

(3) Costs of goods and services used for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space;

(4) Travel costs incurred for official business in carrying out administrative activities or the overall management of the program; and

(5) Costs of information systems related to administrative functions (for example, personnel, procurement, purchasing, property management, accounting, and payroll systems) including the purchase, systems development, and operating costs of such systems. (OAA sec. 502(c)(4)).

(c) First-tier subrecipients are those subrecipients that receive SCSEP funds directly from an SCSEP recipient and perform the following activities for all participants:

- (1) Eligibility determination;
- (2) Participant assessment;
- (3) Development of and placement into community service opportunities.

**§ 641.859 What other special rules govern the classification of costs as administrative costs or program costs?**

(a) Recipients and subrecipients must comply with the special rules for classifying costs as administrative costs or program costs set forth in paragraphs (b) through (e) of this section.

(b)(1) Costs of awards by recipients and first-tier subrecipients that are solely for the performance of their own administrative functions are classified as administrative costs.

(2) Costs incurred by recipients and first tier subrecipients for administrative functions listed in § 641.856(b) are classified as administrative costs.

(3) Costs incurred by vendors performing administrative functions for recipients and first tier subrecipients are classified as administrative costs.

(4) Except as provided in paragraph (b)(1), all costs incurred by subrecipients other than first-tier subrecipients are classified as program costs.

(5) Except as provided in paragraph (b)(3) of this section (*i.e.*, costs that are incurred to perform administrative functions for recipients and first tier

subrecipients), all costs incurred by vendors are program costs. (See 29 CFR 99.210 for a discussion of factors differentiating subrecipients from vendors.)

(c) Personnel and related non-personnel costs of staff who perform both administrative functions specified in § 641.856(b) and programmatic services or activities must be allocated as administrative or program costs to the benefiting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.

(d) Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost must be charged as a program cost. Documentation of such charges must be maintained.

(e) Costs of the following information systems including the purchase, systems development and operating (e.g., data entry) costs are charged to the "program cost" category:

- (1) Tracking or monitoring of participant and performance information;
- (2) Employment statistics information, including job listing information, job skills information, and demand occupation information; and
- (3) Local area performance information.

**§ 641.861 Must SCSEP recipients provide funding for the administrative costs of subrecipients?**

(a) Recipients and subrecipients must obtain funding for administrative costs to the extent practicable from non-Federal sources. (OAA sec. 502(c)(5)).

(b) SCSEP recipients must ensure that sufficient funding is provided for the administrative activities of subrecipients that receive SCSEP funding through the recipient. Each SCSEP recipient must describe in its grant application the methodology used to ensure that subrecipients receive sufficient funding for their administrative activities. (OAA sec. 502(b)(1)(R)).

**§ 641.864 What functions and activities constitute program costs?**

Program costs include, but are not limited to, the costs of the following functions: