



ILLINOIS HUMAN RESOURCE INVESTMENT COUNCIL/ ILLINOIS WORKFORCE INVESTMENT BOARD

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October 23, 2002

Dear Workforce Partner:

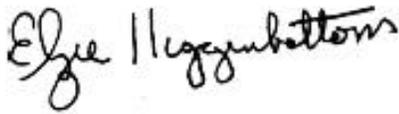
Attached you will find the Illinois Cost Allocation/Resource Sharing Guide for Workforce Investment Act Partners. This guide has been developed by a team of individuals representing state and local programs as a tool for the 26 LWIAs to use during cost allocation/resource sharing negotiations.

The guide has been divided into 8 sections for ease of use. In some LWIAs, the entire guide could be of help to the process, in others, only certain sections may be needed. The sections deal with non-technical issues like designing a business plan for the one-stop and relationship and partner building to very nuts and bolts sections dealing with definitions of costs and cost allocation methodologies. The last section of the guide, Section 8, should be very helpful. In this section, frequently asked questions are addressed.

We would like to thank the workgroup who designed this guide, from the Department of Employment Security, Don Arnold, Linda DeMore, Chloe Frooninckx, and Tariq Gandhi, from the Department of Human Services, Tony Fuhrmann, Jim Granger, and Dan Mount, from the Department of Human Services Office of Rehabilitation Services, Shawn Henderlitter and Donna Ryan, from the Illinois Community College Board, Ed Smith and Lavon Nelson, from Heartland Community College, Rob Widmer, LWIB chair from LWIA 4, Ted Odendahl, from the Workforce Board of Northern Cook County, Mary Pepperl, and from the Rock Island Tri-County Consortium, Chuck Stewart.

Requests for assistance in using, and questions concerning the guide should be e-mailed to dhs9595@dhs.state.il.us. We hope that this guide will be a valuable tool in the cost allocation/resource sharing process in your area.

Sincerely,



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Illinois Cost Allocation/ Resource Sharing Guide For Workforce Investment Act Partners



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This *Guide* is an attempt to bring together information tools that will help Local Workforce Investment Boards (and especially the various Partners directly responsible for delivering services) work through the critical task of determining how they will share their resources to meet the costs of delivering those services in the context of a One-Stop System. It is not so much a single tool as it is a set of related tools, which will be used differently in the context of the different LWIBs.

We have tried to walk a balance between “keeping to the minimal essentials” and trying “to have all the tools available in one place.” We haven’t tried to include everything, because we have wanted to keep the most important elements in focus. The result, we realize, isn’t perfect. Our hope is that it is a whole lot better than either of the extremes of three-inch-thick technical guides or nothing. We hope we have brought together some useful information. Some of it condensed and brought together in one place (while preserving references that allow users to turn to more detailed discussions). Some of it—the sections under State, Local, and Partner Issues, for example—available for the first time. Two thoughts that have not always been kept in clear focus in the past, perhaps deserve special attention.

- Decisions about resource sharing should grow out of a vision clarified by the discipline of a business plan. Cost sharing is not a technical exercise to be negotiated in a vacuum. The business plan is the place to start and the point to which all decisions return to judge their worth and success.
- The concept of a **One-Stop System** is broader and more fundamental than that of a **One-Stop Center**. In this *Guide*, when we talk of a “One-Stop” we mean the System unless we specifically say “Center”—meaning a physical “under-one-roof” location. This distinction is important because confusing the two concepts can narrow our creativity and may also lead us to believe we are reaching our end objective when we are in fact just taking a first important step.

If it were possible to reduce, to a single page, all of the information, understanding and wisdom that is needed to simplify the process of fairly and appropriately sharing costs and resources, we would have gladly done so and done away with the volume that follows. At some point, however, information ceases to be refined and becomes lost. Understanding seeks to set information in a context to be meaningful. And wisdom needs to be repeated to be learned.

We hope we have done more than pull information together, useful as that may be. We hope we have shared some insights and examples that will turn information into understanding of how to go about the work of making things better in our individual regions. We have tried to create an understanding of the value of building a business plan that can unite and excite us, because we think this will be an invaluable help when we set out to figure out how we are going to share costs. We have tried to create an understanding of the difference between a System and a Center because we think this will help us identify the proper role a Center has in helping us build a System

Most importantly, we hope we have shared some bit of wisdom in this process. The task of resource sharing isn’t easy. It isn’t something that can be cleanly prescribed. But it is a critical task that can be accomplished when we identify our shared goals and keep them in focus. We trust this *Guide* will prove to be of some help in this work.

Section 1: A Business Plan for the One-Stop

Building the Business Plan

What is a Business Plan?

A business plan is a **written document** that defines what work is **most important to be accomplished, how it should be done and who is responsible to do it.**

Developing a business plan gives emphasis to the process that creates the foundation of all partnership agreements. The business plan logically becomes not only a part of the Memorandum of Understanding (MOU) but provides both the foundation upon which other agreements are built and provides the roadmap for guiding those agreement through an ever changing environment. **The more clearly we understand what our business is about, the more clearly we will understand the best ways to go about our business.**

What are the Benefits to Building a Business Plan for Illinois' One-Stops?

A well-written business plan will help the partnership achieve the desired outcomes. It will help focus the energy of the partnership constructively and force an analysis of the business of running a One-Stop. A business plan helps **focus on the most important goals and how they can be achieved.** A business plan is a reality check and a plan for carrying out the vision.

A business plan serves as the One-Stop's resume. It describes the most important services offered and how the partnership interacts with business and individual customers. A business plan helps the partnership share its corporate identity in order to attract "investors", negotiate with other potential partners, and attract employees. A business plan can also identify the need for additional financing through grants or fee-based activities as well as partner participation.

A business plan is a timetable for operations--coordinating and prioritizing diverse activities and strategies. It is the roadmap that coordinates the partnership's activities. As such, it is not so much a static prescription as it is a dynamic model that allows the partnership to stay on course in the face of change. A business plan is critical for tracking the progress of the One-Stop operation because it **defines success.**

What are Some General Rules of Good Business Planning?

Keep it simple.

Remain flexible in order to deal with the unexpected.

Know the partnerships strengths and weaknesses.

Know the business of the partnership.

Know what the partnership needs to do to succeed and what it needs to do to keep from failing.

Set specific goals that can be measured for the One-Stop as a whole.

Communicate often with the "investors" to let everyone know how things are progressing.

What follows is an outline of seven major elements that should be included in a business plan along with questions that will help a partnership focus on some critical aspects that need to be addressed within each element. Attached as Appendix A to this guide is an example of a business plan in progress written for the Pittsburgh/Allegheny County CareerLink.

A Framework for a One-Stop Business Plan

Section I. Defining the Business

Framing Questions:

Why is the One-Stop being established? What is the primary customer need that will be met?

In what way will a successfully operating One-Stop make the world different?

Who comprises the One-Stop's current and/or proposed customer base?

What is the significance of location for the One-Stop and what sort of location is optimum?

What is the One-Stop's relationship to other community service providers?

Who are the investors and what do they want in return for their investments (of time and money)?

Should other sites be used to complement the services available at the One-Stop?

Section II. Products and Services

Framing Questions:

How will we determine the most important products and services to provide?

What are the most important products and services to provide today?

Who are the targeted customers of each product and service (i.e., employers or individuals)?

Who will provide these products and services and where will they be provided?

How will partners integrate services to provide effective One-Stop delivery?

Will services be provided at sites other than the One-Stop?

Section III. Marketing Plan

Framing Questions:

What sort of marketing is needed? Do we need to meet demand or create desire?

How does the One-Stop define its market?

What market analysis exists? What analysis needs to be done?

What is the One-Stop's market niche in the community?

How does the One-Stop plan to establish its presence in the marketplace?

What aspects of the market will increase/decrease if the One-Stop is successful?

Section IV. Management and Organizational Structure

Framing Questions:

What sort of management structure would be most effective for meeting the One-Stop's goals?

Is there anything preventing implementation of that sort of management structure?

What is the background and expertise of key management and operations staff who influence the One-Stop's success or failure?

What is the relationship between One-Stop management and staff?

What staff is needed? What are their duties?

What structures are already in place (corporate status, personnel structures,

financial management structures, legal assistance)

What will the One-Stop actually manage and what will be managed by individual to allow for management development? What will need to be developed or acquired? partners?

What employee development strategies are in place or planned?

Is the One-Stop engaged in staff cross training and empowerment?

Do the partners have a plan and/or process for recognizing high quality performance?

Section V. Operational Plan

Framing Questions:

What is the best service delivery structure (i.e., location, service mix and customer flow) for the One-Stop?

How will a One-Stop operator be selected? What range of authority will they have?

What is the current status of operations? Will special transition provisions be needed?

How can technology be used to meet the prime objectives of the One-Stop? What

plans are in place to achieve this technological capacity if it does not already exist?

What are the critical elements that must be in place to allow for success?

Are the One-Stop partners prepared to create and use management information to:

- meet State and local management and reporting needs?
- produce customized reports for the local workforce development community?
- make local decisions?

Is the One-Stop accessible to all customers? Does it have good and clear customer flows?

What level of service integration is being established? How does service look and feel to the customer?

How is the One-Stop prepared to deal with issues and problems that arise? How will it continue to modify its operations to continually improve and meet changing demands?

Section VI. Measuring Success

Framing Questions:

How will the One-Stop measure success? What are the benchmarks to be used?

What are the major milestones of success?

How will One-Stop management recognize and reward success among One-Stop staff?

What customer outcomes are critical? Is the One-Stop prepared to track these?

How will the One-Stop establish a baseline for customer satisfaction?

How is the One-Stop prepared to collect and use customer satisfaction information

to change operations?

What is the One-Stop's process for sharing the results? With whom will results be shared?

What information is available to customers about vendor performance?

Section VII. Financial Plan

Framing Questions [note: these questions should help prepare partners to work through the nine steps suggested for negotiating the cost sharing component of the MOU (see Section 6)]:

How much will the planned products and services cost?

How do partners determine the value they receive from the One-Stop?

How is the level of commitment each investor makes determined?

What is the projected budget, cash flow and break-even analysis; what are the underlying assumptions, i.e., how are they related to the growth forecast and marketing plan?

How does this differ from the current budget with its sources and levels of funding?

What new funding opportunities have been identified for future growth, i.e. grants, fee-for-service, etc.?

Who will be responsible for raising funds?

What is the financial strategy for the One-Stop?

The following flow chart illustrates how the cost allocation process is part of a much larger process. The larger process requires development and completion of many basic and critical steps between partners before discussion of cost allocation can begin.

HOW COST ALLOCATION FITS INTO One-Stop PLANNING PROCESS

DEVELOP One-Stop SYSTEM/CENTER BUSINESS PLAN.

- The business plan components provide the foundation upon which all agreements are built.
- The plan provides the road map for guiding the partners through an ever changing environment.
- Please see section 1 of this guide for a framework of how to develop a business plan.



DEVELOP COST ALLOCATION PLAN/RESOURCE SHARING AGREEMENT.

- The cost allocation plan identifies costs of operating the One-Stop system and what each partner's share of the costs will be.
- The resource sharing agreement identifies how each partner will pay for their share.
- Please see section 6 of this guide for the necessary steps in completing a cost allocation plan and resource agreement.



FOLLOW-UP BUSINESS PLAN, COST ALLOCATION PLAN

- Periodic follow-up of the business plan is necessary to ensure a continuous improvement process is in place and to make any modifications due to an ever changing economic climate.
- Tracking all costs on a quarterly basis is essential to ensure that all costs are reasonable and equitably shared by the partners.
- Please see sections 1, 6, and 7 of the guide for reference.

Section 2: Relationship and Partner Building

Relationship and Partner Building

The Workforce Investment Act (WIA) promotes the development of a service delivery system based on the needs of local employers and job seekers. The Illinois workforce system envisions unparalleled levels of services to our customers, including job seekers, workers, and employers. A primary goal is to ensure that One-Stop centers are locally driven and community focused. The need to change the way we do business in Illinois is critical to the success and improvement of the quality of our workforce. The cost allocation and the Memorandum of Understanding (MOU) process must facilitate the development of One-Stop centers that are the primary resource in each community to which employers and job seekers go for workforce development services. High quality services that are designed to meet customer needs will create high levels of customer satisfaction. All efforts in developing the cost allocation plan and the MOU should develop from the needs of the job seekers, incumbent workers, and employers.

We must challenge all of our ways of delivering services and shape our future with activities that provide world class customer service to all Illinois citizens. True partnerships and strong relationships built on an honest and real assessment of the issues are at the heart of a successful system designed around the workforce needs of the customers. Many positive relationships have been created or strengthened during the implementation of the Workforce Investment Act, but some relationships have gone undeveloped or have been strained.

There are processes and techniques that can and should be used to enhance communication and to help working groups promote relationship building among all partners and boards. This is especially helpful while working through difficult issues like MOU negotiations and cost allocation that have the ability to strain even the best partnerships. During the cost allocation process, partners should consult their business plan to guide them when issues become challenging. Local Workforce Investment Areas should take advantage of the technical assistance provided through the Illinois department of Employment Security (IDES) if more assistance is needed. Other resources and materials are also available. Two websites that offer good information are; <http://arts.endow.gov/pub/Lessons/Lessons/DUNCANI.HTML> and www.nonprofits.org/npofaq/17/70.html The first has several tools and exercises that can be used and the second leads to many links on communication and conflict management. Good books to reference are “The Art of Negotiation” by Gerard Nirenberg, “Think Win-Win” and “Principles of Creative Cooperation” (both by Steven Covey).

The effective use of good meeting techniques appropriate to the type of meeting can do much to facilitate a positive discussion and assist members in dealing with the challenging issues. The following are a few recommendations for creating and improving relationships to strengthen the resulting partnerships:

- All partners should have meeting agendas and corresponding materials well in advance in order to be prepared to discuss the issues and ask intelligent questions.

- Meetings have a clear purpose, clear agenda, and clear outcomes. Meetings are efficient and productive.
- The processes for making decisions is understood by all partners.
- Individual members have a responsibility to speak up when they disagree rather than leave the session and then complain to everyone. Take ownership for ideas and actions.
- Whenever possible an outside facilitator or neutral party should act as the gatekeeper or traffic cop so that the partners can focus on the issues.
- Allow ideas to be heard without immediately assigning value or blame.
- Partners are committed to the functioning and the continued development of the One-Stop center.
- Time should be invested to bring closure and make sure everyone is on the same page before leaving the session. Arrangements and future dates should be clarified to all.
- Partners maintain a forward-thinking solutions focus.

Benefits to Being Part of the One-Stop System

Determining what benefit your organization receives for being a partner in a One-Stop center is not always an easy thing to do. Some benefits, such as increased enrollment numbers, are easy to understand and track. They also are easy to incorporate into a cost allocation plan. Some benefits, such as an increased participation in local decision-making, are more difficult to measure. This section will discuss various types of benefits received by participating in a One-Stop center. It should not be considered an all-inclusive list.

Customer Convenience – It is a fact that many customers are shared customers in that they are receiving services from multiple partners. Many that are not currently shared could qualify for other partner services. Having multiple partners housed together, or at least electronically linked, allows customers to access multiple services while minimizing their travel time. Although “convenience” itself is difficult to quantify, reduced support services costs for transportation, increased inquiries and enrollments, and improved customer satisfaction ratings can be measured.

Economy of Scale – All partner programs pay rent. Some of the cost will not be affected by co-location. For example, if an agency must rent enough space to house 12 case managers, it must do so regardless of where it is located. Some rental cost, however, can be saved by co-locating. Most partners will have areas like meeting rooms, classrooms, and computer rooms that are not always in use. Individually partners will absorb 100% of the cost of these rooms. In a One-Stop environment, partners can share the rental costs according to how often they actually use these rooms thus saving money. If designed properly, the amount of common space such as hallways, bathrooms, and break rooms can be less in a One-Stop than in multiple individual sites again saving funds for other uses.

Convenience of Staff – Co-location offers staff certain benefits. The process of referring customers to other partners and then following up on the referral is made much easier when agencies are together in a single facility. Access to information, such as new services offered by partners, is easier to obtain when staff are together. Common phone banks and reception functions can free up staff time to accomplish other tasks.

Access to Funds – The State of Illinois is financially supporting the development of One-Stop Centers. Local Workforce Investment Boards are often seeking funds to support the development of centers. These funds can result in improved technology, training opportunities for staff, and an overall improvement in working conditions such as new furniture.

Enhanced Decision Making – Local One-Stop Centers are the focal point for the employment and training activities in local areas. Participation in the centers allows agencies to help set the local agenda for the future. As Federal and State support for the One-Stop Centers increases, those agencies not involved will be at a disadvantage.

Improved Performance – Many partner agencies including State partner agencies are expected to meet certain performance measures. Funding is often directly related to these performance measures. A truly comprehensive system that provides a wide variety of services to customers enhances the chance for customer success.

