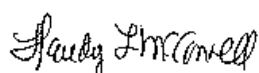


U. S. Department of Labor Employment and Training Administration Washington, D.C. 20210	CLASSIFICATION WtW
	CORRESPONDENCE SYMBOL OAS
	DATE May 2, 2001

TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 20-00

TO: STATE WELFARE-TO-WORK CONTACTS
STATE WORKFORCE LIAISONS



for

FROM: LENITA JACOBS-SIMMONS
Deputy Assistant Secretary

SUBJECT: Guidance and Instructions on the Effective Date for Applying the Welfare-to-Work Revised Definition of Administrative Costs and How to Report Expenditure Adjustments

1. **Purpose.** To provide Welfare-to-Work (WtW) formula and competitive grantees with guidance on the WtW revised definition of administrative costs, to announce the effective date for its application, and to provide instructions on reporting expenditure adjustments.

2. **Authorities and References.**

- WtW Regulations, 20 CFR Part 645, Final/Interim Final Rule published at 66 Fed. Reg. (Jan. 11, 2001), effective date: April 13, 2001.
- Department of Labor Appropriations Act, 2001 (Pub. L. 106-554)
- Workforce Investment Act (WIA) of 1998 (Pub. L. 105-220)
- WIA Regulations, 20 CFR 667.220 (published at 65 Fed. Reg. 49254 (Aug. 11, 2000))
- Training and Employment Guidance Letter (TEGL) No. 1-00, (WIA), dated July 10, 2000
- TEGL No. 15-00, (WtW), dated March 8, 2001
- TEGL No. 11-97, Change 2, (WtW), dated April 5, 2001

RESCISSIONS None	EXPIRATION DATE Continuing
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3. **Background.** With the publication of the new WtW Regulations, on January 11, 2001, and effective on April 13, 2001, we revised the definition of administrative costs found at 20 CFR 645.235 to more closely parallel the concept of program functionality in the WIA definition of administrative costs at 20 CFR 667.220, published in the WIA Final Rule in August, 2000. Because full implementation of WIA was to occur on July 1, 2000, before the publication of the WIA Final Rule which contained the proposed changes to the WIA classification of administrative costs, TEGL No.1-00 announced that WIA operating entities could apply the administrative cost changes to costs incurred starting on July 1, 2000.

The Employment and Training Administration (ETA) expected the publication of its regulations to follow closely on the heels of the WIA regulations early in WIA program year (PY) 2000, thus providing the many WtW operating entities that are also WIA local workforce boards with similar administrative costs adjustments as WIA for the same time period. However, both the publishing and effective dates of the WtW regulations were delayed until later in PY 2000. Due to the delay, ETA intends to allow its WtW operating entities to apply the WtW revised administrative costs definition to costs incurred since July 1, 2000, the same date used in the WIA system. Thus, similar costs incurred during the same period will be treated in like manner. This TEGL announces the effective date for applying the WtW revised administrative cost definition and provides WtW grantees with instructions on how and when to reflect appropriate fiscal adjustments on the Cumulative Quarterly Financial Status Report (QFSR).

4. **Information on the Revised WtW Administrative Cost Definition and Announcement of the Effective Date for Applying the Definition.** The WtW Regulations at 20 CFR 645.235, revised the definition of administrative costs, by function. Section 645.235(c) identifies the functions that are considered to be administrative in nature. This new definition, beneficial to most grantees, essentially narrows the scope of activities subject to the administrative cost limit and broadens the types of WtW activities that can be charged directly to program activities.

After consultation with WtW grantees, we determined that the majority of WtW grantees have a critically limited amount of administrative dollars left available in their grants. We do not find this situation surprising as many grantees were forced to operate programs on an inhibited basis until both the much-awaited 1999 Amendments were passed and the staggered dates in which to implement them became effective. Currently, however, this condition severely hampers the WtW grantees' ability to effectively operate program activities until the original expiration date of the grant. Additionally, the lack of administrative dollars would probably prohibit many grantees from applying for the two year grant extensions that are available as a result of legislative amendments to the WtW statute. Thus, April 13, 2001, the effective date of the WtW Final Rule, which included the WtW revised definition of administrative costs, would be of limited assistance to grantees.

To provide as much administrative relief as possible to WtW grantees; to continue to foster WtW alignment to the fiscal and administrative requirements of WIA and

One-Stop systems; to be consistent with the WIA revised classification of administrative costs, which became effective July 1, 2000 (see TEG L No. 1-00); and to allow similar costs incurred under WtW and WIA during the same period to be classified in the same manner, we have determined that WtW operating entities can apply the WtW revised administrative cost definition to costs incurred since July 1, 2000.

This change broadens the scope of activities that WtW grantees can now charge directly to program activities, as of July 1, 2000, and it provides WtW grantees with greater flexibility when allocating administrative costs.

5. Reporting Administrative and Programmatic Expenditure Adjustments on the QFSR.

For the purposes of WtW financial reporting on the newly formatted revised cumulative quarterly report, the Quarterly Financial and Participant Status Report (QFSPR), WtW grantees should make appropriate adjustments to both the Federal administrative expenditures line-item and the Federal program expenditures line-item **no later than on the QFSPR for the quarter ending September 30, 2001.**

For those grantees who wish to report the appropriate adjustments on the existing QFSR format for the quarter ending March 31, 2001, (the last quarter for using the existing cumulative QFSR reporting format), it will only be necessary to show the adjusted cumulative expenditures for the Federal administrative expenditures line-item (Section I, line-item 3 on the existing competitive formats and Section I, line-item 5 on the existing formula formats) and for total expenditures by program activity line-item (Section II, line-item 16 on the existing competitive formats; Section IV, line-item 29 on the existing formula formats). Grantees will **not** be required to report the adjustments to Federal program expenditures across program activity line-items.

Regardless of what quarter grantees choose to report the administrative and programmatic adjustments, all program and administrative adjustments made under this policy must be identified in the remarks section of the report. (Note: All adjustments must be fully documented in support of the revised policy to provide a proper audit trail.)

Grantees should make no modifications or revisions to any past reports that have already been submitted. Once the adjustments are made (no later than for the quarter ending September 30, 2001), continue to apply the revised administrative costs definition and report expenditures accordingly.

6. Action Required. Disseminate this policy to the appropriate administrative staff immediately.

7. Inquiries. Inquiries on this TEG L should be directed to your Grant Officer's Technical Representative.