

DEPARTMENT OF WORKFORCE DEVELOPMENT  
DIVISION OF WORKFORCE SOLUTIONS  
ADMINISTRATOR'S MEMO SERIES

ACTION 04-04

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RE: Determining and Reporting  
W-2 Administrative Costs

To: W-2 Agency Directors

From: Bill Clingan /s/  
Division Administrator

## **PURPOSE**

This memo is intended to review the Wisconsin Works (W-2) and Temporary Assistance to Needy Families (TANF) requirements on reporting of administrative costs.

## **BACKGROUND**

The Division of Workforce Solutions is reviewing with agencies the definition of administrative expense in order to have assurance that these expenses are correctly reported. W-2 agencies should assure that their subcontractors are reporting accurate administrative expenses to them. Agencies should review their accounting practices and take the necessary action to assure correct report occurs.

Administrative costs are defined as expenses necessary for the proper administration of the W-2 program (45 CFR Part 263). They include the costs for general administration and coordination of the program, including contract costs and all indirect (overhead) costs.

Examples of administrative costs include:

- salaries and benefits of staff performing administrative and coordination functions;
- activities related to eligibility determinations;
- preparation of program plans, budgets, and schedules;
- monitoring programs and projects;
- fraud and abuse;
- procurement;
- public relations;
- services related to accounting, litigation, audits, management of property, payroll, and personnel; and
- costs for the goods and services required for administration of the program such as the costs for supplies, equipment, travel, postage, utilities, and rental of office space and

maintenance of office space, provided that such costs are not excluded as a direct administrative cost for providing program services;

- travel costs incurred for official business and not excluded as a direct administrative cost for providing program services;
- management information systems not related to the tracking and monitoring of Temporary Assistance for Needy Families requirements; e.g., for a personnel and payroll system for state staff; and
- preparing reports and other documents.

The following are direct costs of providing program services that would be excluded from administrative costs:

- costs of providing diversion benefits and services;
- providing program information to clients;
- screening and assessments;
- development of employability plans;
- work activities;
- post-employment services;
- work supports;
- case management;
- costs for contracts devoted entirely to such activities;
- salaries and benefits costs for staff providing program services; and
- direct administrative costs associated with providing the services; e.g., the costs for supplies, equipment, travel, postage, utilities, rental of office space and maintenance of office space.

Administrative costs associated with subcontracts are based on the function or nature of the subcontract. For example, if a W-2 Agency had a contract for case management or job placement services, which meet the definition of program services, the costs associated with this subcontract would be treated as program costs. If the Partner Agency's contract includes a mix of administrative costs, as listed above, and program costs, the Agency would need to develop a method to allocate an appropriate share of the subcontract costs to administrative costs and to program costs.

### **ACTION NEEDED**

Consortium agencies are expected to report administrative costs to their lead agency. The lead agency is responsible for ensuring that all administrative costs are accurately reported.

Any questions regarding this information should be directed to the Department's Contract Manager.

REGIONAL OFFICE CONTACT: Area Administrator (Department's W-2 Contract Manager).