Section 3: State, Local, and Partner Issues

Background on the Cost Allocation Process in Illinois

During 2001 three teams of State agency employees assisted the 26 LWIAs in the Cost Allocation and Resource Sharing negotiations. In the process, issues were raised in local areas concerning disallowed costs for a partner who paid more than their fair share. OMB Circular A-87, Attachment A, Section C.3.c stated that a function or activity that benefits two or more programs may be set up as a single cost objective and a business decision can be made on how those costs would be paid. The State, after consultation with the Department of Labor (DOL), issued PY'00 WIA Technical Assistance Information Letter No. 00-23 (see Appendix B) to confirm this was the accepted method of completing the cost allocation process in Illinois.

In November, DOL conducted training on cost allocation in Chicago. During this training the trainers stated that each partner could only pay their fair share and any funds expended over that amount would be disallowed during an audit. Local areas questioned the discrepancy in Illinois' policy for cost allocation. A phone conversation was held with DOL and Illinois was informed that the current method being used was acceptable to DOL. The IDES memo dated January 23, 2002 is included in Appendix B.

Funding Parameters and Guideline for Illinois Department of Employment Security

Introduction

The Department of Employment Security administers grant and program activities under various Federal mandates, statues and regulations. The various programs and their requirements are:

Employment Services

Funding for the Employment Service program comes from an employer payroll tax collected through the Unemployment Insurance Program. Under the Wagner-Peyser Act, funds are allocated by the US DOL to each State to plan and administer a labor exchange program that most effectively responds to the needs of the State's employers and job seekers. Employment Services include labor exchange, employability assessment, re-employment services, job search workshops and referral to jobs. No fee is charged to job seekers. Federal regulations require the labor exchanges to: assist job seekers in finding employment, assist employers in filling jobs, facilitate the match between job seekers and employers, and meet the work test requirements of the State unemployment insurance system. The Illinois Department of Employment Security will notify each local area of their staffing allocation for the year. Indirect costs which includes staff overhead, equipment, telecommunications, etc., are pooled statewide with other IDES programs.

Restrictions

- No fee may be charged to employers or applicants for basic labor exchange services.
- Employment Services must be provided by State Merit Staffed employees.
- Employment Service funding is the universal money of the One-Stop because it is available to all job seekers and employers with no eligibility requirements.

Unemployment Insurance (UI)

Most of the funding for the Department comes from payroll taxes. One is a State collected tax deposited into the State's Unemployment Insurance Trust Fund and is used to pay unemployment benefits to claimants under the Illinois Unemployment Insurance Act. The second is a Federal tax collected by the Federal government under the authority of the Federal Unemployment Tax Act, or FUTA.

Restrictions

- Unemployment Insurance resources can only be used in the administration of the UI program.

Trade Adjustment Assistance/North American Free Trade Agreement

The Federal Trade Act provides special benefits under the Trade Adjustment Assistance (TAA) program to those who were laid off or had hours reduced because their employer was adversely affected by increased imports from other countries. The North American Free Trade Agreement (NAFTA) provides special benefits under the NAFTA-TAA program to those who were laid off or had hours reduced because their employer was adversely affected by increased imports from Mexico or Canada or because their employer shifted production to either of these countries. These benefits include paid training for a new job, and financial help in making a job search in other areas or relocation to an area where jobs are more plentiful. Those who qualify may be entitled to special weekly benefits after their regular unemployment compensation is exhausted.

Restrictions

- Applies only to workers included in the petitions.

Labor Market Information (LMI)

The Bureau of Labor Statistics programs provide vital information on current, historical and future trends in the State and national economies. They allow comparison of Illinois to other states and to the nation as a whole. Labor market information is used by business to make decisions such as where to locate a new facility. Policymakers at the local, State, Local Workforce Investment Area and national level depend on sound labor market information for decision making about economic development, and design and delivery of employment and training services. Investors watch key labor market indicators for signs of strength or weakness in the economy. The data is also “repackaged” into user-friendly materials in a variety of print and electronic media to assist individuals in making informed career decisions. Many of these materials are distributed through IETC/One-Stop centers and State web page www.ilworkforce.org.

Restrictions

- Allocations are not made to the local level for LMI.

Workforce Investment Act Title I Adult, Dislocated Worker and Youth

The U.S. Department of Labor allocates WIA Title I Adult, Dislocated Worker and Youth funds to states based on each state’s relative share of unemployed in areas of substantial unemployment, excess unemployed, and economically disadvantaged adults. Eighty-five percent of the state’s allocation is distributed among the 26 Workforce Investment Areas based on each area’s relative share of the above mentioned factors. The remaining 15% is reserved at the state level for statewide activities. Twenty-five percent of the state’s Dislocated Worker allocations is reserved for state rapid response efforts. Some of the responsibilities of the Local Workforce Investment Boards are: direct expenditures for Title 1 and Welfare-to-Work funds, set local workforce policy, ensure that training provided to customers through One-Stop centers meet business and labor

market needs, provide oversight of the One-Stop centers and services it delivers to employers and job seekers, and serve as a liaison between the local elected officials and the business community.

Restrictions

- Local areas can spend no more than 10% of their allocation on administration.

Parameters and requirements

- Where IDES is the lease holder, we require summary time sheet information on partners hours worked in the center. For Federal grant purposes, IDES rent and other general facility usage costs are booked as indirect costs in a single, statewide cost pool. Timely submission of data on partner time worked is absolutely essential for IDES to produce financial reports that document these expenditures consistent with its federally approved plan for reporting indirect costs. Inaccurate financial reports can have a negative budget impact through audit findings and/or disallowed costs, which would jeopardize IDES' ability to subsidize One-Stop center rent and facility costs.
- Intergovernmental Agreement - Where the One-Stop facility is located within property owned by or leased to the State, an Intergovernmental Agreement must be signed by each partner transacting business within the facility. (Please see the Appendix C Intergovernmental Agreement template.) The Memorandum must incorporate the Agreement by reference as an attachment and provide that "the Agreement's terms shall supercede and take precedence over any conflicting or different provisions contained in any other part of the Memorandum."
- IDES funding must comply with Federal cost principles set forth in the applicable Office of Management and Budget (OMB) Circulars, A-87 - Cost principles for State, Local & Indian Tribal Governments and A-102 - Grants and Cooperative Agreements with State and Local Governments.

Funding Parameters and Guidelines for Community Colleges and Adult Education Providers

Introduction

The Illinois Community College Board (ICCB) is a statewide coordinating entity (not a governing board) for the state's thirty-nine community college districts. Each of the thirty-nine districts have a locally elected board or appointed Board of Trustees who approve local budget and spending plans. Every community college district must make spending decisions relative to the needs of the district's communities which they serve. Additionally, the ICCB is responsible for the administration of the Adult Education and Family Literacy Act, Title II of the Workforce Investment Act. Adult Education and Family Literacy Providers have the same boundaries as the community college districts.

As mandatory partners, Postsecondary Perkins and Adult Education and Family Literacy providers have local flexibility over the use of their funds within their specific program guidelines. Each of the two mandatory partners may assume different levels of cost allocation from LWIA to LWIA.

The community colleges, while not mandatory partners, are encouraged to participate as fully as they wish and to contribute financially as much as they choose, although they are not required to contribute additional dollars beyond the two mandatory partner funding streams, Postsecondary Perkins and Adult Education and Family Literacy. Additionally, the mandatory partners are encouraged to participate as fully as possible in the One-Stop Centers, but the ultimate decision regarding the level of participation is up to the local Postsecondary Perkins or Adult Education partner.

Community colleges may also choose to pay their Postsecondary Perkins and Adult Education contributions from various other discretionary resources available to the community college.

Parameters/Guidelines for funding streams

For Postsecondary Perkins Career and Technical Education program

- not more than 5% for program administration (including but not limited to administrative salaries and benefits, office rental and supplies, telecommunications, secretarial support, etc.)
- may not supplant State or local funds that have previously been used for the same purpose
- may not be used to purchase real property or for construction
- must be used to improve career and technical education programs

For Adult and Family Literacy Education Program

- must be spent on individuals who are 16 years of age and older, have no high school diploma, and are not enrolled or required to be enrolled in a secondary school
- a minimum of 45% of funds must be spent on instruction in approved courses provided to eligible students
- administration cannot exceed 9% of the total allocation in all State funds including performance funds
- a maximum of 30% of the Federal allocation may be spent on program support. Program support includes staff development (improvement of instruction), general administration, operations & maintenance of plant services, workforce coordination, and information services
- a minimum of 5% of the Federal allocation must be spent for improvement of instruction (staff development). This 5% is included in the 30% maximum allowed for Program Support
- a minimum of 45% of the grant allocation must be spent in instruction for State public assistance, State basic, Federal, and EL/Civics funds. This requirement does not apply to performance funds. (This does not apply to programs that only provide literacy coordination.) Instructional expenditures include instructional salaries, employee benefits, purchased services, supplies and materials, capital outlay, other expenses for instruction, and tuition
- reimbursement requested for approved Adult Education and Family Literacy programs, projects, and support services cannot exceed the actual costs. Reimbursements are based upon the terms of the signed contract with ICCB. The requests for reimbursement must be based on, and may not exceed, actual generation of instruction.

**Funding Parameters and Guidelines for Department of Human Services
Temporary Assistance To Needy Families (TANF)
(State Mandated Program: TANF Employment and Training)**

Funding Stream

TANF funds are allocated to the State as a block grant. The amount of the block grant is based on the amount the State claimed in Federal funds under the Aid to Families with Dependent Children (AFDC) program in years prior to the implementation of the Personal Responsibility and Work Opportunity Act of 1996 (Federal welfare reform). The amount of the block grant will remain the same only until Federal Fiscal Year (FFY) 2002. The amount of funds for TANF after that will depend upon Reauthorization.

In order to qualify for the TANF block grant, the State must also spend Maintenance of Effort (MOE) funds. These are State funds that must be invested in the TANF program in accordance with the law and regulations. The MOE amount the State must spend from State dollars is based on the amount the State spent in the AFDC program in FFY '94. When speaking of distribution of TANF funds to the local level, this is actually a combination of State and Federal dollars (TANF and MOE funds).

TANF funds are distributed throughout the State based on the needs of local communities. Standard assistance levels are established to distribute grants to needy families. The administrative expenditures at the local level are based on the number of individuals receiving assistance at the local level. Special initiatives are also implemented based on the needs of the population.

The TANF block grant is \$585 million, and the required MOE is \$430 million, which brings the total TANF funding to \$1,015 million. The TANF Employment and Training dollars are taken from this pot of money.

Services Delivered by Funding Stream

TANF funds support a wide variety of services including, but not limited to: cash assistance for needy families; child care; after school programs; substance abuse treatment; case management; job placement and retention services; supportive services, including books, fees and supplies; domestic violence services; and mentoring services.

Non-Service Items Funded by Partner Program

Administrative costs associated with the delivery of services are also paid under TANF. These costs are limited to 15%. Data processing expenses for tracking and monitoring TANF

requirements are excluded from the 15% cap. Administrative costs include but are not necessarily limited to: rents, costs of central office staff, telecommunications costs, staff training, etc.

Budget Development Process for Local Level

The budget for the TANF program is developed centrally based on projections of the caseload and the services needed to help achieve the goals of the program. Expenditures for each local area are based on the number of clients receiving assistance in the county and the needs of those clients. There is no local budget. The formula for staff is based on the number of cases. Staffing allocations for DHS Community Operations local offices are driven by a combination of factors. Caseloads for each category of assistance in each local office are identified using regular reports. Following this effort, caseload guidelines are applied to each category. This determines how many of each type of case will constitute a full caseload for one caseworker. Depending upon budget constraints and upon emphasis to particular program segments as determined by the Secretary or Director of DHS, the caseload guidelines may be adjusted. Once the caseload guidelines are finalized, they are applied to each office and a staffing allocation is determined. Following review and adjustment for local circumstances by Regional Managers, the allocation is finalized and distributed to each Local Office Administrator as a road map for staffing their office.

Restrictions Associated with Funding

TANF funds MUST be used in accordance with the goals of the program. (See 6th point below). There are also certain restrictions that apply:

- Federal block grant funds cannot be used for basic maintenance assistance to families which include an adult who has already received Federal TANF assistance for more than 60 months. (Does not apply to MOE).
- No more than 15% of TANF funds can be spent on administrative costs.
- The State must meet its MOE expenditure to access TANF block grant funds.
- A penalty could be assessed against the TANF block grant for:
 - misuse of funds;
 - failure to submit required Federal reports timely;
 - failure to enforce penalties due to child support non-cooperation;
 - failure to meet work participation requirements.(45% of all families in work or countable work activity participate at least 30 hours per week and 90% of two-parent families in work or countable work activity participate at least 35 hours per week.)
- Funds cannot be used as the match for most other Federal programs (an exception is the Job Access and Reverse Commute (JARC) program).

- Funds cannot be used for Medical Services except the MOE can be used for medical not covered under Medicaid. If a service was not claimed (or claimable) under AFDC, the amount that can be claimed is limited to the amount above the FFY '95 expenditure amount.

Flexibility Associated with Funding

TANF funds may be used for expenditures that are reasonably calculated to accomplish the purposes of the TANF program (45 CFR Part 260.20);

- Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- End the dependence of needy parents on government benefits by promoting job preparation, work and marriage;
- Prevent and reduce the incidence of out of wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidences of these pregnancies; and
- Encourage the formation and maintenance of two-parent families.

Funding is flexible within the above requirements and restrictions.

Funding Parameters and Guidelines for Department of Human Services Food Stamp Employment And Training

Funding Stream

A Federal Food Stamp Employment and Training (FSE&T) Grant is allocated to the State based on the number of “work registrants” in the State compared to the number of work registrants nationwide. This grant is 100% Federal funds and must be used to fund the administrative costs of planning, implementing and operating the FSE&T programs. For the years FFY 1998 - 2002, the State is eligible to receive a supplemental 100% Federal grant based on the State’s estimated able-bodied adults without dependents (ABAWDs) food stamp population compared to the national estimate for this population. To access the supplemental grant, the State must maintain its level of expenditures for the FSE&T program at the level it was spending in FYY 1996 (MOE). Federal funding is also available for 50% of the costs of match that exceeds the Federal grants and for partial match of supportive services (transportation, fees, etc.) for participants.

With the recent passage of the Farm Bill, the amount of Federal funding to the states will be decreased over the next five years. Exact amounts are not known at this time.

The amount of FSE&T funds Illinois receives differs each year because it is based on a formula. For FFY ‘02 the amount of funding available for Illinois is \$12,212,159 which is comprised of \$4,907,169 of base funding and \$7,304,990 of supplemental funding.

There is no local program budget for this program. Funding has been expended based on the clients served. Therefore, the areas where the majority of ABAWDs reside have received the majority of funding.

Services Delivered by Funding Stream

The services provided under FSE&T include “workfare” programs like Earnfare or Work Experience (cash assistance paid to clients is not federally funded but is all General Revenue Funds (GRF)), job search and job readiness training, vocational training, and basic education.

Non-Service Items Funded by Partner Program

The Federal grants must be used for administration of the program and cannot be used for supportive services. The administration of the program includes administrative overhead as well as administration of employment and training activities.

Budget Development Process for Local Level

The budget for the program is developed by the central office in Springfield. The budget depends greatly on the Federal funds that are allocated to the State. There is no local office budget for the

program. Services have been funded based on the number of ABAWD and non-ABAWDs receiving food stamps and the services available for that population. In the city of Chicago only, there is separate staff designated to serve the FSE&T population. Elsewhere around the State, services to this population are provided through the local DHS office or the local township office which has historically provided assistance to this population.

Restrictions Associated with Funding

Funds must be used for services to the FSE&T population. In addition:

- Funds must be used for the administrative cost of planning, implementing and operating food stamp employment and training programs.
- Funds cannot be used to determine work registration status or for sanction activity.
- Funds cannot be used to subsidize wages of participants.
- Funds cannot be used to supplant non-federal funds for existing educational services.

Effective February 2002, Illinois began to operate its Food Stamp E&T program under a 3-year demonstration waiver which enhanced the Federal reimbursement formula and increased program flexibility to better serve the specific needs of participants and individualize employment plans. Under the waiver:

- 60% of the annual 100 percent Federal E&T grant may be used to serve ABAWDs in work and training activities and 40% may be used to serve non-ABAWD food stamp recipients in work and training activities.
- FSE&T participants may participate in education/training activities for a minimum of 20 hours per week, averaged monthly.
- Job Search and Job Readiness training activities may be offered to FSE&T participants as countable work program activities.
- Counseling/prevention services of 2-4 hours per week may be included as part of participants' employability plans in conjunction with participation in a work and training activity.
- Under the waiver, Illinois is permitted to operate under the alternative reimbursement formula which allows the program to expend and be reimbursed for the actual costs of providing services to participants.
- Illinois guarantees to provide a work and training activity position to every ABAWD in

non-waived areas of the State.

Flexibility Associated with Funding

Flexibility is limited by the restrictions cited above. However, approval of the demonstration waiver has significantly increased reimbursement and program flexibility in individualizing employment plans to serve our diverse population.

