

OAHU WORKFORCE DEVELOPMENT BOARD
CITY AND COUNTY OF HONOLULU

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**OAHU WORKFORCE DEVELOPMENT BOARD
WORKFORCE INNOVATION AND OPPORTUNITY ACT
POLICY #22-25**

SUBJECT: COST CLASSIFICATION

PURPOSE:

To establish policy guidelines related to Cost Classification.

BACKGROUND:

The joint interim final rule implements for all Federal award-making agencies the final guidance Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) published by the Office of Management and Budget (OMB) on December 26, 2013. This rule must be incorporated into regulation and thus bring into effect the Uniform Guidance as OMB requires. Implementing this guidance will reduce administrative burden and risk of waste, fraud, and abuse. The result will be more Federal dollars reprogrammed to support the mission, new entities able to compete and win awards, and a more robust framework to provide critical services to American citizens and support the basic research that reinforces the United States economy.

POLICY:

Recipients of funds awarded under Title I of the Workforce Innovation and Opportunity Act (WIOA) must establish a sound financial management system of controls that comply with the applicable uniform administrative requirements, cost principles, and audit requirements. Recipients of WIOA Title I funds are responsible for the efficient and effective administration of awards by applying sound management practices and in a manner consistent with the General Accepted Accounting Principles. There are only two cost categories for the WIOA Title I grants. These categories are:

- Program Costs

- Administration Costs

While there are only two cost categories, the number of reporting categories may be more significant. Thus, the number of necessary cost objectives increases. The reporting formats for WIOA Title I programs indicate that an organization must also report program income, both earned and expended and the non-Federal costs of each program. Grantees should carefully review their systems for charging costs to ensure that all the cost activities may be adequately accounted for and that the costs reported on the applicable quarterly Federal expenditure reports (e.g., Quarterly Financial Status Report) are traceable to both the accounting system and source documentation.

Cost Classification

Cost classification is described as the process used to assign allowable costs to the benefiting cost objectives in the grantee's general ledger. Every cost expended for allowable WIOA grant activity must be traceable through the accounting system to the source documentation that supports all expenditures and to the data provided on required financial reports.

Cost Category - Program:

Costs directly related to the provision of workforce investment activities that are not defined as administrative.

Allowable costs by function include, but are not limited to the following:

1. Personnel and related non-personnel costs for individuals directly engaged in providing direct training and employment services;
2. Other personnel and related non-personnel costs of program managers, supervisors and/or coordinators, whose time has been properly allocated among benefitting cost categories;
3. Miscellaneous allowable costs including payment to vendors for goods or services procured for the benefit of program participants in the receipt of direct training services;
4. Payment related to on-the-job training programs, customized training, and work experience;
5. Participant payments: including supportive services required for participation, but which the participant cannot afford, and services needed to assist participants to secure and retain employment;
6. Tracking or monitoring of participants and performance information;
7. Employment statistics information, including job listing information, job skills information, and demand occupations;
8. Performance and program cost information on eligible providers of training services, youth activities, and appropriate education activities;
9. Local area performance information; and
10. General allowable costs incurred by the Oahu Workforce Development Board (OWDB) or the grant recipient for preparing program projects, agreements, and supervision of program staff.

Cost Category - Administrative:

Administrative costs are the allocable portion of necessary, reasonable, and allocable costs that are associated to specific functions, and which are not related to the direct provision of services to

participants and employers. These costs can be both personnel and non-personnel and both direct and indirect.

General allowable costs include, but are not limited to the following:

1. General administrative functions such as accounting;
2. Financial and cash management;
3. Procurement, contracting, negotiating activities;
4. Property management duties;
5. Personnel management, and payroll;
6. Audit functions and those duties associated with coordinating the resolution of findings originating from audits, monitoring, incident reports, or other investigations;
7. General legal services;
8. Performing oversight and monitoring related to WIOA administrative functions;
9. 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;
10. The cost of awards made to sub-recipient or vendor organizations for administrative services of the awarding agency (e.g., payroll service for staffing participants);
11. Travel costs incurred for official business in carrying out administrative activities or the overall management of the WIOA system;
12. Costs of information systems related to administrative functions, (e.g., personnel, procurement, purchasing, property management, accounting and payroll systems) including the purchase, systems development and operating costs of such systems.
13. Awards to sub-recipients or vendors that are solely for the performance of administrative functions are classified as administrative costs; and

Administrative Costs and Limitation:

WIOA Title I formula grants: Administrative costs are limited to a maximum of ten percent of the total program year allocation.

The cost classification structure must provide the capability to track costs for each of the two categories, Administrative and Program, and provide supporting documentation in support of how each cost is charged. Source documentation is the proof that costs reported are, allowable and allocable to the grant. Such items as cancelled checks, invoices, purchase orders, paid bills, payrolls, time and attendance records, and contract and sub-award documents, are some examples of acceptable source documentation. When supporting documentation cannot be provided for every dollar expended under the grant, a questioned cost will be flagged, which may result in a disallowed cost.

ACTION:

This policy is effective immediately and remains in effect until such time that amendments to this policy are made or a new policy is issued.

REFERENCES:

Public Law (P.L.) 113-128 WIOA Sec. 184 and Sec. 185; 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards; 48 FAR Part 31; 20 CFR Part 683;

INQUIRIES:

For inquiries regarding this policy, please contact Harrison Kuranishi, Executive Director, Oahu Workforce Development Board at 808-768-7790 or h.kuranishi@honolulu.gov.



Harrison Kuranishi
Executive Director