

Workforce Connections Fiscal Policies Allowable Costs	FIS-020-01
Supersedes policy 2.13 dated 09-22-04	Revision No. 6 – Effective 07-01-2019
Policy Approved By: WC Executive Director Policy Adopted on: September 2014	<i>[Handwritten Signature]</i> 3-9-2020

Purpose:

To establish Workforce Connections’ (WC) policy guidelines with respect to allowable costs for programs funded in whole or in part under Title I of the Workforce Innovation and Opportunity Act (WIOA).

Background:

The Office of Management and Budget (OMB) together with Federal awarding agencies has issued a joint final rule. This final guidance is located in Title 2 of the Code of Federal Regulations Part 200. This final guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up. The final guidance consolidates the guidance previously contained in the aforementioned citations into a streamlined format that aims to improve both the clarity and accessibility. The final rule enhances program results by providing consistent and uniform guidance that increases accountability and transparency, promotes fiscal integrity, and reduces duplication.

Policy:

It is the policy of WC that sub-recipients receiving WIOA Title I funds awarded in whole or in part by WC, must establish a sound financial management system of controls that comply with the applicable uniform cost principles and the appropriate uniform administrative requirements. Therefore, sub-recipients must follow the Federal cost principles that apply to their organization.

Reference:

Public Law (P.L.) 113-128 Secs.184 and 185; 20 CFR §683.235; 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; 2 CFR Part 2900 DOL Exceptions; State Compliance Policy (SCP) 3.1, 3.6 and 3.7

Applicable cost principles, established regulations, and the terms of the sub-award agreement must be followed in determining the reasonableness, allowability, and allocability of costs. Only allowable costs may be charged to a WIOA grant, and no WIOA grant may pay for more than its fair share of the costs (allocability), which means that the sub-recipient must determine if the costs incurred by the organization are allowable based on established guidelines.

All recipients and sub-recipients **must keep records** that adequately identify WC awarded funds. These records must be maintained in accordance with Generally Accepted Accounting Principles, more commonly known as GAAP, which are applicable to all federally funded programs.

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I. Allowable Costs

Allowable cost means that portion of the total costs incurred which satisfies all Federal, State, and local requirements for costs chargeable to a WC grant. These requirements include established cost principles as well as any limitations on allowable costs established in applicable laws, regulations, and the provisions of WC contract agreements.

Costs must be “Necessary, Reasonable, Allowable, and Allocable”

A. Factors Affecting Allowability of Costs

Except otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

1. Be necessary and reasonable for the performance of the Federal award and allocable thereto under these principles;
2. Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity;
4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;
5. Be determined in accordance with GAAP;
6. Not to be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period, unless allowed by the awarding entity, sub-award or contract; and
7. Be adequately documented.

B. Reasonable Costs

A cost is reasonable if, in its nature and 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 cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally funded.

In determining reasonableness of a given cost, consideration must be given to:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award;
2. The restraints or requirements imposed by such factors as sound business practices, Federal, State and other laws and regulations, and the terms and conditions of the award;
3. Market prices for comparable goods or services for the geographic area;
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, the Federal government, State or local government; and
5. Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

II. Additional Requirements

In addition to the allowable cost provisions of the cost principles, applicable regulations contain a number of provisions related to allowable and unallowable costs and activities. These provisions are listed below:

