

Flexibility in the Treatment of Administrative Costs for the Weatherization Assistance Program

The Weatherization authorizing legislation and the Weatherization program regulations, 10 CFR Part 440, does not specifically define allowable administrative costs. This information will serve to remind the Weatherization network on how certain administrative costs may be treated, particularly by local agencies, in assigning these costs. As you are aware, the Program statute restricts administrative costs to a maximum of 10 percent, of which at least 5 percent must be passed on the local agencies.

The Congress has been informed over the years of the issues relating to administrative costs and the fact that the percentage, in many ways, is inadequate. In 1985, the Congress, while not increasing the ceiling on these costs, did direct DOE to offer guidance to the States in this area. Beginning with the 1985 Annual Grant Guidance to the States, DOE specifically identified instances where certain administrative functions could be charged to the program operations category and encouraged States to permit their local agencies to incorporate this change. This flexibility has not been uniformly adopted by the States. In 1993, DOE published regulations which included a provision to allow local agencies with grants of less than \$350,000 to be permitted to use up to an additional 5 percent for administrative costs. As staff changes throughout the Program occurred, guidance on administrative costs may not have been implemented as it was originally intended or in some cases not even offered by the State.

The four attached memoranda provide the only flexibility on charging administrative costs. Included in these memoranda is House Report 98-886 which accompanied the 1985 Appropriations Bill instructing DOE to provide regulatory relief on the issue of administrative costs. While DOE chose not to change the program regulations, certain flexibility was afforded States and local agencies through program guidance (see other 3 attachments). Program guidance in this area does generally lack specificity and is not mandatory that every State use the guidance uniformly. Please keep in mind that the flexibility offered in these memoranda would not be picked up by an A-133 audit. For further clarification on administrative costs, please contact your respective DOE Regional Office Weatherization Program Manager.