Funding Parameters and Guidelines for Department of Human Services Office of Rehabilitation Services

Funding Source: Eligibility & Services Provided

The Office of Rehabilitation Services (ORS) utilizes Federal Vocational Rehabilitation (VR) funds for all of the services which would be provided through the local workforce offices. Individuals eligible for this program must have a disability which interferes with their ability to work, must be seeking employment, meet the financial criteria or agree to cost sharing, and are generally between the ages of 15 and 65. By law, only State staff employed by the Vocational Rehabilitation Program may assess eligibility and implement its services. Comprehensive service plans are developed jointly with the customer. Services provided include guidance and counseling, job finding, job coaching, job accommodation, training including higher education, physical and mental restoration, and other services which would enable a person with a disability to find and maintain employment. Due to funding limitations, in Illinois, only persons with severe disabilities are eligible to receive services other than those offered by the State staff such as guidance and counseling and assistance with job finding/placement. As such, ORS looks to its Workforce partners to assist individuals with less severe disabilities.

Funding Parameters/Guidelines for MOU Development

ORS will directly handle the costs of all services provided to its Vocational Rehabilitation(VR) eligible customers. In offices where ORS is co-located with other partners, it will assume all direct costs allocable to it. For other costs which are shared, VR funds can be used only for allowable shared costs which benefit customers of the VR Program as long as the costs are reasonable and are agreed to by the ORS representative to the Board.

Types of allowable costs would include all space-related costs including lease, utilities, telephone, etc., in offices where ORS has at least a part time physical presence. The space which could be covered would include space allocated to ORS staff, space in the resource room for ORS VR customers, and general use space such as the entrance area, halls, bathrooms, etc. If space is allocated only to ORS staff, such as an office for only ORS use, regardless of whether ORS uses this space full time or part time, all costs related to that space would be allocable to ORS. If, however, the space is used part time by ORS and part time by other entities, only ORS' percentage of use of that space would be allocable to ORS. The extent of ORS participation in shared space-related costs which are not specific to ORS staff would best be based on the percentage of ORS staff full time equivalents (FTE's) present in the local workforce office to all staff in that office. The same rate of allocation could be used to cover the cost of a receptionist. The cost of staff to the Board and all other Board-related costs may not be allocated to ORS. Related to this, per Federal statute, staff of ORS VR program may not be supervised by anyone outside of ORS. In addition, VR funds may not be used for the purchase of real property. Also, costs related to the program and physical accessibility of an office for persons with disabilities are considered shared because such accessibility is required for all programs, not just ORS programs.

In addition to being allowable, costs must also be reasonable and be approved. To the extent that there are insufficient VR funds to meet all needs, these funds are to be used in the most cost effective way possible. This means that purchases may not be made which are not absolutely necessary and that representatives of ORS must agree to purchases in order for them to be allocable to VR. The exception to this is spending related to space issues which instead requires the agreement of the DHS Office of Business Services in order to be allocable to ORS. Business Services makes all final decisions for all of DHS regarding space issues, including costs for new space being considered, and costs of improving current space. At this time, DHS is approving only costs which do not exceed current costs for items such as new space.

**Funding Parameters and Guidelines for
Older Americans Act Title V - Senior Community Employment Program**

Eligibility:

- 55 years of age or older.
- Have a family income of no more than 125% of the Federal poverty guidelines.
- Reside in the state in which the project is authorized.

Restrictions Associated with Title V Funding:

- Title V funding may only be used for wages and fringe benefits, other enrollee costs and administration.
- Administration costs are limited to 13.5% of the funds.
- Title V has set aside no funds for participation in the One-Stops, hence Title V provides in-kind contributions through greeters, receptionists, etc.

Funding Parameters and Guidelines for Community Services Block Grants (CSBG)

Eligibility:

- Have a family income of no more than 125% of the Federal poverty guidelines.

Restrictions Associated with CSBG Funding:

- All administrative funds spent must tie back to program participants.

**Funding Parameters and Guidelines for
Illinois Migrant and Seasonal Farmworkers Program**
(WIA Title I Section 167 National Farmworker Jobs Program)

Eligibility:

- Have been a migrant or seasonal farmworker in qualifying agricultural labor whose family was economically disadvantaged during any consecutive 12 month period within the last 24 months preceding application for enrollment.
- Be a citizen or national of the United States, lawfully admitted permanent resident alien, or be residing in the United States under other legal immigrant status granting employment authorization.
- Have not violated Section 3 of the Military Selective Service Act by failing to register as required, and
- Be a dependent of the qualifying farmworker and qualify under the previous two dot points.

Restrictions Associated with National Farmworker Jobs Program for Funding:

- Funds must be used to provide program services to Migrant or Seasonal Farmworkers.
- No administrative funds can be used by the One-Stops.
- Cannot pay for LWIB costs.

Section 4: Underlying Philosophies in Cost Allocation

Underlying Philosophies in Cost Allocation

This section will discuss:

- What cost allocation/resource sharing agreements do.
- The benefits to partners in developing these agreements.
- The underlying philosophies for using a certain approach in a local area.
- Issues that will impact agreements.

NOTE: Individuals often use the terms *One-Stop Center* and *One-Stop System* interchangeably. They are not the same. The term System refers to the entire scope of employment and training activities in a given Local Workforce Investment Area. The term Center refers to the actual One-Stop facility. At a minimum a cost allocation plan must address the cost of a Center. Some areas may also choose to include some system costs in their plan even if the activity occurs outside of the Center itself. For convenience, this section will refer to Center costs but the concepts would be the same if allocating System costs.

What cost allocation/resource sharing agreements do?

As with any business venture, it is essential that financial plans are developed for One-Stop centers. A sound financial plan not only identifies how current operating costs will be covered, but how future growth of the center will be funded. These agreements are a blueprint for financial success.

The agreements identify two pieces of vital information for all partners. First, what services provided at the One-Stop center, if any, benefit more than one partner program? How much benefit does each program receive? This determines how the cost will be divided among the benefitting partners (Cost Allocation). Second, the agreements identify how costs will be covered. Will partners make cash contributions, in-kind, or use other means to fulfill their financial obligations? (Resource sharing)

What are the benefits to partners in developing these agreements?

On the most basic level these agreements keep all partners in compliance with the law. The Workforce Investment Act and Department of Labor regulations require Local Workforce Investment Boards to develop a Memorandum of Understanding (MOU). The MOU must include a description of how the cost of services and operating costs will be paid. (See Federal Register Volume 66, Number 105)

These agreements, however, should be looked at as much more than a simple compliance document. A properly thought out and adhered to agreement serves the purpose of enhancing the partnerships needed to operate a One-Stop center. The most productive (and friendly) partnerships are developed in an atmosphere of trust. Partners need to know what is expected of them and what they can count on other partners to provide to the mutually developed One-Stop center. If

negotiated in good faith, these agreements provide this information.

A sound financial plan allows the One-Stop center to grow. It allows for the development of new programs to benefit our customers. In short, good ideas cost money to implement. Successful programs not only result in satisfied customers but in improved performance for partner programs.

The underlying philosophies for using certain approaches in an area.

Cost allocation/resource sharing agreements can take on a number of forms. This is especially so in the resource sharing section of the agreement. The most important factor in determining what type of approach to take is answering the question “what approach will provide the best customer services available while remaining affordable”. Ideally, the financial plan is the last section of the MOU developed. A vision for the center, including the full array of services to be provided, must be in place prior to any discussion of cost. For example, a center that offers a wide variety of business services may need to involve additional partners or changed roles for existing partners that will affect partner costs.

Partners should consider a number of potential issues that can impact their agreement prior to agreeing on a final approach. The following section outlines some of the issues to be considered while recognizing that other unique situations will most likely arise in every Local Workforce Investment Area.

Issues That Will Impact Agreements

1. WIB/CEO Philosophy – Workforce Investment Boards are responsible for creating a vision for the One-Stop center in their local area. Chief Elected Officials have a vested interest in seeing that their local constituents are receiving services that meet the needs of their communities. Partner programs have the responsibility to see that this philosophy is carried out by their participation in the One-Stop center. This vision as outlined in the business plan will drive all decisions made in the center.
2. Resources available to partners – Partners vary in size of staff, funding amounts, restrictions as to uses of available funds, expertise, and the amount of local flexibility they have to participate in the center. These differences need to be considered when developing the service matrix and in all conversations surrounding cost.
3. Geographic make-up of the Workforce Investment Area – One-Stop centers located in large urban areas will most likely be configured differently than those located in rural areas. For example, urban One-Stop centers may find it easier to collocate staff while a rural center may need to rely more on electronic connections for partners. Partner programs not actually housing staff at the center may not be willing or able to contribute as much to the center. Wealthier communities may find it easier to find outside sources of funding than poorer ones.
4. Number of partners involved – The more partners, the more complex the agreements will be. Additional partners may diversify the types of services available at the center and provide additional sources of funding.
5. Other agreements in place at the time of negotiations – Other contractual obligations, especially existing leases, can have a significant effect on the ability of partner programs to participate. At a minimum they can restrict the amount of resources a partner has to contribute.

Section 5: Simple Definitions of the Various Costs

DEFINITIONS

1. Reasonable costs:

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to:

- A. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- B. The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.
- C. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.

2. Allocable Costs:

A cost is allocable to a particular cost objective in accordance with relative benefits received. A cost is allocable if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- A. Is incurred specifically for the One-Stop.
- B. Benefits the One-Stop and can be distributed in reasonable proportion to the benefits received, or
- C. Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

Costs are allocable to an individual partner based on benefits received by that partner.

Any cost allocable to a particular award or other cost objective 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.

3. Direct Costs:

Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization.

When referring to WIA One-Stops, direct costs are those costs incurred by a partner that do not impact or provide any benefit to any other partner. An example of a direct cost is: a partner's caseworker who works strictly with that partner's clients, who does not use any resources provided by other partners, and who does nothing to assist or benefit any other partner.

4. System Costs:

System costs can be defined as all costs incurred by One-Stop partners for the period of the agreement, which are necessary for the provision of services and the operation of the One-Stop system.

5. Shared Costs:

A shared system cost is one that is incurred by one partner, but which benefits at least one other partner in the One-Stop system. The shared system costs could include, but would not be limited to, such items as: the costs necessary to operate the physical One-Stop center(s); the costs of providing services through One-Stop delivery system; all other costs essential to establishing and maintaining the One-Stop system.

6. Cost Allocation Plan:

The cost allocation plan is the instrument that will identify the total shared costs of operating the One-Stop system and what each partner's fair share of those costs will be.

7. Cost Pools:

Cost pooling is the process of accumulating similar allocable costs into pools that provide benefits in the same degree to all the partners in the pool. A cost pool may be broad enough to benefit all co-located programs and integrated service cost centers or it may be limited to as few as two.

8. Allocation Methodologies:

Allocation methodologies are a means to measure relative benefit received that will produce an equitable allocation of costs to the programs. Measuring benefit received is the critical requirement and central task to be performed in allocating costs. Established cost allocation principles dictate that costs are allocable to a particular cost objective based on benefits received by that cost objective. The cost allocation process that is adopted must be fully documented. The structure and capabilities of the partners' accounting systems must be considered in designing an operable cost allocation process. A basis of allocation must be agreed upon that is fair to benefitting programs, measurable, consistent, and supported by ongoing data collection. Different bases may be used to allocate different pools.

Section 6: Cost Allocation Methodologies

What Does WIA Require?

In accordance with the WIA Regulation at § 662.230, all required One-Stop partners must enter into a Memorandum of Understanding (MOU) with the LWIB relating to the operation of the One-Stop system in the local area.

Further, the WIA regulation at § 662.270 provides that the particular arrangements for funding the services provided through the One-Stop system and the operating costs of the One-Stop system must be described in the MOU. Each partner must contribute a fair share of the operating costs based on the use of the One-Stop delivery system by individuals attributable to the partner's program.

What are "System Costs" and how do they differ from "Shared System Costs"?

System costs can be defined as all costs incurred by One-Stop partners for the period of the agreement, which are necessary for the provision of services and the operation of the One-Stop system. All partners must make available to participants through the One-Stop delivery system the core services that are applicable to each partner's programs. In addition to the provision of core services, One-Stop partners must provide access to the other activities and programs carried out under the partner's authorizing laws. As identified in the WIA regulations, each partner must identify these services and the particular arrangements for funding these services in the MOU.

Further, for the purposes of developing a system-wide cost allocation plan, it will be necessary for each partner to identify which of these overall system costs represent "shared system costs". *A shared system cost is one that is incurred by one partner, but which benefits at least one other partner in the One-Stop system.* Since these shared system costs, by their definition, benefit more than one partner in the One-Stop system, they must be included in the total population of costs to be allocated among the benefitting partners. The shared system costs that will be incurred by each partner must be identified during the MOU negotiation process in order that proper allocation methodologies may be developed.

The shared system costs could include, but would not be limited to, such items as:

- The shared costs necessary to operate the physical One-Stop center(s)
- The shared costs of providing services through One-Stop delivery system
- All other shared costs essential to establishing and maintaining the One-Stop system.

This would include such costs as:

- LWIB operating expenses
- Web-site development costs
- Resource room tracking software
- Marketing costs
- Labor Market Studies

Why is Cost Allocation and Resource Sharing Important?

Service delivery should be the prime factor driving the operational planning of each local workforce delivery system – not cost accounting. However, the development of sound cost allocation plans and resource sharing agreements must be an important part of the planning process. Federal funding sources and good management practices dictate that costs be accumulated in an organizational structure to control budgets, measure the efficiency of operations and report financial information.

Proper planning and development of the One-Stop system cost allocation plan and resource sharing agreement is critical to the LWIB and to each individual partner in the system. These processes will ensure the LWIB that there are sufficient resources available within the One-Stop system to sustain the operation of the system and will ensure that each partner fairly shares in the costs of operation. Through these processes, each individual partner will learn what their expected share of the system costs will be.

The cost allocation plan is the instrument that will identify the total shared costs of operating the One-Stop system and what each partner's fair share of those costs will be. The resource sharing agreement will identify how each partner will pay for their share of the system costs. Each partner can pay for their share of system costs through the use of offsetting costs or actual cash payments into the system or a combination of these two methods.

To comply with the requirements of WIA and with applicable OMB circulars that govern Federal funding sources within the One-Stop system, the LWIB should negotiate each partner's portion of the shared system costs in a way that promotes the principles of proportionate cost sharing. To accomplish this, the LWIB must be able to support the fairness of the negotiated amounts through the use of cost allocation methods. The measurement of benefit is the critical requirement and central task to be performed in allocating costs. *Costs are allocable to an individual partner based on benefits received by that partner.*

What are the Necessary Steps in Negotiating the Cost Sharing Component of the MOU?

Illinois has identified 9 steps for negotiating the cost sharing component of the MOU. These 9 steps are an integral part of the comprehensive MOU negotiation process. As previously explained, while cost accounting should not be the prime factor driving operational planning, it must be considered throughout the entire process. The objective of the 9-step process is to ensure that One-Stop system costs are proportionally shared among all partners and to ensure that sufficient resources are made available by the partners to sustain the operation of the system.

1. Identify all of the One-Stop system partners. This includes partners physically located at the One-Stop center(s) and those located at alternate sites.
2. Identify all “shared system costs”. Shared system costs are those costs incurred by one partner but which benefit at least one other partner in the One-Stop system.
3. Group the costs identified in Step 2 by the partners receiving benefit from the costs.
4. Establish cost pools as appropriate.
5. Determine an allocation method or base to be used for each pool and individual cost. *There are several methods to choose from, and the best base is one which allocates costs equitably to the partners receiving benefit from the costs.*
6. Allocate the costs to the various partners using the allocation methods determined in Step 5. This will establish the total projected costs allocable to each partner.
7. Identify the resources to be provided by each partner. Then compare these to the costs as determined in Step 6.
8. Negotiate compromises as needed to cover all costs from available resources. If necessary, develop contractual agreement to facilitate payment between partner or revise amount or types of services provided by the One-Stop.
9. Tracking and follow-up. Tracking all costs of the One-Stop operation and periodic reconciliation against the plan (at least quarterly) is essential to ensure that costs are reasonable and equitably shared by the partners.

Example of Cost Allocation and Resource Sharing Process

A sample cost allocation and resource sharing plan has been developed to help illustrate the

application of this 9 step process. The following sections illustrate each of the 9 steps and include explanations of the general cost allocation principles that govern the process.

In the example developed for this guide it is assumed that there are 5 partners in the One-Stop system. The following assumptions have also been made;

- Partners 1, 2, and 3 are co-located at the One-Stop center.
- Partners 4 and 5 are not located at the One-Stop center. They will share in the costs of the Resource Room Workers since they benefit from the services of these individuals.
- All 5 partners have agreed to share equally in the following: LWIB operating expenses; Salary and fringe benefits of a One-Stop system Finance Manager; and Web-page development costs.
- Partners 2, 3, 4 and 5 have agreed to share equally in the labor market study costs and the cost of new Resource Room Tracking software. It was agreed that Partner 1 served a unique clientele and, therefore, would not benefit from the labor market study costs and the Resource Room Tracking software. (This is an example of the type of issue to be discussed in the MOU negotiation process.)

NOTE: In the previous 2 assumptions the decision to share equally in costs is based on the premise that partners **benefitted** equally from the costs and that it was not an arbitrary decision. Costs must be allocated based on relative benefit received.

