

**SOUTHERN NEVADA WORKFORCE INVESTMENT BOARD
General Policy**

COST CLASSIFICATION AND ALLOCATION

EFFECTIVE DATE: October 7, 2003	NUMBER: 2.1
SUPERSEDES: SNWIB General Policies and Procedures No. 2.1R, March 12, 2001 & 2.10 March 14, 2001	AUTHORIZATION: SNWIB Manager

BACKGROUND:

The Southern Nevada Workforce Investment Board (SNWIB) is required to formulate criteria to ensure that WIA and non-WIA funds are equitably charged to the titles and activities that actually benefit from these funds. The purpose of this policy is to define a system for assigning costs to various program titles.

The particular method for allocating costs may vary from year to year depending on various program factors and the fiscal requirements of the SNWIB. However, in every instance, the method chosen shall be in accordance with generally accepted accounting principles and Federal and State guidelines. [OMB Circulars A-21, A-87, A-122; 29 CFR 97; and 48 Code of Federal Regulations Part 31]

GENERAL CATEGORIES OF COST CLASSIFICATION

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

1. **Administration:** §667.210 and §667.220 describe administrative cost limits and provide cost 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.
2. **Program:** Program expenditures are those costs directly related to the provision of workforce investment activities, and do not relate to the overall management and administration of the workforce investment system.

GENERAL PROVISION FOR COST ALLOCATION

In addition to allocating costs within the two general categories defined above, The SNWIB has developed a method for allocating operating costs among the partners participating in the One-Stop System, as well as outlining guidelines for cost allocation to be used by service providers in developing cost reimbursement invoicing.

For the purpose of cost allocation and cost pooling, costs are classified in one of the three categories listed below:

1. **Direct costs** are costs that are identified specifically with a particular program and directly charged to that program.
2. **Shared direct costs** are those that can be readily assigned to multiple programs, but not all 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.
3. **Indirect costs** are costs that have been incurred for common or joint purposes, 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:
 - a. a measure benefit to the program;
 - b. allocable;
 - c. allowable; and
 - d. reasonable.

The methodology used to distribute costs by direct or indirect allocation should be kept as simple as possible. Any costs allocable to a particular award under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

Effective with the issuance of this procedure, unassigned, indirect and direct costs shall be allocated as follows (refer to SNWIB Policies 2.6 Youth Services Invoicing; and 2.7 Adult/Dislocated Worker Services Invoicing):

1. **Personnel** – Salaries and fringe benefits of service providers **whose responsibility does not include delivery of client services.**
2. **Operating Cost Pools** – Costs associated with operating a business, i.e., rent, telephones, postage, etc. **does not include delivery of client services.**
3. **Furniture/Equipment** – Furnishings such as: desks, chairs, filing cabinets, etc. and equipment such as computers, printers, fax machines, copiers, scanners, hubs, switches, etc. **does not include delivery of client services.**
4. **Client Services** – Costs associated with providing services to clients. This includes direct costs associated with client services and activities. Also, costs associated with client services such as: Salaries and fringe benefits of staff who are responsible for working directly with clients (case managers and intake staff), instructors, and supplies and equipment **used exclusively for delivery of client services such as books, computers, etc.**