

**TEXAS WORKFORCE COMMISSION
ADULT EDUCATION AND LITERACY LETTER**

ID/No:	AEL 04-15
Date:	June 4, 2015
Keyword:	AEL; Fiscal Administration; TANF; WIOA
Effective:	Immediately

To: Adult Education and Literacy Grant Recipients
Adult Education and Literacy Fiscal Agents
Local Workforce Development Board Executive Directors
Commission Executive Offices
Integrated Service Area Managers



From: Reagan Miller, Director, Workforce Development Division

Subject: **Cost Allocation and Spending Priority Guidance for Adult Education
and Literacy Grant Recipients and Fiscal Agents**

PURPOSE:

To provide Adult Education and Literacy (AEL) grant recipients and fiscal agents (AEL entities) with information and guidance on cost allocation plan development and implementation and related spending priorities.

BACKGROUND:

Title II of the Workforce Investment Act (WIA) of 1998, also known as the Adult Education and Family Literacy Act (AEFLA), authorizes the AEL program to create partnerships with the federal government, states, and other eligible partners to provide AEL services. On July 22, 2014, the president signed into law the Workforce Innovation and Opportunity Act (WIOA), which repealed WIA and reauthorized AEFLA. As a result, the Texas Workforce Commission (TWC) is transitioning from the WIA requirements to the new requirements in WIOA.

PROCEDURES:

NLF: AEL entities must develop a cost allocation plan for the use of AEL funds per TWC's Financial Manual for Grants and Contracts (FMGC). Excerpts from FMGC are included in this AEL Letter; more detailed information and documentation requirements can be found in FMGC, Chapter 11.

Cost Allocation Plan

NLF: AEL entities must ensure that the cost allocation plan includes all costs to be claimed as allocated costs under federal or state awards.

NLF: AEL entities must be aware that per FMGC, Chapter 11:

As provided in applicable cost principles, “All costs and other data used to distribute the costs in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to federal or state awards.”

NLF: AEL entities must ensure that all cost allocation plans include the following documentation:

- An organization chart sufficiently detailed to show operations, including activities that may not benefit from those functions being allocated.
- A copy of the organization’s financial statements for the period covered by the costs (i.e., comprehensive annual financial report, if applicable) or a copy of the approved budget if the cost allocation plan covers budgeted costs. The financial statements must support the allowable costs of each activity included in the plan.
- A certification that the cost allocation plan:
 - was prepared in accordance with the applicable Office of Management and Budget Circular and/or the Uniform Grant Management Standards, and FMGC.
 - contains only allowable costs; and
 - was prepared in a manner that treated similar costs consistently among the various federal or state awards and between federal and other nonfederal awards and activities.
- A Cost Allocation Plan Certification (Attachment 1). An authorized official of the organization must certify that the cost allocation plan has been prepared in accordance with authorizing legislation and regulations, and state or other applicable requirements.

NLF: AEL entities are not required to submit their cost allocation plan for approval; however, the cost allocation plan must be maintained on-site and available for audit.

Cost Allocation Methodology

NLF: AEL entities must ensure that the cost allocation methodology is described in the cost allocation plan and is consistent with applicable cost principles and administrative requirements.

NLF: AEL entities must ensure that the methodology used:

- results in an equitable distribution of indirect and/or shared costs;
- corresponds to the costs being allocated;

- is efficient to use;
- is consistently applied over time;
- is consistent with generally accepted accounting principles;
- is consistent with applicable cost principles and administrative requirements;
- is accepted by each entity's independent auditor to satisfy the audit testing required under the Single Audit Act of 1984;
- is supported by actual cost data; and
- is consistent with the overall AEL program design and services approach.

AEL Funding and Cost Allocation

NLF: AEL entities must be aware that AEL grant recipients are funded by several funding streams; therefore, it is important to understand the concepts of cost allocation, budget, and spending priorities. Budget development and the coding of expenditures should follow these cost allocation principles.

Federal AEFLA and State General Revenue Funds

Federal AEFLA and the matching state General Revenue funds constitute the bulk of funding that AEL entities receive.

LF: AEFLA funds and matching state General Revenue funds may be used for any AEL student who meets the AEL eligibility guidelines found in AEL Provider RFP #320-14-10.

NLF: AEL entities must be aware that state General Revenue funds follow the same allowability and allocability rules as AEFLA funds.

English Literacy and Civics Funds

English Literacy and Civics (EL Civics) funding is a subset of AEFLA funds. Student eligibility for EL Civics services is the same as eligibility for services funded by AEFLA funds.

NLF: AEL entities must ensure that EL Civics funds are allocated based on the activity and the materials necessary to provide EL Civics services.

Temporary Assistance for Needy Family Funds

NLF: AEL entities must ensure that Temporary Assistance for Needy Families (TANF) funds are allocated based on student eligibility. For example, if all TANF-eligible students are placed in one class, then 100 percent of the teacher's salary would be funded by TANF. However, if these students are spread throughout the program (which is preferred), then the teacher's salary would be funded based on the projected number of TANF students in his or her class. A monthly journal entry would adjust allocations based on actual student attendance.

State Leadership (Professional Development) Funds

NLF: AEL entities must ensure that State Leadership (Professional Development) funds are used only to fund professional development training activities to staff members who provide AEL services. A requirement of AEL Provider RFP #320-14-10 is to fund a Professional Development Coordinator to coordinate these activities and develop a Professional Development Plan.

Spending Priorities

NLF: AEL entities must ensure the following:

- In a multiyear contract, Year 1 funds are expended prior to Year 2 funding, regardless of funding type.
- Year 1 AEFLA state General Revenue funds are expended prior to Year 1 AEFLA federal funds.
- If TANF federal funds roll over from Year 1 to Year 2, they must be expended prior to any Year 2 funds.
- TANF Maintenance of Effort (state TANF) funds must be expended and drawn down on or before August 31 of each year.

INQUIRIES:

Direct inquiries regarding this AEL Letter to Chris Nelson, Director of Financial Operations, at (512) 463-1829 or Fiscal.TA@twc.state.tx.us.

ATTACHMENT:

Attachment 1: Cost Allocation Plan Certification

RESCISSIONS:

None

REFERENCE:

Adult Education and Family Literacy Act
Single Audit Act of 1984
Workforce Innovation and Opportunity Act
OMB Circular A-21, Cost Principles for Educational Institutions
OMB Circular A-87, Cost Principles for State and Local Government Entities
OMB Circular A-122, Cost Principles for Non-Profit Organizations
Uniform Grant Management Standards
Texas Workforce Commission Financial Manual for Grants and Contracts

FLEXIBILITY RATINGS:

No Local Flexibility (NLF): This rating indicates that AEL entities must comply with the federal and state laws, rules, policies, and required procedures set forth in this AEL Letter and have no local flexibility in determining whether and/or how to comply. All information with an NLF rating is indicated by “must” or “shall.”

Local Flexibility (LF): This rating indicates that AEL entities have local flexibility in determining whether and/or how to implement guidance or recommended practices set forth in this AEL Letter. All information with an LF rating is indicated by “may” or “recommend.”