative costs do not include those costs properly chargeable to program services (refer to State WIA State Compliance Policy Section 3.6). Indirect and overhead costs normally must be charged to administration except when the cost can be identified with a WIA program service directly benefited. All financial documentation must be maintained in accordance with WIA State Compliance Policy 5.4.
2. **Program:** Those program expenditures directly related to the provision of workforce investment activities and not related to the overall management and administration of the workforce investment system.

II. Cost Allocation:

- A. In addition to allocating costs within the two (2) general categories above, Local Workforce Investment Boards (LWIBs) must develop a method for allocating operating costs among the partners participating in the One-Stop System. These methodologies include, but are not limited to, allocations based on direct costs, cost pooling, indirect cost rates, and activity-based allocation plans. All cost allocation methodologies must conform to WIA regulations and relevant OMB Circulars A-21, A-87, A-122 and 48 Code of Federal Regulations, Part 31.
 1. The methodology used to distribute costs by direct or indirect allocation should be kept as simple as possible; amounts not charged as indirect costs under one federal program cannot be shifted to another federal program.
 2. For the purpose of cost allocation and cost pooling, direct costs are classified as either direct costs or shared direct costs and are distinguished

from indirect costs.

3. Definitions:

- a. Direct Costs are costs that are identified specifically with a particular partner or program and directly charged to that partner or program.
- b. Shared Direct Costs are costs that can be readily assigned to multiple partners or programs, but not all partners or programs at the site are considered shared direct costs. These costs will be consolidated into a cost pool and subsequently distributed using an appropriate allocation method.
- c. Indirect Costs are costs that have been incurred for common or joint purpose and cannot be readily identified to a particular partner or program. Typically, indirect costs are placed into a cost pool and must be distributed in an equitable and consistent manner. In order for an indirect cost to be eligible for reimbursement, the cost must be:
 - i. a measured benefit to the program;
 - ii. allocable;
 - iii. allowable;
 - iv. reasonable; and
 - v. included in the cost allocation plan (TEGL 6-02 and OMB A-87).

- B. 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 costs limit calculations. Each program's administrative activities area is chargeable to its own grant and subject to its own administrative costs limitations [§667.210(d)] .
- C. By April 1 of each program year, LWIBs must submit a cost allocation plan to the State Workforce Investment Board for review and approval. At a minimum, the plan must include the method for allocating costs in the One-Stop system among the One-Stop partners, as well as the planned budget expenditures by administrative and program categories.
- D. The following table provides guidance on allocating costs to administrative and program cost categories.

Workforce Investment Act Category Allocation Guide

Where both categories are marked, the expense may be either program or administration depending on the nature of the cost as specified in IA above)

Costs	Admin	Program
Staff Salaries and Fringe Benefits (staff):		
Accounting	X	
Administrative Overhead	X	
Advertising/Outreach	X	X
Audit Services	X	
Audit Resolution	X	
Budgeting	X	
Case Management		X
Clerical Assistant to a Supervisor	X	X
Clerical Assistance to Training Personnel		X
Computer Program Analysts	X	X
Coordination of Customer Services		X
Counseling		X
Development of Employment Plans		X
Eligibility Determination		X
Executive Staff	X	X
Fiscal Staff	X	
Follow up Analysis		X
Information Technology	X	X
Information Technology Staff	X	X
Initial Assessment		X
Intake		X
Job Coach		X
Job Developer		X

Costs	Admin	Program
Job Search Assistance		X
Labor Market Analysis		X
Legal Staff	X	
Maintenance Staff	X	X
Monitoring	X	X
Objective Assessment (Employability/Testing)		X
Outreach to Employers to Obtain Job Listings		X
Participant Follow-Up		X
Performance and Program Reporting		X
Personnel Staff	X	
Placement Staff		X
Program Design/Curriculum		X
Provision of Program Information		X
Supervisors	X	X
Training Personnel (Includes remedial education, basic skills, and institutional training)		X
Other:		
Capital Expenditures	X	X
Communication	X	X
Councils (includes establishment and maintenance of a LWIB/Youth Council)	X	
Equipment Expenditures	X	X
Indirect Costs	X	X
Insurance & Indemnification	X	X
Interest	X	X
Maintenance & Repair	X	X

Costs	Admin	Program
Management Studies	X	
Materials & Supplies	X	X
Memberships	X	X
Memorandum of Understanding Development	X	
Motor Pools	X	X
Pre-award Costs	X	
Premises	X	X
Professional Services	X	X
Profit	X	X
Publication and Printing	X	X
Rental Costs	X	X
Staff Training & Education	X	X
Subscriptions	X	X
Taxes	X	X
Transportation	X	X
Travel	X	X
Utilities	X	X
Customer Service Costs:		
Assessment		X
Contracted Consultant Services Not Involving Direct Training or Support to Participant	X	
Core, Intensive and Training Services		X
Eligibility/Intake		X
Employer Assistance/Services		X
Entrance Fees for Participants (lab fees, activity fees, parking fees, application fees, accounting fees, graduation fees)		X

Costs	Admin	Program
Incumbent Worker Activities		X
OJT/Customized Training		X
Payments for Training Activity		X
Payments for Limited Internships (Youth)		X
Payments for Service Providers for Program Services		X
Self-Service/Informational Services		X
Tuition for Participants		X
Youth Services		X
Supportive Services:		
Child Care		X
Dependent Care		X
Housing Assistance		X
Needs-Based Payments		X
Transportation cost for Participants (includes fares for public transportation, mileage for personal auto, transportation allowances)		X