- The partnership will not be a separate employer, and will have no funds of its own. All staff, including the One-Stop Operators, resource room workers, and receptionist, will be employees of one or another of the partners. Also, purchases made or services ordered for this site will be paid for by the individual partners.
- Each partner pays their own bills.
- One of the partners already leases a suitable building. Utilities are included in the lease. The other two partners of the One-Stop center have moved staff and some furniture and equipment to this site.
- The partners of the One-Stop center have pooled costs for the lease and janitorial services. They have allocated these costs among themselves based on square footage occupied.
- In addition to equipment brought by the partners, the partnership will need a high volume copier (and supplies and maintenance contract), a fax machine (and supplies), four desks, four chairs, four new computer terminals, and a customer referral system.
- The partner who leases the building has a telephone system in place.
- The phone system and all the new equipment and furniture will benefit all partners and will be part of a cost pool.
- Issues such as copier replacement and marginal costs for compatibility in phone systems are not addressed.
- LWIB operating expense can include staff, phone, travel, conferences, etc.

Please note that the example and the assumptions used for the example are for illustrative purposes only and should not be construed to mean that Illinois is necessarily advocating the use of any of the methods or scenarios used in the example. Each LWIB and the partners of each One-Stop system should develop cost allocation methodologies and resource sharing agreements that are reasonable and appropriate for the unique situations encountered in

each local area.

STEP NO. 1

Identify all system partners. This includes partners physically located at the One-Stop center(s) and those located at alternate sites.

The WIA regulation at § 662.100, describes the structure of a One-Stop delivery system as a seamless system of service delivery that is created through the collaboration of entities responsible for separate workforce development funding streams. A critical first step then, is identifying all the partners that will be a part of the local One-Stop delivery system. WIA and State regulations identifies the following entities as required partners (if they operate or provide services within the local area) in the local One-Stop systems:

- WIA Title I – Adults;
- WIA Title I – Dislocated workers;
- WIA Title I – Youth;
- WIA Title I – Job Corps;
- WIA Title I – Native American programs;
- WIA Title I – Migrant and seasonal farmworker programs;
- WIA Title I – Veterans’ workforce programs;
- WIA Title I – Youth Opportunity Grants
- Programs authorized under the Wagner-Peyser Act;
- Adult Education and Literacy;
- Vocational rehabilitation programs;
- Welfare-to-work programs;
- Senior community service employment programs;
- Carl Perkins/Postsecondary vocational education activities;
- NAFTA/TAA;
- Special Veterans’ services;
- Community Service Block Grant E&T activities;
- HUD E&T programs and;
- Unemployment Insurance programs.
- TANF E&T program;
- Food Stamp E&T programs;

Optional One-Stop partners include:

- National Community Service Act of 1990 programs; and
- Other appropriate programs approved by the LWIB.

At this stage of the negotiation process, the partners in the One-Stop system need to decide how services will be provided in the system and who will provide these services. Consistent with the WIA requirements, the partners must also identify how the costs of the identified services and operating costs of the system will be funded. The results of this process need to be identified in

the MOU.

The negotiations regarding which entity will provide which services within the One-Stop system should take into account the funding parameters of each entity, particularly their administration cost limitations. Strategies should be developed that will allow the funds available within the One-Stop system to be leveraged for the maximum benefit to all **customers**.

Federal regulations do provide some exceptions to the general principle requiring that costs be shared proportionately among partners.

- **Unrestricted Funds:** may be used to pay for any negotiated portion of the system costs. Examples include local general revenue funds, not-for-profit organizations unrestricted fund accounts, and funds of for-profit organizations.
- **Costs Fully Allowable to More Than One Fund Source:** may be paid, per OMB Circulars, in part or in whole by one of the affected fund sources without regard to the rules on cost allocation. For example, if a service is allowable under WIA as well as under WtW, and that service is provided to a person who is eligible to receive services under either fund source, the cost may be paid in full by WIA, or in full by WtW, or in any other portions negotiated between the two fund sources.

As a note of caution, the WIA regulation at § 662.280, clarifies that the requirements of each partner’s authorizing legislation continue to apply under the One-Stop system. Therefore, while the overall effect of linking One-Stop partners is to create universal access to core services, the resources of each partner may only be used to provide services that are authorized and provided under the partner’s program to individuals who are eligible under the program.

STEP NO. 2

Identify all “shared system costs”. Shared system costs are those costs incurred by one partner, but which benefit at least one other partner in the One-Stop system.

In this step of the process, it will be necessary for each partner to identify all system costs that they incur which they feel will benefit at least one other partner in the One-Stop system. In negotiating which costs will be shared among the partners, it will be critical to negotiate the dollar value of the shared costs that are identified. All partners will need to be able to document with appropriate accounting records and worksheets, the dollar value of the costs they are bringing to the negotiating table. It is anticipated that the cost negotiations may well be a lengthy, involved process and may require partners to go through this process several times before all systems costs are identified and decisions are made about who will provide the various resources to support the system.

The following table represents the total shared system costs in the example:

Shared System Costs	Total Cost
New Fax Machine	\$ 1,400

New Furniture	\$ 2,400
New Computer Terminals	\$ 14,000
Telephone Bills	\$ 1,000
New Copier	\$ 25,000
Janitorial Services	\$ 21,600
Rent	\$ 20,000
Customer Referral System	\$ 10,000
One-Stop Operator	\$ 70,000
Resource Room Workers (2)	\$ 70,000
Receptionist	\$ 22,600
LWIB Operating Expenses (functions support overall system)	\$20,000
One-Stop System Finance Manager	\$ 47,000
Web-Page Development	\$ 13,000
Labor Market Studies	\$ 15,000
Resource Room Tracking software	\$ 5,000
Totals	\$358,000

STEP NO. 3

Group the costs identified in Step No. 2 by the partners receiving benefit from the costs.

Once the shared system costs are identified it will then be necessary to identify which partners will benefit from each of these costs. This will be an important part of the negotiation process. For example, one partner may feel that they have incurred a certain cost which, in their opinion, benefits all the other partners in the system. All of the partners would need to discuss this and come to an agreement about which other partners, if any, actually will benefit from the cost. Once all of these discussions have taken place, then a matrix can be developed illustrating which partners receive benefit from each cost.

The following table illustrates the shared system costs benefitting each partner:

Shared System Costs	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5
New Fax Machine	√	√	√		
New Furniture	√	√	√		
New Computer Term.	√	√	√		
Telephone Bills	√	√	√		
New Copier	√	√	√		
Janitorial Services	√	√	√		

Rent	√	√	√		
Customer Referral system	√	√	√	√	√
One-Stop Operator	√	√	√		
Resource Room Workers	√	√	√	√	√
Receptionist	√	√	√		
LWIB Expenses	√	√	√	√	√
System Finance Mgr.	√	√	√	√	√
Web-Page Costs	√	√	√	√	√
Labor Market Studies		√	√	√	√
Resource Room Tracking Software		√	√	√	√

STEP NO. 4

Establish cost pools as appropriate.

Cost pooling is the process of accumulating costs into pools pending allocation to benefitting programs. Similar allocable costs, which may be combined to simplify the allocation process, should be pooled.

In cost pooling, the time and expense to isolate a cost and allocate by usage may cost more than the benefits derived from the process. In this case, the cost should be combined and allocated with other costs in a consolidated larger pool.

The partners may decide the level of cost allocation within the pool. Cost items may be allocated individually or all cost items in the pool can be totaled and the total allocated. The decision will depend on the level of budget control required and program reporting requirements.

The following are a few examples of the types of cost pools that may be developed:

Facility Cost Pools:

A cost pool may be broad enough to benefit all co-located programs and integrated service cost centers. An example would be a pool where rent, utilities, janitorial, receptionist costs, phone and other facility overhead costs would be recorded.

Categorical Cost Pools:

Some cost pools may contain only specific costs (telephone line charges) or type of costs (copier maintenance agreements, copy paper, toner, copier repair) because the benefits

from the cost require a special allocation method due to unequal use or benefit across programs or cost centers.

System Wide Cost Pools:

These pools will capture those costs (such as the expenses of the LWIB) that benefit all partners and need to be proportionally allocated.

The following tables demonstrate how costs were pooled for this example:

FACILITY POOL	
JANITORIAL SERVICE	\$21,600
RENT (including utilities)	\$20,000
TOTAL	\$41,600

EQUIPMENT	
NEW COPIER (including Maintenance)	\$25,000
NEW FAX MACHINE	\$ 1,400
NEW FURNITURE	\$ 2,400
NEW TERMINALS	\$14,000
TELEPHONE BILLS	\$ 1,000
TOTAL EQUIPMENT	\$43,800

SALARY AND BENEFITS OF One-Stop OPERATOR & RECEPTIONIST	
One-Stop OPERATOR	\$70,000
RECEPTIONIST	\$22,600
TOTAL (Salary & Benefits)	\$92,600

SALARY AND BENEFITS OF RESOURCE ROOM WORKERS	
RESOURCE ROOM WORKERS	\$70,000

LABOR MARKET STUDIES, RR TRACKING SOFTWARE	
LABOR MARKET STUDIES	\$15,000
RR TRACKING SOFTWARE	\$5,000
TOTAL	\$20,000

Customer Referral, LWIB, Finance Manager, Web-Page	
CUSTOMER REFERRAL	\$10,000
LWIB EXPENSES	\$20,000
SYSTEM FINANCE MANAGER	\$47,000

WEB-PAGE DEVELOPMENT	\$13,000
TOTAL	\$90,000

STEP NO. 5

Determine an allocation method or base to be used for each pool and individual cost. There are several methods to choose from, and the best base is one which allocates costs equitably to the partners.

General Cost Allocation Principles

The partners must comply with the Federal Cost Principles set forth in the applicable Office of Management and Budget (OMB) Circulars. The following lists the circulars and corresponding entities:

- OMB Circular A-21 – Cost Principles for Educational Institutions.
- OMB Circular A-87 – Cost Principles for State, Local and Indian Tribal Governments.
- OMB Circular A-122 – Cost Principles for Nonprofit Organizations.
- § Federal Acquisition Regulation (FAR), at 48 CFR part 31 - Allowable costs for commercial organizations and those non-profit organizations listed in attachment C to OMB Circular A-122.

The allocation methodologies used are to be based on a measure of relative benefit received that will produce an equitable allocation of costs to the programs. Measuring benefit received is the critical requirement and central task to be performed in allocating costs. Established cost allocation principles dictate that costs are allocable to a particular cost objective based on benefits received by that cost objective. ***The cost allocation process that is adopted must be fully documented.*** The structure and capabilities of the partners' accounting systems must be considered in designing an operable cost allocation process.

Changes in a partnership's cost allocation plan that result in a retroactive redistribution of costs to the benefitting cost objective are allowable where the change results in a more equitable distribution of costs. If such changes are needed they should be justified and well documented.

Once pooled costs to be shared among partners are identified, ***a basis of allocation must be agreed upon that is fair to benefitting programs, measurable, consistent, and supported by ongoing data collection. Different bases may be used to allocate different pools.*** When costs are pooled,

the ability to directly assign benefit for each item of cost is lost. Instead, the pool contains a group of common costs to be allocated by using an indirect or approximate measure of benefit. The approximate measure of benefit is the allocation base. An allocation base is the method of documentation used to measure the extent of benefits received when allocating joint costs among multiple partners. The base(s) selected should adhere to the following principles:

- Minimal Distortion - The base should be distributing costs in a fair and equitable manner without distorting the results. This requires that the base be as causally related as possible to the types of costs being allocated so that benefit can be measured as accurately as possible.
- General Acceptability - The base should be generally accepted and in conformance with Generally Accepted Accounting Principles (GAAP). For example, it should be consistently applied over time. The base should also be drawn from the same period in which the costs to be allocated have been incurred.
- Represents Actual Costs or Effort Expended - The base should be a measure of actual cost or actual effort expended. It should not be based solely on a plan, budget, job description, or other estimates of planned activity.
- Timely Management Control - The base should be within management's ability to control on a timely basis. The base should produce reliable and fairly predictable results. If the base is erratic and unpredictable, beyond management's ability to control, or not timely, it is likely to produce unacceptable results.
- Consistency with Variations in Funding - The base must be able to accommodate and withstand changes in funding during the year and from year to year. If the base excludes factors that are affected by variations in funding, it will produce distorted results.
- Practicality and Cost of Using the Base - The base should be as efficient as possible in terms of the cost or effort in developing it. Thus, wherever possible, use a database that already exists in the financial or participant report keeping and reporting systems rather than create a separate database to be used only for allocating costs.

Cost allocation methods vary, just as cost types do. *The objective of the method used is to ensure reasonableness and equity.* It will be necessary to use several different bases for allocating different types of costs. Once the methods of allocation have been established the methods should be used consistently over time and be described in your cost allocation plan. The allocation methods should be decided in the MOU negotiation process. Ideally, all partners must agree on the methods used, however selection of the methods may be based on consensus of the partners.

Examples of Various Cost Allocation Basis

The following are examples of options for various cost allocation basis that may be used in the allocation process. These methods are **not** all inclusive. Any method may be used as long as it is reasonable, documented, and demonstrates benefit to the programs.

Usage

Equipment costs, such as copiers, computers, telephones, etc., may be used disproportionately by some programs and require allocation methods other than work area or time. This would require some usage logs, such as number of copies or long distance phone calls made. This could be time consuming and expensive for one item of cost like copier maintenance and supplies. A decision must be made whether the gains in fair distribution of costs from this more precise allocation would be material enough to support the extra expense of collecting information and distributing the costs.

Space Allocation

Fits facility wide costs such as rent, utilities and janitorial. Programs or service area costs centers benefit from those costs in proportion to the work area

Personnel Time Allocation

Can be used to allocate any cost where partners benefit from costs in proportion to the staff time worked on them. To use this process, there must be a documented time distribution system. With a time distribution system, costs flow to the area of work emphasis.

Partner Staff Full-Time-Equivalents (FTE)

This allocation basis may be used for allocating some costs/cost pools at the One-Stop Center. This base is a calculation of the number of a program's FTE staff as a percentage of all One-Stop partners' staff. The FTE is based on authorized staffing levels.

For allocating some costs, a variation of the **FTE base** may be used; e.g. instead of using all staff of each partner, they could use, only case managers for each partner, or "front line" staff as an allocation base, depending on what kinds or types of costs are being allocated.

Contact Hours

This process uses actual time spent with customers to allocate costs of integrated service area cost centers to partners. To use this process, there must be documented records detailing the amount of time spent with customers for each partner. Costs would be allocated in proportion to the time spent for each partner to the total time spent with customers. Participants eligible for more than one program will be counted once in each program for which they are eligible.

Participant Allocation

This process uses participant data to allocate costs to the partners. To use this process, there must be records documenting the number of participants served by each partner.

The following methods are used for the example:

- Facility Pool - allocated among the 3 partners at the One-Stop center based on square footage
- Equipment - allocated among the 3 partners at the One-Stop center based on projected participant numbers.
- One-Stop Operators and Receptionist - allocated among 3 partners at the One-Stop Center based on FTEs..
- Resource Room Workers - allocated among all 5 partners based on projected participant numbers.
- Customer Referral System, LWIB, Finance Manager, Web-Page - allocated among all 5 partners equally.
- Labor Market Studies, Resource Room Tracking Software - allocated among Partners 2, 3, 4 and 5 equally.

STEP NO. 6

Allocate the pools and individual costs to the various partners using the allocation methods and bases determined in Step No. 5. This will establish the total projected costs allocable to each partner.