- A.** Any legal expenses incurred for defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements, commenced by the Federal government, are not allowable. This includes cost of prosecution of claims against the Federal government, including appeals of final Federal agency decisions. Additional requirements are codified under [2 CFR §200.435];
- B.** With four exceptions, the costs of construction or purchase of facilities are unallowable for all WIOA Title I programs [20 CFR § 683.235]; The exceptions are listed below:
 1. To meet obligations for access and accommodation under the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act (ADA) of 1990, as amended;
 2. Repairs, renovations, and capital improvements of real property, including: a) State Employment Service Agency (SESA) real property (identified at WIOA Sec. 192); or b) Job Training Partnership Act (JTPA)-owned property transferred to WIOA Title I programs;
 3. Job Corps facilities;
 4. To fund construction-related disaster relief projects; and
 5. Any other exception as noted in the grant award.
- C.** WIOA also prohibits certain activities. All costs associated with an unallowable activity are considered unallowable costs, regardless of their allowability under other circumstances.
The prohibited activities are as follows:
 1. Employment-generating activities, including economic development activities, or similar activities, unless they are directly related to training for WIOA Title I eligible individuals. For the purpose of this prohibition employer outreach and job development activities are directly related to training of WIOA Title I eligible individuals [20 CFR §683.245];
 2. Public service employment, except as specifically authorized under Title I of WIOA Sec. 194 (10);
 3. The wages of incumbent employees during their participation in economic development activities provided through a statewide workforce investment system;
 4. WIOA Title I prohibits the use of funds to employ participants to carry out the construction, operation, or maintenance of any part of any facility used for sectarian instruction or as a place for religious worship with the exception of maintenance of facilities that are not primarily used for instruction or worship and are operated by organizations providing services to WIOA Title I participants [20 CFR §683.255].
- D.** The regulation also prohibits the use of WIOA funds for business relocation, if the relocation results in any employee losing his or her job at the original location. WIOA funds must not be used for customized training, skill training, on-the-job training, incumbent worker training, transitional employment, or company-specific assessments of job applicants for employees of any business or part of a business that has relocated from any location in the United States, until the company has operated at that location for 120 days, if the relocation has resulted in any employee losing his or her job at the original location. The regulation further requires that specific pre-award review criteria

must be developed, completed, and documented as a prerequisite to WIOA assistance [20 CFR § 683.260].

- E.** Funds awarded by WC shall only be used for activities that are in addition to activities that would otherwise be available in the local area in the absence of such funds.
- F.** WC has established that bonuses and/or incentives payments to employees or sub-contractors using contract funds are **unallowable**. A waiver to this limitation may be requested by a sub-recipient provided that the following is in place:
 1. The waiver request must be submitted in a written format and must be directed to Workforce Connections' Executive Director.
 2. The waiver request must:
 - a) Include and/or describe an Outcome-Based Program (OBP) that must offer a reasonable method for the provision of reward/incentive to employees;
 - b) Include the number of employees that will be under the outcome-based program, their title, and job description;
 - c) Include a detailed list of goals/objectives and expected completion date;
 - d) Include a detailed justification and/or demonstrated need for incentivizing/rewarding; and
 - e) Describe the benefit to the program/project.
 3. Workforce Connections' Executive Director will have 10 business days to review and grant or deny a waiver request made by a sub-recipient.
 4. In the event a waiver is granted, it will only be for the particular program year in course.
 5. Workforce Connections' Executive Director must approve the maximum permissible incentive/reward amount.
 6. Appeal to a denial from WC must be in writing and directed to Workforce Connections' Executive Director within five (5) business days after receipt of Workforce Connections Executive Director's response.
 7. Workforce Connections' Executive Director's response will be final.
 8. The sub-recipient is responsible for demonstrating full compliance with the OBP
 9. WC makes no guarantees, express or implied, as of the granting of waivers.
 10. This process is not intended to establish requirements or criteria for the provisions of rewards/incentives to employees. The sub-recipient must establish criteria for a reasonable method to apportion rewards/incentives.
- G.** Accounting systems shall provide for accurate, current, and complete disclosure of all expenditures, including but not limited to those from grants, contracts, or agreements. The costs shall be traceable to a level of detail that establishes compliance with either Acts' regulations.
- H.** The sub-recipients' financial systems shall allow for effective internal control and accountability for funds to ensure they are used solely for authorized purposes.
- I.** Accounting systems shall permit the tracing of funds to a level adequate to establish that funds have not been used in violation of the applicable Act.

III. Summary of Cost Items

Below is a chart provided as a **reference tool only, the chart is not all inclusive.** Recipients, sub-recipients, shall comply with the applicable Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards codified under 2 CFR Part 200.

Key

- NT → Not treated in referenced Cost Principle
- A → Allowable
- AWC/U → Allowable with conditions/otherwise unallowable
- AWP → Allowable with prior approval of either the Grant Officer or Governor
- AWPWA → Allowable with prior written approval
- U → Unallowable

Consistent with 20 CFR Part 683.200, recipients and sub-recipients of Federal awards under Title I of WIOA must follow the cost principles codified at subpart “E” and appendices III through IX of 2 CFR Part 200, including any exceptions identified by DOL codified at 2 CFR Part 2900.