The following tables represent the costs projected costs allocable to each partner in the example based on the allocation methods chosen for each pool of costs:

FACILITY POOL				
	Sq. Ft.		PERCENT	ANNUAL COSTS
PARTNER 1	625	625/2500	25%	\$10,400
PARTNER 2	875	875/2500	35%	\$14,560
PARTNER 3	1000	1000/2500	40%	\$16,640
TOTAL	2500			\$41,600

EQUIPMENT				
	EXPECTED PARTICIPANTS		PERCENT	PLANNED SHARE OF ANNUAL COSTS
PARTNER 1	330	330/1980	16.67%	\$ 7,301
PARTNER 2	770	770/1980	38.89%	\$17,034
PARTNER 3	880	880/1980	44.44%	\$19,465

TOTAL	1980		100.00%	\$43,800
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One-Stop OPERATOR & RECEPTIONIST				
	FTEs CONTRIBUTING TO OS OPERATION		PERCENT	PLANNED SHARE OF ANNUAL COSTS
PARTNER 1	3	3/20	15%	\$13,890
PARTNER 2	8	8/20	40%	\$37,040
PARTNER 3	9	9/20	45%	\$41,670
TOTAL	20		100%	\$92,600

RESOURCE ROOM WORKERS' WAGES AND FRINGE BENEFITS				
	EXPECTED PARTICIPANTS		PERCENT	PLANNED SHARE OF ANNUAL COSTS
PARTNER 1	330	330/2400	13.76%	\$ 9,625
PARTNER 2	770	770/2400	32.08%	\$22,458
PARTNER 3	880	880/2400	36.67%	\$25,667
PARTNER 4	220	220/2400	9.16%	\$ 6,417
PARTNER 5	200	200/2400	8.33%	\$ 5,833
TOTAL	2400		100.00%	\$70,000

CUSTOMER REFERRAL SYSTEM, LWIB, Finance Manager, Web-Page	
PARTNER 1	\$18,000
PARTNER 2	\$18,000
PARTNER 3	\$18,000
PARTNER 4	\$18,000
PARTNER 5	\$18,000
TOTAL	\$90,000

LABOR MARKET STUDIES, RESOURCE ROOM TRACKING SOFTWARE	
PARTNER 2	\$5,000
PARTNER 3	\$5,000
PARTNER 4	\$5,000
PARTNER 5	\$5,000
TOTAL	\$20,000

The total One-Stop shared system costs allocable to each partner is derived by combining the totals of the previous 6 tables and is illustrated in the following table:

TOTAL COSTS ALLOCABLE TO EACH PARTNER						
	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Total
Facility Pool	\$ 10,400	\$ 14,560	\$ 16,640	-0-	-0-	\$ 41,600
Equipment Pool	\$ 7,301	\$ 17,034	\$ 19,465	-0-	-0-	\$ 43,800
One-Stop Op. & Rcpt.	\$13,890	\$37,040	\$41,670	-0-	-0-	\$92,600
Resource room pers.	\$ 9,625	\$ 22,458	\$ 25,667	\$ 6,417	\$ 5,833	\$ 70,000
Cust Ref, LWIB, etc.	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 90,000
LM, RR trkg Sftwr. Pool	-0-	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 20,000
Totals	\$59,216	\$114,092	\$126,442	\$ 29,417	\$ 28,833	\$358,000

STEP NO. 7

Identify the shared system costs to be paid by each partner. Then compare these amounts to each partner's allocable share of the total costs as determined in Step 6.

As determined during the MOU negotiation process, the partners must agree on who will pay for the shared system costs. Each partner's shared system cost payments represent that partner's respective "offset" to their allocable share of the system costs. A comparison of each individual partner's offsetting system payments to their allocable share of costs yields what that partner will owe to the system or be owed from the system.

The overall plan of offsetting payments as well as the cash payments into the system or cash receipts from the system must be detailed in the resource sharing agreement that is developed in the MOU negotiation process. The development of this agreement will allow each partner to know, up-front, what they are expected to contribute to the overall shared system costs.

The following tables illustrate the system payments for the example:

Costs to be Paid by Each Partner						
	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Total
Fax Machine	\$ 1,400					\$ 1,400
Furniture	\$ 2,400					\$ 2,400
Comp. Trmnl.	\$ 14,000					\$ 14,000
Telephone Bills	\$ 1,000					\$ 1,000
Copier		\$ 25,000				\$ 25,000
Janitorial Svcs.			\$ 21,600			\$ 21,600
Rent			\$ 20,000			\$ 20,000
Customer Ref Sy			\$ 10,000			\$ 10,000
One-Stop Oper			\$ 70,000			\$ 70,000
RR workers	\$ 35,000	\$ 35,000				\$ 70,000
Receptionist		\$ 22,600				\$ 22,600
LWIB Expenses				\$ 20,000		\$ 20,000
Finance Mgr.		\$47,000				\$ 47,000
Web-Page					\$ 13,000	\$ 13,000
LM Studies					\$ 15,000	\$ 15,000
RR Trkg Software					\$ 5,000	\$ 5,000
Totals	\$ 53,800	\$ 129,600	\$121,600	\$ 20,000	\$ 33,000	\$358,000

The following table shows a comparison of the allocable shares of costs per the allocation plan to the costs to be paid by each partner in the example:

	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Total
Allocable Share	\$59,216	\$114,092	\$126,442	\$ 29,417	\$ 28,833	\$358,000
Costs to be Paid	\$ 53,800	\$ 129,600	\$121,600	\$ 20,000	\$ 33,000	\$358,000
Totals	\$(5,416)	\$15,508	\$(4,842)	\$ (9,417)	\$ 4,167	-0-

As demonstrated in this table and based on the cost estimates, Partners 1, 2 and 3 are projected to make cash payments into the system and Partners 4 and 5 are projected to receive payments from the system.

STEP NO. 8

Negotiate compromises as needed to cover all costs from available resources. If necessary,

develop contractual agreement to facilitate payment between partner or revise amount or types of services provided by the One-Stop.

The cost allocation plan and the resource sharing agreements that are developed in the MOU negotiation process define how each partner will proportionally share in the system costs and how each partner will contribute resources to sustain the operation of the system. ***Both the cost allocation plan and the resource sharing agreements are based on projected figures that should be developed using sound and reliable data.***

Since the figures produced in the negotiation process are based on projections, it is not necessary, or even desirable, that actual payments between partners be made at the front-end of this process. The partners will have to decide on the optimal time to make the cash payments that are illustrated in Step No. 7. Depending on the dynamics of the system that is developed, the payments may be made monthly, quarterly, annually or on any cycle that is deemed reasonable and appropriate. However, at a minimum, the payments should be made at least annually and should take into consideration the life of each partner's program funds.

No matter what payment cycle is used it will be necessary for the partners to develop contractual arrangements that will allow for the eventuality of these payments. These contractual arrangements should be developed as part of the MOU process.

STEP NO. 9

Tracking and follow-up. Tracking all costs of the One-Stop operation and periodic reconciliation against the plan (at least quarterly) is essential to ensure that costs are reasonable and equitably shared by the partners. Follow-up is critical to ensure that program objectives or a partner's ability to participate have not changed since the plan was implemented. Lack of periodic follow-up could cause serious financial burdens upon the partners at the end of the fiscal year.

As a result of Steps 1 through 8, the LWIB will have estimates of shared system costs and the portion of total costs that each partner will be expected to pay. The LWIB and each partner must establish reporting systems to capture actual data for each basis of allocation that was selected and also must develop systems to capture actual expenditure data. The actual data would then be used in the cost allocation plan framework to provide the LWIB and each partner with the relevant information concerning how the One-Stop system will be sustained fiscally.

Current Federal regulations dictate that discrepancies between projected costs and actual costs must be properly adjusted. Frequent monitoring, at a minimum quarterly, of the cost allocation plan will allow the partners to see when actual costs and other relevant data vary from their projections. It is likely that in the MOU development process, partners will not be able to

anticipate all of the system costs that will be incurred once the system is operational.

If variances between projected and actual costs are large, it may be necessary to adjust the service delivery plan, the cost allocation plan and the resource sharing agreements.

If actual data is not frequently monitored and adjusted, situations may develop in which some partners may not be able to pay their required share of system costs. This will result in a disproportionate sharing of costs among the rest of the partners and may result in those partners incurring cost disallowances.

Section 7: Follow-up and Tracking Costs Throughout the Year

Tracking Costs and Follow-up Throughout the Year

Tracking of all costs of the One-Stop operation and periodic reconciliation against the plan is essential to ensure that all costs are covered, and that costs are reasonable and equitably shared by the partners.

Tracking:

- Develop reporting systems.
- Monitor actual costs throughout the year.
- Monitor other relevant data (allocation information) throughout the year.

Follow-up:

- At least quarterly!!!
- Compare actual costs to projections.
- Compare actual allocation data (participants, square footage, etc.) to projections.
- Negotiate compromises to ensure that all costs are covered and allocated equitably.
- Payments

Follow-up is critical to ensure that actual costs are as projected, and that program objectives or a partner's ability to participate have not changed since the plan was implemented. Lack of periodic follow-up could cause serious financial burdens upon the partners at the end of the fiscal year. Periodic review of the actual costs versus the projected costs and the program objectives should be done ***at least quarterly***. Frequent monitoring of the cost allocation plan will allow the partners to see when actual costs and other relevant data vary from their projections. It is likely that in the MOU development process, partners will not be able to anticipate all of the system costs that will be incurred once the system is operational.

Since the initial cost allocation plan is based on estimates of shared system costs and the portion of total costs that each partner will be expected to pay, the LWIB and each partner must establish reporting systems to capture actual data for each basis of allocation that was selected and also must develop reporting systems to capture actual expenditure data. The actual data would then be used in the cost allocation plan framework to provide the LWIB and each partner with the relevant information concerning how the One-Stop system will be sustained fiscally.

If variances between projected and actual costs exist, it is imperative that partners negotiate compromises to adjust the service delivery plan, the cost allocation plan, and/or the resource sharing agreements to ensure that all costs are covered by the available resources.

Mutual agreement of all partners will be used to determine how the cost of operation will be covered; whether by partners paying for specific services/supplies, by partners providing specific services/supplies, by partners paying cash to the LWIB who pays for the services/supplies, or by another mutually agreed upon arrangement. Whatever arrangement is used, it should be written into the MOU or the cost-sharing plan.

All WIB partners need to be cognizant of the fact that the State of Illinois fiscal year (SFY) is July 1st to June 30th. All payments from State funds for services/supplies received in one fiscal year must be processed no later than 50 days following the end of that fiscal year (August 20th). Failure to meet this cutoff will require the WIB or the services/supplies supplier to go to the Court of Claims for payment. Services/supplies received in one State fiscal year can not be paid for in subsequent State fiscal years.

Some Federal funds are available for carry-over from one Federal fiscal year (FFY) to the next FFY. Be sure to work with the partner providing the Federal funds to determine the ability to carry-over any funds.

A sample resource allocation/contribution tracking worksheet is provided in Appendix D. This sample is based on the “Example of Cost Allocation and Resource Sharing Process” presented in Section 6 of this guide.

Section 8: Questions and Answers

Cost Allocation and Resource Sharing Questions and Answers

The One-Stop Comprehensive Financial Management Technical Assistance Guide (TAG) was issued in draft by the United States Department of Labor/Employment and Training Administration. Part I of the TAG provides guidance for all partners in implementing the Federal Register notice on cost allocation and resource sharing dated May 31, 2001. The following document provides answers to some commonly asked questions. This set of questions and answers represents a good faith effort to provide useful information on the principles detailed in the TAG and related cost allocation/resource sharing subjects. It is hoped this Q and A document is one more tool that will provide useful information to help facilitate the cost allocation process across the State.

This document will be placed on ilworkforce.org (Illinois' Workforce Development web site) and will be updated on a periodic basis. The expectation is for this to be a living document. A process will be developed to capture stakeholder questions and provide responses. Hopefully this can be developed through the web site. Stay tuned for more information on how this process will work.

PLEASE NOTE! This document attempts to answer many questions. The answers provided are meant to serve as the best guidance available, however a particular answer may not be applicable to each and every situation due to the wide variety of local circumstances. Major points in the answers to specific questions are in bold lettering to assist in easy identification of those points.

COST ALLOCATION AND RESOURCE SHARING QUESTIONS AND ANSWERS (Qs & As)

PROCESS

Q.1 Where does the cost allocation plan fit into the operation of a One-Stop Center?

A. 1 The cost allocation plan should be viewed as part of a process. A process that begins with the LWIB and partners defining their vision for the One-Stop system; then all parties meet to determine how to carry out the Board's vision. The design of the local system will have a major impact on the determination of the costs of the system. The design of the system should be incorporated into a business/operational plan developed by the LWIB and all the partners. The business/operational plan in part should detail the services to be delivered by all partners in the One-Stop. Only after the menu of services is determined, the partner(s) to deliver the services are identified, and how the partner(s) will deliver the services is agreed to, can the cost allocation plan development begin.

After the shared costs of the system are determined, the appropriate cost allocation methodologies are chosen and applied. This process will determine each partner's fair share of the costs of the system. At that point, the partners will discuss resource sharing which is a determination of how the costs of the system will be paid. The processes of cost allocation and resource sharing are two distinct, yet interrelated processes. Based on the level of resources that are available from the partners in the local area, it may be necessary to go back and revise the vision for the system and to re-visit the shared costs that were identified. It may be necessary to go back and forth in these processes several times before the partners can agree on a final plan.

Q.2 Who should be involved in the development of the One-Stop budget, a cost allocation plan and a resource sharing plan?

- A.2 It is the responsibility of the all local partners to negotiate and enter into the MOU and to ensure that partners fairly share in the costs of the One-Stop system. **It is critical that the budget development and cost allocation process be a collaborative effort, i.e. involve all of the One-Stop partners and the One-Stop operator. A good faith effort to involve all partners will go a long way to increase the likelihood of a successful and fair cost allocation process.**

It is important to keep in mind that the cost allocation plan and the resource sharing plan are fiscal documents that are an integral part of the business/operational plan and MOU process. All of which are developed in support of partner's vision and plan for delivering services in the One-Stop system. Since the cost allocation and resource sharing plans are fiscal documents, it is critical that the partners involve staff with fiscal expertise in the development of these documents. The partner agencies should designate fiscal staff with a working knowledge of their program funding and operations to work with the program staff to identify, value and negotiate the shared costs and to choose allocation methodologies that are appropriate and consistent with Federal cost guidelines.

Q.3 Does the cost allocation plan and resource sharing agreement have to be part of the MOU?

- A.3 Although the MOU plays a critical part in setting the foundation for the cost allocation plan and resource sharing agreement, it is strongly suggested the cost allocation plan and resource sharing agreement be an attachment to, rather than a part of the MOU. This allows cost allocation and resource sharing issues to be modified independent of the MOU. An adjustment to the budget will not necessarily require a modification to the MOU unless the terms of the MOU are affected. This practice facilitates minor changes, quarterly actual versus budgeted cost revisions, and other minor modifications without revisiting the basic tenets of the MOU.

Q.4 What is the difference between the cost allocation plan and the resource sharing agreement?

- A.4 Cost Allocation is the process to determine the costs to be shared and the proportion of costs to be shared by each partner/program. Resource sharing is the process to determine how the partner/program will pay/fund their share of the costs.

Q.5 Will the State review 2nd year MOU and cost allocation plans/resource sharing agreements for each Local Workforce Investment Area?

- A.5 The MOU should be a locally driven product and should reflect the partners' vision for a workforce development system in their local area. The States' goal is to provide technical assistance prior to finalization of the MOU, and to identify if the methodologies developed and agreed to by all the partners are consistent with Federal and State requirements and to provide guidance to assist partners in identifying and resolving problem areas.

At the point the MOU is agreed upon and signed by all the partners the MOU will be reviewed to ensure that it contains all of the required elements. The cost allocation and resource sharing plans will also be reviewed to ensure they are reasonable and in compliance with applicable Federal/State requirements.

DETERMINING SHARED COSTS

- Q1 It is easy to identify and have consensus on some shared services such as Resource Room staff. However, as you consider other shared services, the distinction becomes fuzzy. Where do you draw the line in such a continuum?**

A1 It all depends on what the partners negotiate and agree to. Any of the arrangements agreed to by the partners should be spelled out in the MOU and cost allocation plan. The partners may want to carefully consider whether they should include as shared system costs each partner's support costs. Certain costs directly benefit the respective partners and as such, provided there is agreement among partners, should not be included as shared system costs.

Q.2 Is it possible partners develop a rationale for their shared costs, but another area might go through the same process and decide similar costs are not shared?

A.2 Yes, that certainly could be the case. Depending on how the particular One-Stop systems have been structured, a particular cost may be a direct cost (does not benefit the other partners) in one LWIA and that same cost may be viewed as a shared cost (does benefit the other partners) in another LWIA. **The definition of what is and what isn't a shared system cost isn't something that can be standardized or pre-determined. That determination must be made based on whether or not the partners benefit from the cost.**

Q.3 Can there be separate agreements outside the MOU to cover rent/utilities for partners' direct costs?

A.3 Yes. Depending on the circumstances, it may be more appropriate to deal with the issue of direct rent costs outside of the partner MOU. There were areas in the State where the failure to agree on rent issues caused real problems in negotiating the MOU in Year 1. If the negotiation of how to handle sticky rent issues is removed from the MOU discussion and handled in separate supporting agreements, it may be easier to focus on the true shared costs of the system. Removing these direct costs from the cost allocation plan will reduce the total amount of costs that need to be discussed, negotiated and allocated, thereby serving to make the allocation process easier. Another practical reason to handle direct rental costs outside of the MOU is because in certain instances the partner who owns the property will incur a substantial outlay of funds for the operation and maintenance of the property and perhaps cannot afford to wait until the end of the MOU period to be paid for the partner's rental fees.

Q.4 Can partners outside the center be charged for shared costs - even if they are not located there?

A.4 As described in Chapter I-5 of the TAG, shared costs are defined as those costs of the One-Stop center or system that benefit multiple partners and are incurred in support of the services delivered through the One-Stop system. The first step in determining whether a partner inside or outside the center should be charged for a cost is to look at the nature and the functionality of the cost in question. For example, portions of LWIB costs or marketing costs could be viewed as either direct costs or shared costs depending on the functionality of the specific costs in question and which partners benefitted from the costs. The portion of these types of costs that are determined to be shared system costs could certainly be seen as benefitting partners both inside and outside of the center. The test of whether a partner should be allocated any portion of a given system cost depends on whether the partner benefitted from the cost, and not on where the partner is located. **It is up to the partners to make judgements as to whether or not they received benefit from a certain item of cost or pool of costs.**

The TAG instructs partners to develop a preliminary list of shared costs based on the service delivery model that was developed and agreed to by all the partners. Shared services costs such as intake could also be seen as benefitting partners both inside and outside of the center. The partners would need to examine the specific service provided and determine which partners benefit from the incurrence of the cost. For example, if the

only partners that benefit from the intake services provided at the One-stop Center are those partners located there then only those partners should share in the cost. Conversely, if those intake services benefit partners regardless of where they are located then all the benefitting partners should be allocated their fair share of the costs.

Shared center costs must be looked at in the same way - who benefits from the cost that is incurred? Some of the center costs will be viewed as directly benefitting the partners that are located there and should be directly charged to those benefitting partners. However, there may be costs at the center that benefit partners both inside and outside the center. Resource room costs may be an example of this. Also, the space occupied by intake staff that provides services to partners both inside and outside the center would represent center costs that should also be viewed as a shared cost that would be allocated to all benefitting partners regardless of where they are located.

Q.5 When partners discuss shared costs, should these discussions relate only to the provision of core services, not intensive or training services?

A.5 The level of integration and the design of the local One-Stop system will have a major impact on the type and amount of shared costs that exist in the system. In general, the shared service costs of the system will relate to the provision of core services. Usually, participants that receive intensive or training services have been enrolled in a particular program and the related costs should be charged as direct costs to that program. However, it's possible with the agreement of all partners that as the level of integration increases, there may be circumstances where it may be appropriate for certain partners to develop systems whereby intensive or training costs may be shared and the participant who receives these services is enrolled in multiple programs.

Q.6 If you have a program that serves a universal population, how do you distinguish direct costs from shared costs?

A.6 In determining if any cost is a shared cost or a direct cost, the partners need to see if it meets the TAG's definition of a shared cost; Is it a cost of the One-Stop center or system that benefits multiple partners and is incurred in support of the services delivered through the One-Stop system? Shared costs are generally costs incurred by one of the partners that results in cost avoidance for one or more of the other partners in the One-Stop system. This means that since one partner is providing a certain service or covering a particular cost, that another partner now can avoid providing that same service or incurring that same cost. The fact that program services are provided to a universal population should not be the deciding factor in cost allocation. **Partners need to develop a system that recognizes that funds are provided to various partner programs to provide services.** Therefore, the cost allocation back to each funding source needs to reflect benefits being received by the participants in the One-Stop system.

For example, let's assume that the LWIA partners agree to designate Partner A to provide common intake services within the One-Stop system. Let's also assume that partner administers programs that traditionally have served a universal population. The cost of the traditional program services that Partner A continues to provide outside of the one-Stop system would generally be considered a direct cost of those programs and would not be put into the pool of shared costs to be allocated among the partners. The costs that Partner A incurs to provide the common intake services for the One-Stop system would be considered a shared cost since it benefits multiple partners and is incurred in support of services delivered through the One-Stop system. The cost for providing the common intake services also resulted in cost avoidance for other partners because those partners now do not have to incur costs to provide that same intake function.

Q.7 Do LWIB costs represent shared system costs?

A.7 LWIB costs may be considered shared system costs to the extent that the LWIB carries out functions that support the overall system. Please remember that WIA and State policy require a separation between the LWIB/LWIB staff and delivery of services. All partners should be in agreement on system costs and the ability of each partner to contribute.

Q.8 What are affiliate sites and how do we address the issue of the costs of these affiliate sites in our cost allocation plan?

A.8 The WIA legislation defines the One-Stop system as consisting of one or more comprehensive, physical One-Stop centers in a local area that provides the core services specified in WIA sec. 134(d)(2) and that provide access to the other activities and programs provided under WIA and by each One-Stop partner. In addition to the comprehensive centers, the regulation notes that WIA allows for three other arrangements to supplement the comprehensive center(s). These supplemental arrangements include: (1) a network of affiliated sites that provide one or more of the programs, services and activities of the partners; (2) a network of One-Stop partners through which the partners provide services linked to an affiliated site and through which all individuals are provided information on the availability of core services in the local area; and (3) specialized centers that address specific needs.

By working in a collaborative fashion, the partners will be able to identify their One-Stop centers and their affiliated sites. Then the partners can begin to define the actual costs of operating the local system. The partners then must identify the shared costs of the entire system that will include the shared costs of any affiliated sites that have been designated by the partners. **Partners need to develop a system that recognizes that funds are provided to various partner programs to provide services.** Allocation methodologies would then be developed to determine the bases for allocating these shared costs among the benefitting partners. Chapter 3 of the TAG and the Illinois Cost Allocation Guide identifies several allocation methodologies and strategies that may be used.

Q.9 Should the services provided by partner agencies that serve a special population be considered a shared system cost?

A.9 If a partner provides a service to a particular population as part of their funding mandate and this service is what they've always done, there's a good chance that the cost is a direct cost and should not be allocated to the other partners. In determining whether a cost is shared cost or a direct cost the partners should be asking, "what new services are we providing as a result of this new one-stop environment - did we as partners provide any common or integrated services?" To the extent that they have partnered to provide common or integrated services then those are the services around which they should be trying to define shared costs.

It needs to be re-emphasized that the reforms embodied in the Workforce Investment Act are pivotal and not "business as usual". The legislation is not simply about co-location of partner programs; it is about integration and the development of true partnerships and honest collaboration at all levels and among all stakeholders. It is expected that programs and providers will not only co-locate, but that they will coordinate and integrate services, activities and information, so that the system as a whole is coherent and accessible for individuals and businesses alike.

CONCEPT OF BENEFIT RECEIVED

Q1 How do you define "benefit" since it is critical to determining shared costs? Examples?

A1 Benefit received can be defined as cost avoidance (whereby one partner is providing a

certain service or covering a particular cost so that another partner now can avoid providing that same service or incurring that same cost) or enhanced services provided to program participants that lead to meeting program goals. It is up to the partners to make judgments as to whether or not they received benefit from a certain item of cost or pool of costs. Chapter 1-3 of the Federal TAG states that, "using a preliminary list of shared costs, partners should then begin the process of identifying how the costs are of benefit to each of the partner programs. This is done through the development of function and benefit statements for each cost item or group of costs." The measure of the benefit is based on the value or worth of the expense to each partner.

The TAG describes a variety of methods that may be used to measure the benefit received by each partner. Cost allocation is the process of choosing methodologies that will measure the level of benefit received by the partners in the One-Stop system. Measuring benefit is the critical requirement and central task to be performed in allocating costs. Benefit received is usually expressed through the application of a mathematical formula to a cost pool, resulting in a distribution of the cost to a number of final objectives.

Q.2 Are there situations where certain partners might not get allocated any portion of the shared One-Stop system costs?

A.2 The WIA legislation requires that all partners use a portion of their funds to create and maintain the One-Stop delivery system. However, it is important to recognize that costs are allocable to a particular program only to the extent of benefits received by that partner program. Likewise, costs that do not benefit a particular program are not allocable to and cannot be charged to that program. Therefore, while it is possible that there may be circumstances where a particular partner is deemed not to benefit from any of the shared system costs, we would expect this would be the exception rather than the rule. If this were determined to be the case, we would have to question whether this partner was truly participating in good faith in the development of the local One-Stop system.

Q.3 Must there be a direct correlation between benefit received and the allocation base?

A.3 The OMB standard is that costs must be allocated in reasonable proportion to the relative benefits received. An allocation base is acceptable if it represents a fair measure of cost benefit and if it results in an equitable distribution of the costs of services rendered or goods provided. The base used should have a direct relationship to the types of costs being allocated so that benefit can be measured as accurately as possible.

COST ALLOCATION & RESOURCE SHARING METHODOLOGIES

Q.1 What is a cost allocation?

A.1 Cost allocation is the process of choosing methodologies that will measure the level of benefit received by the partners in the One-Stop system. Measuring benefit is the critical requirement and central task to be performed in allocating costs.

Q.2 The cost allocation plan we have developed identifies the resources we will need to establish and operate our system and we have identified what each partner is willing to contribute to our One-Stop system. Why do we need to go further? Doesn't this meet the WIA requirements?

A.2 No, it is not sufficient to simply identify the resources needed for the system and to identify what each partner is willing to contribute. The vast majority of One-Stop partners are recipients of Federal grant dollars, either directly or from another recipient and, as such,

must adhere to relevant OMB guidelines regarding cost principles and are subject to A-133 Single Audits.

The A-133 Compliance Supplement identifies the specific compliance requirements relative to the allowability of costs. This document contains detailed requirements relating to cost allocation that the Federal Office of Management and Budget expects your Single Auditors to use when auditing your financial statements under the Single Audit Act.

When individual organizations partner in the One-Stop environment, some activities and functions benefit more than one individual organization or funding source. As such, the cost of performing these functions or activities must be allocated to the benefiting programs or cost objectives (grant). This must be done based on benefits received by the benefitting program, and not on availability of funds. Whatever allocation methodology is used, it must be supported by actual cost data. Further, the methodology must not permit shifting of costs that are not allocable or do not benefit a specific program to said program. Under no circumstances may any partner program pay more than its total allocable share of total allowable costs.

Therefore, cost allocation plans and resource sharing agreements must be developed to ensure that the costs reported to each partners' respective Federal funding sources conform to OMB guidelines. These principles were amplified in the TAG, dated May 31, 2001, and the Federal Register on Resource Sharing in the One-Stop systems.

Q.3 The WIA regulations require that each partner must contribute a "fair share" of operating costs of the One-Stop delivery system proportionate to the use of the system by individuals attributable to the partner's program. Does this mean that we have to use participant numbers as a basis for our allocation methodologies?

A.3 No, this requirement is intended to establish an equitable principle, but it is not intended to prescribe a single method for allocating costs. The regulation goes on to say that there are a number of methods, consistent with the relevant OMB circulars that may be used for allocation costs among the partners.

While using participant numbers as a basis for allocation may be an acceptable methodology for certain costs (such as resource room costs), there are issues that should be strongly considered before adopting this methodology.

- All of the partners must agree on a common definition for "participant". The basis of allocation such as "participant" or "unit of service" or "core service" must be defined and agreed to by all partners. The partners should define "participant" relative to the particular item of cost or pool of costs in question. For example, the partners may choose to define "participants" one way for allocating the pool of intake costs and define "participants" a different way for allocating the costs of the resource room. The methodology should be as causally related as possible to costs being allocated.
- Participants in the workforce delivery system are served at varying levels of intensity by different programs. It may not be reasonable that all participants be "weighted" the same in an allocation basis when they are served for widely varying periods of time. Therefore, if participant numbers are used as an allocation basis, it may be appropriate to "weight" the service to participants to ensure equity in allocation.
- It may be reasonable to use participant numbers as an allocation basis for certain pools of costs, but it may be unreasonable to use this basis for other pools of costs. The standard for judging reasonableness is to determine if the method is

appropriate for the type of expense(s) being allocated and does it produce an equitable distribution of costs. **For example, it may be appropriate to use participant counts to allocate the cost of the resource room because the participants are the ones using the resource room and the counts can be measured. It may not be appropriate to use participant counts to allocate general system costs such as marketing costs because there may not be a correlation between the number of participants served and the costs of marketing the One-Stop system.**

Q.4 What method should be used in determining how the one-stop system expenses are allocated to the various partners? For example, we'd like to keep our cost allocation plan simple and base the shared costs of the entire system on the number of staff in the one-stop center and affiliate sites?

A.4 **All shared expenses of the one-stop system are to be allocated among the appropriate partners. Per OMB Circulars, costs are to be allocated based on the benefits received; therefore, it is necessary to determine which partners benefit from each cost and pool. The measure of the benefit is based on the value or worth of the expense to each partner. Chapter I-3 of the TAG describes a variety of methods that may be used to measure the benefit received by each partner. The standards for judging whether a method of allocation is reasonable are to determine if the method: corresponds to the costs being allocated; produces an equitable distribution of costs; is efficient to use; and is consistently applied over time. Without knowing all of the details of the example cited it is difficult to judge its reasonableness. However, a review of the proposed methodology would probably focus particular scrutiny on whether the partners could demonstrate that the number of staff in the Center and at affiliate sites appropriately corresponds or correlates to the pool of the entire shared costs of the system.**

Q.5 **Would you please describe the proper methodology for using FTEs?**

A.5 When the costs of common staff functions are included in the shared costs budget, it may be more equitable to pay for these costs through the use of Full Time Equivalents (FTEs). The staffing for these functions may be provided by different entities that will have different pay scales, pay levels, and fringe benefits. By using FTEs as a payment method, partner organizations need not address these differing pay scales. In order to use FTEs as a payment method, all of the partner programs benefitting from the shared function must provide the necessary staff resources in the same proportion as their allocable share. **It is only appropriate to use FTEs for payment of common staff functions.** If staffing levels are to be used as an allocation base to allocate the staff costs, there must be information that the staffing decisions were based on benefit received and not just contributions from the partners. Chapter I-4 of the TAG provides an example of how this methodology may be used and they also provide cautions should partners consider its use.

Q.6 **Can we average salary and benefit information to adjust for pay scale differentials?**

A.6 No, USDOL's position is that the cost allocation and resource sharing processes must be based on the actual costs incurred by the partner agencies. Since the use of average salaries would not result in allocations being made on actual costs, these methodologies would not be allowable. The FTE methodology detailed in the TAG is offered as a method that could be used to address the issue of wage disparity among partners.

Q.7 **Should partners enter cost allocation negotiations from the approach that, "I only have \$10,000" -- even though that might be the reality.**

A.7 The TAG is clear that shared system costs must be allocated to those programs that benefit from the incurrence of the cost. This must be done based on the benefits received and not on the availability of funds. The Summary and Explanation section of the Federal register on Resource Sharing states, "that in no case would it be proper for a predetermined budgeted amount to be set as the actual cost for any program. Cost Allocation is always based on actual costs, which may be greater or less than the budget planning levels".

Q.8 What are in-kind contributions?

A.8 There is a lot of confusion about the term "in-kind" as it relates to resource sharing in the One-stop environment. "In-kind" contributions are defined in the OMB Circulars as donations of goods, services or volunteer time from a third party. They are not a cost to the receiving agency. As defined in Chapter I-4 of the TAG, under certain circumstances, partners may provide third-party in-kind contributions as resources to pay for their fair share of allocated costs. The other partners in the system must be willing to agree to accept these in-kind contributions as payment.

The term in-kind should not to be confused with contributions to the One-Stop by partner programs of such things as space, equipment, staff or other goods and services for which the partner program incurs a cost.

Q.9 Can relative funding levels be used to determine allocable share of costs?

A.9 The allocation base used should be a measure of actual cost or actual effort expended. It should not be based solely on a plan, budget or other estimate of planned activity. It is generally not appropriate to use the relative amount of funds available (budget) to allocate since budgets are not a measure of actual activity or effort. The purpose of the matrix of Federal funding was to illustrate what funding was available in the local area and to help establish priorities of service and to help in eliminating the duplication of services.

Q.10 What is meant by "resource sharing" between partners?

A.10 Resource sharing is defined as the process that partners will use to pay for, or fund, their allocable share of One-Stop shared system costs. The methods that partners use to pay for their fair share of costs are cash payments, provision of goods or services, use of FTEs and in-kind contributions. For example, it would be allowable to pay for such items as computer equipment or supplies (assuming these costs were identified in the One-Stop budget as shared system costs) as their allocated share of the One-Stop system costs.

Keep in mind that the resources provided to support the shared costs must equal the total proportionate share of the partner. If a partner either over-funds or under-funds its proportionate share (as determined in the quarterly reconciliation/tracking of actual costs), then that partner's share must be "made whole" through cash payments, provision of goods or services, use of FTEs or in-kind contributions. If for example, a partner's allocated share of One-stop system costs was \$10,000 and if the cost of computer equipment and supplies that they provided was only \$8,000, then their share would have to be "made whole" through one of the payment methods (agreed to by the partners) valued at \$2000. For more on tracking and reconciling costs see Section 6-18 of this guide Step #9.

Q.11 What is the process if a One-Stop activity earns income?

A.11 Income earned by an activity in the One-Stop should be shared by all the partners that pay

a share of that activity's costs; or the income can be shared by any other arrangement agreed upon by the One-Stop partners. The earnings, allocation, and use of income earned should be specifically addressed in the Resource Sharing Agreement or in an addendum to the agreement.

RECONCILIATION & RECORD KEEPING REQUIREMENTS

Q.1 Once the cost allocation plan and resource sharing agreement is completed and the One-Stop system is operational, what further steps must be taken?

A.1 Even though the One-Stop system is not required to submit financial reports it is necessary for the actual expenses that were incurred to be tracked. The fiscal agent for the system must maintain records detailing the shared expenses incurred by all the partners in the system. The fiscal agent and the partners of the system determine the methods used to track these expenses. The records that support the One-Stop system's cost allocation plan and resource sharing agreement will be subject to A-133 audit and Federal Review.

In addition to tracking the expenses of the system, it will also be necessary to maintain documentation supporting the actual allocation of these expenses to the partners. At a minimum, on a quarterly basis, the allocation is to be updated and applied to the actual expenses. A comparison is then to be made to the actual contributions by each partner. If there are material variances between the actual bottom line figures and the resource sharing agreement the partners may need to review their expenses and the resource sharing agreement.