In addition, when reviewing the provisions related to selected items of cost in the cost principles, the cost principles applied in establishing the allowability of certain items of cost apply whether the cost is treated as a direct or indirect cost. Failure to address a particular item of cost is not intended to imply that it is unallowable. Rather, the determination of allowability in each case should be based on the treatment or principles provided for similar or related costs.

Cost Item	2 CFR Part 200	USDOL 2900	DETR	WC
Advertising and public relations	AWC/U	NT	AWC/U	AWC/U
Advisory councils	AWC/U	NT	U	U
Alcoholic beverages	U	NT	U	U
Audit costs and related services	AWC/U	NT	AWC/U	AWC/U
Bad debts	U	NT	U	U
Bonding costs	A	NT	A	A
Capital expenditures for improvement to land or buildings	AWPWA	AWPWA	AWPWA	AWPWA
Collection of improper payments	A	NT	A	A
Compensation for personal services	AWC/U	NT	AWC/U	AWC/U
Compensation fringe benefits	AWC/U	NT	AWC/U	AWC/U
Conferences	AWPWA	NT	AWPWA	AWPWA
Contingency provisions	AWPWA	AWPWA	AWPWA	AWPWA
Contributions and donations	U	NT	U	U
Defense and prosecution of criminal and civil proceedings, and claims	AWC/U	NT	AWC/U	AWC/U
Depreciation and use allowances	AWC/U	NT	AWC/U	AWC/U
Employee health, and welfare costs	AWC	NT	AWC	AWC
Entertainment costs	AWC/U	NT	AWC/U	AWC/U
Equipment and other capital expenditures	AWPWA	NT	AWPWA	AWPWA
Exchange rates	A	NT	A	A
Fines and penalties	AWC/AWPWA	NT	AWC/AWPWA	AWC/AWPWA
Fund raising and investment management costs	AWPWA	NT	AWPWA	AWPWA
Gains and losses on disposition of depreciable assets	AWC	NT	AWC	AWC
General government expenses	U	NT	U	U
Goods or services for personal use	U	NT	U	U
Idle facilities and idle capacity	AWC	NT	AWC	AWC
Insurance and indemnification	A/AWC/U	NT	A/AWC/U	A/AWC/U
Intellectual property	AWC/U	NT	AWC/U	AWC/U
Interest	AWC/U	NT	AWC/U	AWC/U
Lobbying	U	NT	U	U
Losses on other sponsored agreements or contracts	U	NT	U	U

Cost Item	2 CFR Part 200	USDOL 2900	DETR	WC
Maintenance, operations, and repairs	A	NT	A	A
Materials and supplies costs including cost of computing devices	A	NT	A	A
Memberships, subscriptions, and professional activity costs	AWC/U	NT	AWC/U	AWC/U
Organization costs	AWPWA	NT	AWPWA	AWPWA
Participant support costs	AWPWA	NT	A	A
Plant and security costs	A	NT	A	A
Pre-award costs	AWPWA	NT	AWPWA	AWPWA
Professional service costs	A/AWC	NT	AWPWA	A/AWC
Proposal costs	A	NT	A	A
Publication and printing costs	A	NT	A	A
Rearrangement and reconversion costs	AWPWA	NT	AWPWA	AWPWA
Recruiting costs	AWC	NT	AWC	AWC
Relocation costs of employees	AWC	NT	AWC	AWC
Rental costs of building and equipment	AWC	NT	AWC	AWC
Scholarships and student aid	AWC	NT	AWC	AWC
Selling and marketing costs	U/AWPWA	NT	U/AWPWA	U/AWPWA
Specialized service facilities	AWC	NT	AWC	AWC
Student activity costs	A/AWC	AWPWA	A/AWC	A/AWC
Taxes	AWC/U	NT	U/AWC	AWC/U
Termination costs	AWC	NT	AWC	AWC
Training and education costs	A	NT	A	A
Transportation costs	A	NT	A	A
Travel costs	AWC	NT	AWC	AWC
Trustees	AWC	NT	A/AWC	AWC
<i>(Left Blank Intentionally)</i>				