It should be noted that the time spent by the fiscal agent on maintaining the system's records would be a shared expense of the system. It is to be included in the cost allocation plan.

Q.2 Is it really necessary to document in writing with time sheets, time studies, etc. the time of staff who work on tracking and reconciling costs (shared system cost of the allocation plan)?

A.2 The TAG is very clear in detailing all of the requirements for documenting shared One-Stop system costs. All partners within the One-Stop system that receive Federal funds must maintain financial management systems that are sufficiently documented to permit the tracing to a level of expenditure adequate to establish that Federal funds have not been used in violation of the restrictions and prohibitions of the applicable laws. The level of detail should be consistent with Generally Accepted Accounting Principles (GAAP) as required by the OMB cost principles and would include written partner agreements, and specific documentation to support all costs.

Q.3 If at reconciliation the partner owes money, whom is it paid to? If the partner has no money, what happens then?

A.3 These arrangements should be negotiated by the partners and detailed in the MOU. The payments could be handled in a few different ways. Probably the easiest way would be for payments to be handled through one partner acting as a broker. In that way whichever partners under contributed would write one check to this "broker". Then that broker would pay the partners which over contributed. It would be necessary in the case of State agency partners to develop contracts for the payments. The requirements of each State agency may vary.

The WIA legislation requires that partner must contribute a "fair share" of operating costs of the One-Stop delivery system proportionate to the use of the system by individuals attributable to the partner's program. By signing the MOU, partners agree to support the system to the level identified in the cost allocation plan and resource sharing document, which are part of the MOU. Each local area should appoint a fiscal agent to reconcile costs allocable to each partner with resources being provided by each partner. This reconciliation should take place no less frequently than quarterly. If the quarterly reconciliation indicates that a partner's allocable share may exceed that partner's ability to pay, the partners may decide to change the level of resources to be provided by the respective partners in the subsequent quarter to minimize these under contributions. We recommend that the MOU specify that payments among partners be made at the end of the MOU period (generally June 30). One of the main purposes for the Cost Allocation Plan and Resource Sharing Agreement is so that each partner knows what they are expected to contribute and what their allocable share is. If they won't be able to fund their allocable share, this should be made known prior to finalization and the signing of the MOU. The MOU should address issues such as partners who have no money to pay. If partners don't pay what they owe, then it follows that some other partner paid more than their fair share. If this happens, it could result in cost disallowances in an audit situation for the partner that over contributed. However, Illinois has obtained USDOL Region V concurrence that these will not be disallowed costs as long as partners agree on how a cost is to be divided and it is an allowable cost to the partner's program (PY'00 Technical Assistance Information Letter #00-23)

Q. 4 What documentation is required to substantiate cost-sharing expenditures?

A.4 In discussing this topic it is important to understand that the One-Stop system itself is not a specific direct recipient of Federal awards as an entity. The costs of the One-Stop system are funded by the partners, and these funding arrangements are detailed in the MOU, cost allocation plan, and resource sharing plan. Therefore, there are two separate levels of record keeping that are required in regard to the shared One-Stop system costs. First, is the level of record keeping that is required by each partner program as part of their fiduciary responsibility to their particular funding source. Second, there is the level of record keeping that is required to support the costs and allocation methodologies identified in the MOU, cost allocation plan, and resource sharing plan. The A-133 OMB Compliance Supplement discusses in detail the record keeping requirements.

**Appendix A: Team Pennsylvania Pittsburgh/Allegheny
County CareerLink Business Plan**

Team Pennsylvania Pittsburgh/Allegheny County CareerLink Business Plan

Introduction

Three years ago, approximately 30 organizations engaged in workforce development programs and policy development in the greater Pittsburgh area came together out of a shared commitment to unify efforts in order to deliver high quality, highly effective services to employers and job seekers.

The coalition's motto, well ahead of One-Stop career center implementation grants and Workforce Investment Act implementation, was "no funding, no mandates". The partners believed then, and continue to believe, that it is essential to listen to customers locally, and develop approaches that meet their needs.

The partners mutual commitment to collaborate on behalf of customers led to the creation of the 1st Stop initiative, in which partner agencies developed a One-Stop response system for meeting the needs of major financial institutions. Strong partnerships have been built on other fronts as well.

Developing a CareerLink System for Pittsburgh/Allegheny County is a logical next step in that collaborative approach to strengthening substantially services to customers.

This business plan is for the first of two comprehensive centers envisioned for Allegheny County, which will be located in the Regional Resource Center in downtown Pittsburgh. A second is planned for the Mon Valley area, and is now under development. In addition, a series of mini-centers will be established across the city and county that will provide customers with geographically convenient access to the CareerLink system and to locally customized services.

The Pittsburgh/Allegheny County centers are being developed by an unprecedented partnership. Planning and development of the local system is being done by a large, inclusive steering committee chaired by Thomas Murrin, dean of the business school at Duquesne University. The steering committee actively involves every major public and not-for-profit workforce development organization in the county. The downtown Pittsburgh center will be a joint venture led by several investor-level partners, including Goodwill Industries, the City of Pittsburgh/Pittsburgh Partnership, Allegheny County Department of Human Services/Office of Community Services, the Pittsburgh Job Centers, the Office of Vocational Rehabilitation, the State Dislocated Worker Program, and the Greater Pittsburgh Literacy Council.

The design of the centers and the services they provide is being driven by customer requirements, particularly those of area employers. Extensive market research, involving both small and large employers, is underway that will update and complement previously identified priorities and expectations. The partners' intent is to make the CareerLink centers a primary mechanism through

which the employment and skill improvement needs of the region's employers and workers are met.

To accomplish this at the initial center in downtown Pittsburgh, the partners are establishing an integrated service system organized around the needs of customers and not the turf of agencies and programs. The partners believe that to be successful, our centers need managers who have the authority and responsibility for ensuring the success and continuous quality improvement of the center. To that end, the partners are jointly investing in a center manager for the Regional Resource Center site. Joe Stratico from the Pittsburgh Job Center was selected by the partners for this important leadership role.

The partners see the downtown Pittsburgh site as both something that can become a national model of an outstanding career center and the initial building block of a multi-dimensional system of quick, flexible and high quality delivery of workforce services across Pittsburgh and the rest of Allegheny County.

Development of the CareerLink centers and system is being closely connected to the region's economic development strategies. The Working Together Consortium, a broad-based commission of Pittsburgh-area community leaders, formed a blue-ribbon task force chaired by University of Pittsburgh Chancellor Mark Nordenberg to identify crucial economic development and workforce issues facing the region. The commission identified 10 recommendations to ensure the Pittsburgh area's future economic competitiveness.

The Team Pennsylvania CareerLink centers and system for Pittsburgh and Allegheny County respond directly to those recommended actions. In particular, recommendation 8 called for the creation of a system of One-Stop career centers to serve the needs of employers and workers of Southwestern Pennsylvania. Other recommendations which the CareerLink system will address include:

- Recommendation 1, calling for the targeting of key industries with initiatives;
- Recommendation 5, calling for linkages of economic development and workforce development;
- Recommendation 7, focusing on the use of tools such as Work Keys for assessment; and
- Recommendation 10, calling for increased accountability of public investments in workforce development.

Defining the Business

Mission Statement

The Team Pennsylvania CareerLink Center will support local and regional economic development activities by serving as the foundation for the Allegheny County/City of Pittsburgh's workforce delivery system. This performance-based center will provide employers and job seekers market-driven services and information in an integrated, universally accessible setting that supports all customers in making informed hiring decisions and/or career choices.

This mission statement was developed by the Pittsburgh/Allegheny County Steering Committee and has been endorsed by the members thereof. It reflects a strong commitment by **fill in the number here** organizations to work together to construct first a center and then a system that adds significant value to the region's employers and job seekers.

This region's economy has changed dramatically during the past few decades, and can be anticipated to continue to do so in coming years. The CareerLink system is envisioned to become a vital ingredient in helping employers and workers make the transitions required to become and remain successful. The CareerLink centers should become a primary source of assistance for those facing employment and education issues in our communities.

The CareerLink Centers in Pittsburgh will have two sets of customers: employers and job seekers. We see employers using our centers' services to:

- Obtain screened referrals of candidates for employment;
- Identify training needs and appropriate sources to meet them;
- Answer strategic planning questions about the labor market.

Job seekers will use the centers for a range of information and advising services, including:

- Looking for a job;
- Identifying career opportunities;
- Connecting to training and education; and
- Obtaining assessment and career counseling.

The decision to put our first CareerLink in the Regional Resource Center, located at **(fill in address)** was made for several reasons. It will provide a signature location for the CareerLink system in the heart of downtown, convenient to excellent public transit access to customers from across a multiple county area. The center will be in highly professional space, setting the tone of quality we seek rather than a tone of business (or government) as usual. Perhaps most importantly, the entire building is being turned into a hub of economic development innovation for the community. We believe that environment is exactly where CareerLink should be located.

Agency leaders are deeply committed to this partnership. It builds upon our learnings from several previous joint ventures, such as the 1st Stop program in which we provided the banking industry with a single point of contact system without co-locating our staffs. We have many partners, as evidenced

by the signed partnership agreement. Further, the partnership is real and deep, not merely an arrangement on paper. Evidence of that is our commitment to a common customer flow and management structure in each center, as well as the extensive cost sharing investor agencies have committed to provide.

The partners share many beliefs that drive our center design, including:

- Services should be driven by customers, not bureaucracies;
- Customers should find our system easy to use, including a common customer flow and clear information to support their use of the centers;
- Local flexibility; sites should be customized to meet the needs of their own customers;
- A commitment to high quality customer service;
- A commitment to continuous quality improvement;
- The importance of both unified management and well-trained, empowered staff;
- Use of state-of-the-art technologies wherever possible to support customer service.

Our efforts are endorsed by and actively supported by key community leaders and organizations across many sectors in the region. The Working Together Consortium, as mentioned above, brings together major community leaders, is a steady source of leadership and connection on these issues. The Pennsylvania Economy League, which staffed the Nordenberg Commission, is supportive of our work. The United Way is helping us connect effectively with community organizations to ensure good transitions occur. Both the city and county private industry councils have supported our development with enthusiasm, and are solidly committed to both unified services and joint oversight thereof.

Products and Services

The downtown Pittsburgh CareerLink Center will offer a variety of services to its customers, both job seekers and employers. Major services for each set of customers is listed below.

Job Seekers

- Career Resource Room -- this will be a signature feature of the center, with 20 personal computers for customer use, extensive multi-media information presentation, and skilled staff assistance always available.
- Job Listings -- the center will offer an unprecedented, unified local database of job openings integrating the efforts of all partners, as well as statewide and national listings connected through the CareerLink home page.
- Job Search Assistance -- the center will offer workshops, resume preparation assistance, and other help to those looking for work.
- Assessment of Skills, Interests and Aptitudes -- will be provided to all customers eligible for intensive services under the Workforce Investment Act or other source of financial support and offered for a fee to other customers (fee for service will be phased in after opening).
- Career Counseling/Advising -- will be provided to all customers who seek it on a limited scale. More in-depth, structured counseling will be provided to all customers eligible for financial aid (or program support), and for a fee to others interested in this service.

- Connection to Support Services -- some customers will face significant barriers to employment. Two support service counselors will provide information and referral to appropriate sources of assistance.
- Literacy Services -- a literacy staff person will be on site to conduct prescriptive reading assessments, to provide one-to-one or small group instruction, or to link the customer with other literacy providers.
- Education and Training Information -- through the resource room, customers will be able to obtain information to support decision-making about education and training opportunities and options.
- Financial Aid Information -- customers will be able to obtain information about opportunities to obtain financial support for their educational efforts, including WIA funded individual training accounts but also the breadth of student grants and loans available in the community.
- Unemployment Compensation Information -- as UC shifts to a telephone-based system, the center will ensure that customers know how to use the system and can be connected to further assistance should they require it.
- Veterans' Services -- One veterans' representative will be available to provide veterans with a full range of employment services including job matching and referral, job development, referral to training and referral to veterans' service agencies.
- Referral to Welfare to Work, Single Point of Contact and other specialized programs -- customers who qualify for targeted programs will be connected to them by CareerLink staff.
- Vocational Rehabilitation services -- the Office of Vocational Rehabilitation is an investor, and will have staff on-site to help customers with disabilities to find employment.
- Youth -- young people will be able to learn about career options, educational opportunities and job openings through the CareerLink center.

Employers

- Employer Resource Center -- The downtown Pittsburgh center will have a resource area devoted specifically to meeting the information needs of employers.
- Unified Employer Services -- Center investors will create a common employer services team, ensuring effective services without duplication of effort.
- Recruitment and Screening Assistance -- the center's employer services team will help employers search for workers and ensure that candidates are screened to match the employer's expectations.
- Direct Link to Governor's Action Team -- The center will work closely and effectively with the team on workforce development issues they identify.
- Assessment and Testing Services -- Employers will be able to obtain help in analyzing the skills of potential and current employees, as well as aptitudes and interests. A strong assessment center to be a major feature of this center.
- Education and Training Brokering -- The center will help employers identify and connect with appropriate education and training sources to assist with their existing workforce development needs.
- Technical Assistance on Employment Issues -- This can range from licensing requirements to bonding to complying with alien labor certification requirements.
- Outplacement Assistance -- The center will do rapid response in the event of a major

dislocation, and will assist all employers who desire it when they must downsize. This will be done using WIA dislocated worker funds and may be supplemented by fee-for-service activities at a later date.

- Labor Market Information -- The center will provide employers with user friendly access to local and state labor market information, including comparative wage data, labor force availability data and other information of interest.

Marketing Plan

While each partner in the center brings an existing set of customer relationships to this joint venture, it is essential to begin the process of researching and thinking through CareerLink's appropriate niches and positioning in the region's workforce services marketplace. The partnership's goal is to build a system that will have major impact, one that will be seen as a first stop for employers and job seekers alike rather than one of last resort as has too often been the case in the past.

To assess CareerLink's market opportunities, we've commissioned a series of employer focus groups through Duquesne University, Campos Market Research, Inc., and the Pittsburgh Human Resources Association. Their efforts, now underway, are providing a good picture of needs and expectations across both large and small firms and multiple industry sectors in the region. Some findings from their initial research that will help us define our approach to CareerLink:

Campos – medium and large size firms

Campos Market Research conducted two focus groups and ten in-depth interviews with employers in the medium and large size categories. This research provided some excellent detail about current hiring and recruiting practices in the Pittsburgh area and some recommendations for CareerLink. Key findings include:

- For lower level positions, screening applications is a major issue; however, for higher level positions the equation turns around and companies find themselves needing to recruit candidates and sell them on a position.
- Employers cited a lack of qualified candidates at both the lower and higher levels.
- Lack of basic skills is a major issue in hiring for lower level positions.

In responding to the idea of CareerLink, these employers reacted with skepticism, reflecting a belief that government-funded programs haven't been responsive to employer needs, have been more concerned with placement statistics than with providing qualified job candidates, haven't provided adequate pre-screening of applicants, and have provided only entry-level candidates.

These employers cited several things CareerLink must do to be successful, including:

- Be focused on and responsive to employer needs;
- Be able to keep up-to-date on the changing employment environment;
- Heavily involve private industry in designing goals and programs;
- Be focused in approach, and not try to be all things to all employers;

- Be successful at filling entry level positions first in order to build trust with employers;
- Be focused on what skills are needed for positions at different industries;
- Be able to screen and provide training so that candidates meet those skill requirements;
- Be staffed with personnel who understand the intricate differences in skill set requirements between industries.

Duquense University – small firms

Duquense’s Small Business Development Center conducted two focus groups with firms employing 10-100 people spanning several industries. Key findings from these groups included:

- Despite their small size and lack of human resource departments, these firms do have quality human resources practices in place, including structured hiring, in-house training, regular performance evaluation, fair compensation and employee benefits packages.
- Good work ethic shows up as a key consideration in hiring. Firms are willing to hire unskilled people with a good attitude about work.
- Out of 28 companies in the focus groups, seven had used government programs in hiring. Most of those expressed frustration with the experience, stemming from a lack of quality referrals and a lack of accountability and support with the government agency.
- Pre-evaluated quality referrals, enhanced verbal communication, streamlined reporting requirements and accountable quality follow-up are the improvements most needed from the public agencies.
- The firms were unanimous in wanting a single point of contact with all area agencies, including a centralized web site.

Based on that research and the partners’ existing knowledge of employer needs, we will shape both our service delivery model and our communications message to ensure that we take full advantage of our opportunities. Market research is an ongoing investment the partners will need to make to stay in close touch with customer requirements.

Concurrent to the market research and preparation for initial operations, the partners will launch a communications campaign designed to increase the awareness of CareerLink among a range of community leaders. CareerLink marketing will link into a large scale promotional effort being undertaken by the Working Together Consortium so that key leaders come to see CareerLink as a solution to a critical community challenge -- meeting the workforce hiring and skill development needs of area employers.

Initially, marketing to job seekers and employers will be done cautiously as we open. We are strong believers in the concept of a soft opening, and want to learn how to deliver quality services before we loudly promise them.

Management and Organizational Structure

Management Structure

A unified Steering Committee is overseeing the development of all centers, whether comprehensive or mini-centers, in the City of Pittsburgh and Allegheny County. This **XX**-member committee, chaired by Dr. Thomas Murrin, includes steady participation from every major sector of service provision.

Each comprehensive center has a Site Committee, comprised of the investors in that particular location. The site committee's role is to work through cost sharing agreements, on-site management structures, space design, and other site-specific issues. For the downtown Pittsburgh center, that committee includes the City of Pittsburgh, Allegheny County, Goodwill Industries of Pittsburgh, Job Centers, Office of Vocational Rehabilitation, the state's Dislocated Worker Unit, and the Greater Pittsburgh Literacy Council.

By agreement of the investors, Goodwill Industries of Pittsburgh will coordinate several key management issues. Goodwill will lease the office space, and make purchases and acquisitions of furnishings and materials where needed. Costs for these efforts will be shared appropriately among the investors.

The manager will be responsible for the effective development and operation of the center. Hired by and reporting to the Site Committee, the manager will be provided with the authority to integrate work appropriately throughout the center, and will be held accountable for the results of the center.

From the outset a culture of front-line staff empowerment will be established, with flattened hierarchy. Managers and supervisors from investor agencies who are on site will work as a team under the leadership of the center manager. Staff will be identified to their customers as CareerLink staff, rather than agency or program staff.

Work teams will be built around logical product clusters that involve the appropriate staff on a multi-agency basis. All employees will continue to be governed by the personnel policies of their respective employers.

An essential ingredient in the CareerLink Center's success will be the ongoing development of staff. The work at a CareerLink Center will require both new skills that staff wasn't required to possess before as well as deeper and broader knowledge across many topics. Substantial investments in training are needed across several fronts: high quality customer service, a variety of technical skills, use of software and hardware, and cross-training on the work each other does.

To ensure that this development occurs in a thoughtful, center-wide manner, training costs have been built into the common center budget found later in this document. It is crucial to share this cost, and not leave it up to the variation among agencies. During the first year, the investors plan to expend more than \$30,000 on staff development for the roughly 41 staff who will work at the Regional Resource Center site.

Operational Plan

Hours of operation

The products and services of the downtown Pittsburgh CareerLink Center will be provided by a team of approximately 41 staff spanning 7 agencies. We plan initially to offer 54 service hours a week: Monday through Friday from 8:00 a.m. until 6:00 p.m. and Saturday from 9:00 a.m. to 1:00 p.m. Staff will be scheduled between 7:30 a.m. and 6:15 p.m. Monday through Friday and from 8:30 a.m. until 1:15 p.m. on Saturdays to ensure smooth customer service flows and time to do paperwork.

Site Layout

The center will be located on the 21st and 22nd floors of the Regional Resource Center. Entry and self-service areas will all be located on the 22nd floor. The center will initially occupy about 1/3 of the 21st floor, using that space for scheduled services and conference rooms. In all, the center will have roughly 15,000 square feet of space.

STAR Greeters

Customers entering the center will be welcomed by a STAR greeter (Smart, Team-Oriented, Amiable, Resourceful). This function will rotate among staff from several investors, and will involve 1-3 staff at a time, depending on traffic volume. The STAR greeter will welcome customers, conduct very brief initial assessments, send new customers to the resource room, and direct returning customers to either the resource room, scheduled appointments or activities such as workshops. They will connect employers visiting the center with an employer representative.

Membership Membership

When a customer first visits the CareerLink Center, (s)he will be enrolled as a CareerLink member and provided with a membership card. The center will use a swipe card technology to provide ease of member use of the center and ease of tracking. The partners have adopted a membership approach in order to focus on the image of the CareerLink Center as a place to which people will want to come at multiple points in their life -- when changing jobs or careers, when seeking education or training, when needing other information about work-related issues. At CareerLink, repeat business is a very good indicator of success, unlike traditional job training programs whose success was calibrated in significant part on getting people out the door.

Job Seeker Flow

Career Resource Room

The resource room will be a pivotal element of customer service at the center. It will be highly visible to members as they enter the center, set up in a very professional style, and will offer substantial service. The resource room will have roughly 20 personal computers for customer use, with resume software, job listings, educational information, labor market information and internet access that can connect the customer to the Team Pennsylvania CareerLink home page and other job search and career planning tools. A wide array of materials will be available in multiple media,

including print, video and audio. Customers will have work space within the resource room, including access to telephones, printers, copiers and a fax machine, as well as e-mail accounts. In addition, each member will be provided with a Web-based folder for their personal files.

The resource room will be staffed by several investors. While rotating this assignment, our intent is to have two full time resource specialists available at a time. Based on the professional expertise of the Carnegie Library of Pittsburgh, the staffing level will ensure a 1:15 staff to customer ratio for the resource room.

The resource specialists will register new customers as CareerLink members (and provide them with a membership card once the technology is obtained), orient new members to the services available, assist members in using the resource room effectively, troubleshoot computer problems, and provide career counseling/guidance to members.

To ensure adequate depth and breadth of information products in the center, the Carnegie Library of Pittsburgh will assist in the acquisition and selection of materials.

Triage -- Identifying Members Needing Intensive Services

Job seekers in need of more intensive assistance will be identified in at least two ways: self-identification or by a resource specialist. Those members will meet with a triage counselor to determine an initial plan of action. Two primary paths for next steps are anticipated: an in-depth meeting with a career counselor or connection with a support services counselor to provide information and referral to help respond to significant barriers to employment.

Career Counseling

Members referred for in-depth career counseling will develop with the counselor's help an individual services plan.

Welfare to Work and Single Point of Contact

Staff will be available to recruit and connect members to appropriate welfare-to-work and SPOC services.

Veterans' Services

Veterans' representatives will be available to provide veterans with a full range of employment services including: job matching and referral, job development; referral to training; and referral to veterans' service agencies.

Assessment Services

A distinctive feature of the downtown center will be its Assessment Center, managed by Goodwill Industries and involving several investors. Assessment specialists will work with customers in need of testing and in-depth assessment, using a range of appropriate instruments.

Workshops

A range of workshops will be offered within the center. These will include regular job search

workshops and others that are of interest to members. Some of these will be offered on a fee-for-service basis.

Youth Services

A youth coordinator will connect younger customers to the wide range of services available to them in the community. This will include significant outreach, including partnerships with schools, to encourage young people to learn how to use the CareerLink System. Their connection with it early on can assist the young person's connection to the world of work and increase their computer acumen.

Job Development

Customers who need intensive help in finding a job will receive it through the efforts of job developers at the center.

PREP

Unemployment compensation recipients identified as at risk will be asked to participate in a half day session to help improve their job search skills and readiness.

Job Matching and Referral

All partners will participate in a common system of job listings and efforts to match customers with appropriate job referrals. Customers will be able to review those listings in the resource center, but staff will also have unsuppressed access to all listings and will help with referrals whenever appropriate.

Employer Flow

Employers will contact the center -- or be contacted -- in several ways:

- Staff from CareerLink visiting employer sites;
- Telephone contact;
- Fax job orders;
- Internet connection through the CareerLink web site;
- Visiting the center.

The intent will be to begin to undertake systematic, aggressive outreach to the region's employers, expanding significantly our market share beyond the current employer relationships that various investors bring to the venture.

To organize that work, staff will form an employer services team, charged with working together to deliver consistently high quality services.

Timing of transitions

We anticipate signing the lease imminently, as well as executing all required operating agreements with investors. The landlord projects an eight-week period for renovation, so we anticipate being prepared to move in by June 1. **Needs to be updated**

Service Integration

The center will present an integrated services flow to our members. Staff will work in teams that cut across agency boundaries wherever appropriate, and the signage and materials will all be identified as CareerLink.

Service Recovery

A key to a high quality customer service system is the ability to make corrections when mistakes happen, and to do so in a way that satisfies customers. As we take on substantial training in excellent customer service, one of the charges to the center manager and staff will be to develop a clear package about recovery, and to clearly authorize front line staff to take appropriate actions to correct problems when they are found.

Measuring Success

Customer Outcomes

Customer Satisfaction

BOTH NEED TO BE CREATED

Financial Plan

The Site Committee has built a \$582,750 budget for shared costs in operating the center. This number does not include the salaries and fringes of staff; those remain in agency budgets and are considered in-kind for budgeting purposes. The center manager is the one exception to that, being a jointly funded position.

Through extensive consultation with the relevant agencies, a structure of four cost pools has been established to fairly allocate the shared costs.

During the first year, the partners will be developing a fee-for-service strategy and looking at other philanthropic options for expanding revenues to support the Pittsburgh/Allegheny County career centers.

**Appendix B: Department of Labor Guidance on
Cost Allocation**

PY'00 WIA Technical Assistance Information Letter No. 00-23

To: Chief Elected Officials
Local Workforce Investment Board Chairs
WIA Fiscal Agents and Grant Recipients
WIA State Agency Liaisons
WIA Title IB Administrators
One-Stop Operators
Other Interested Persons

Date: April 25, 2001

Re: Cost Allocation

I. Purpose:

To share clarification provided by the U. S. Department of Labor regarding the allocation of costs among one-stop partners.

II. Issuances Affected:

A. References: Federal Register, dated June 27, 2000, Vol. 65, No. 124.

B. Rescissions: None

III. Subject:

Cost Allocation

IV. Background:

In response to questions raised by local administrative staff regarding the consequences associated with one-stop partners not meeting cost allocation goals, the U. S. Department of Labor was contacted for clarification. Specifically, this department inquired about the risk of disallowed costs in the event that a partner pays more than their fair share.

April 25, 2001

Page 2

The U.S. Department of Labor, Region V Office has indicated that any costs which exceed a partner's fair share will not be subject to disallowance as long as the partners agree on how a cost is to be divided and it is an allowable cost to the partner's program(s). It is, of course, still necessary to develop a cost allocation plan to handle allocable costs. However, partners need not be concerned about deviating from the cost allocation plan as long as the partners agree and the costs in question are allowable. A function or activity that benefits two or more programs may be set up as a single cost objective and a business decision can be made regarding the combination of funds that would be applied to this objective. Further clarification can be found at OMB Circular A-87, Attachment A, Section C.3.c and the June 27, 2000 Federal Register regarding resource sharing.

This more relaxed interpretation should assist all partners over the next 12 months as they attempt to deal with the complexities of cost allocation and the development of Memoranda of Understanding.

V. Action Required:

The information contained in this letter should be shared with local partners.

VI. Inquiries:

Tariq Gandhi
217/558-2417

VII. Effective Date:

Immediately

VIII. Expiration Date:

Continuing

Sincerely,

Herbert D . Dennis, Deputy Director
Job Training Bureau

MEMORANDUM

TO: Don Arnold, Linda Demore, Tariq Gandhi and Ray Parrack

FROM: Herb Dennis

DATE: January 23, 2002

RE: PY-00 TAIL 00-23, Cost Allocation

On January 17, 2002 Ray Parrack and I had a conference call with Byron Zuidema and Barry Dale of USDOL Region 5 to resolve the issue of whether or not the above referenced technical assistance letter was consistent with A-87 and the Federal Register Notice/Vol. 65 No. 124, dated June 27, 2001.

Byron asked Barry if he had reviewed the letter before we had issued it, and Barry replied "yes." Barry said "he found the letter to be in compliance with the circulars." As a result of Barry's response, Byron said we should not revise our policy because of what was said in the One-Stop Financial Management training. Byron Stated, "Trainers sometimes answer questions without knowing all the facts involved in the issue."

We all agreed that the local partners must negotiate and identify the shared cost in the MOU and agree that they are contributing their fair share. In addition, it is the local partners who determine equitable benefit among their programs, if the negotiations are conducted in good faith. In other words, if local partners agree and costs charged to each grant are allowable under the terms of the grant, the cost allocation plan will not be questioned. Technical Assistance Letter 00-23 does not need to be re-written or rescinded.

cc: R. Nunn
Chuck Stewart
Supervisors

Appendix C: Intergovernmental Agreement for Utilization of Leased Space

**INTERGOVERNMENTAL AGREEMENT
for
UTILIZATION OF LEASED SPACE**

ESLO(local Office #)-** (sequential #)**

Lease No. _____

(Street Address) _____

(City, State) _____

The Illinois Department of Employment Security (IDES) with the approval of the Illinois Department of Central Management Services (CMS), makes this Agreement with (IETC PARTNER) to utilize approximately _____ square feet of office space at the leasehold located at _____ in the City of _____, County of _____, State of _____.

1. **Premises:** _____ square feet of office space.
2. **Term:** The term of this Agreement shall be from _____ to(a) _____ or (b) as long as the Department of Employment Security's leasehold under Lease No. ____ Is in force.
3. **Renewal/Termination:** The parties may renew or terminate this Agreement by giving _____ days written notice to the other of its intention to exercise this option, with notice to and approval by the Department of Central Management Services and subject to the terms of Lease No. _____.
4. **Notices:** All notices shall be addressed as follows:

CMS Director

ATTN: Real EState Division
721 Stratton Office Building
Springfield, Illinois 62706

IDES Director

ATTN: Manager/Property Services
Subdivision
401 S. State Street - 5th Floor
Chicago, Illinois 60605

PARTNER

ATTN: (Contact Person or Place)
(Street Address)
(City, State, Zip)

5. **Use of Premises:** (IETC PARTNER) agrees to use the premises as office space for the conduct of their statutory duties, responsibilities and obligations under Lease No. ____ and IDES agrees to (Partner's) right to quiet enjoyment.

6. **Alterations:** (IETC PARTNER) shall not make any alterations or additions to the premises without the permission of IDES, Lessor and CMS. Permission will not be unreasonably withheld. The costs (direct and indirect) of such modification to the premises shall be borne solely by (IETC PARTNER) which shall be paid directly to the Lessor or its designee. By signing this document, Lessor, its assigns and/or successors agrees that it will look only to (IETC PARTNER) for payment(s) of these charges. If such alteration or addition is terminated by (IETC PARTNER) prior to completion, it further agrees to reimburse IDES, at IDES discretion, for any and all costs, direct and indirect, associated with the restoration of such premises to the condition and configuration as existed prior to the execution of this Agreement.

7. **Operation and Programs:** The parties agree that each parties program and operation are to function as completely separate entities with no overlap of authority or duties other than operational agreements agreed to by local parties.

8. **Space Payment Provision:**

As consideration of occupancy (IETC PARTNER) agrees as follows: *

- (a) For the period of _____ to _____ the (IETC PARTNER) is to compensate the Illinois Department of Employment Security in a manner that is consistent with the Office of Management and Budget Circular A-87, including but not limited to the methodology outlined in the U.S. Department of Labor's "Sharing Resources to Provide Integrated Services: A Guide to Activity Based Cost Allocation."
- (b) For the period of _____ to _____ the (IETC PARTNER) is to compensate the Illinois Department of Employment Security in a manner that is consistent with the Office of Management and Budget Circular A-87. This compensation shall be at the rate of \$ _____ per month for general use.
- (c) IDES, CMS, (IETC PARTNER) and Lessor have agreed that (IETC PARTNER) shall pay to Lessor or its designee \$***.**, for improvements to the Premises in the form of (lump sum, monthly, etc. enter specifics here).

* (It is agreed by Parties to select any of the above as applicable.)

9. **Use of Premises:** At all times, the use of these premises is subject to the rights and obligations of Lessee under Lease No. _____.

10. **Indemnification:** To the extent permitted by law, (IETCPARTNER hereby assumes all risk of loss and agrees to indemnify and hold harmless IDES, its officers, agents and employees from and against any and all liabilities, demands, claims, suits, losses, damages, causes of action, fines or judgments, witness fees and other incidental expenses) for the death of or injury to any person (including but not limited to officers, employees and agents of the parties) and for loss of or destruction of or damage to property (including but not limited to property of the parties) if such death, injury, or destruction or damages arises out of (IETCPARTNER activities or activities of its officers, employees, or agents in furtherance of their duties as such or otherwise, unless such death, injury, loss, destruction or damage shall be due solely to IDES' negligence.

11. **Disclosure:** (IETCPARTNER will not utilize the services of a subgrantee to fulfill any of its obligations while using the IDES premises under this agreement unless written authorization is given by IDES and CMS.

12. **Confidentiality:** In the context of this Agreement (IETCPARTNER will or may have access to documents, files, records or other information that is confidential within the meaning of Section 1900 of the Unemployment Insurance Act (820 ILCS 405/1900) and agrees to comply with all provisions set forth in that Section regarding nondisclosure of any such information, including penalties for non-compliance. Failure to comply with Section 1900 at all times during the period of this Agreement shall be grounds for immediate cancellation.

Department of Employment Security

PARTNER

By: _____

By: _____

-

Title: _____

Title: _____

-

Date: _____

Date: _____

-

Department of Central Management Services

LESSOR

[to be signed only if alterations under §6 and §8(c)]

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

APPROVED as LEGAL FORM:

Appendix D: Sample Tracking Form

