



## **ALLOWABLE COSTS and PRIOR APPROVAL**

Workforce Investment Act Policies and Procedures

### **POLICY # W411**

Effective Date: November 28, 2012

#### **BACKGROUND:**

The Spokane Area Workforce Development Council (SAWDC) has chosen to subgrant the delivery of program services to responsible public, private nonprofit, and private for profit agencies in the community. This policy provides guidance for agencies providing services under the WorkSource brand regarding allowable costs and prior approval requirements of certain costs.

#### **POLICY:**

Allowable Costs: Expenditures of WIA funds are allowable only for those activities permitted by the WIA Title I and related regulations. Allowable activities include core, intensive, and training services, which are described in Section 134(d)(2), (3), and (4); additional guidance regarding supportive services and needs related payments is provided in this section. WIA Section 129 details the allowable and unallowable activities for the youth program.

Sections 667.260 through 667.270 and Section 661.310 of the Final Rules describe prohibitions against specific activities. When planning a program or expenditures, recipients of WIA funds are advised to review all relevant federal documents. OMB circulars provide general principles and guidance on selected items and describe allowable and unallowable costs. Additionally the One Stop Comprehensive Financial Management Technical Assistance Guide Part I and II provides financial and administrative guidance. The SAWDC and all subrecipient service providers will follow all relevant federal documents and OMB circulars regarding allowable and unallowable costs.

To be allowable, costs must further be accorded consistent treatment, adequately documented, consistent with all requirements of a subrecipient's contracts, incurred through standard procurement practices, and free from conflict of interest.

In addition to being allowable, the SAWDC requires that a cost be reasonable. Costs are reasonable if they do 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 of a specific cost must be scrutinized with care by subrecipients who receive a preponderance of their revenues from grants and/or contracts containing Federal and/or State funds. In determining reasonableness, consideration must be given to the following:

- Whether the cost is or is not generally recognized as ordinary and necessary to the performance of the contract;
- Whether the restraints and requirements imposed are or are not consistent with generally accepted sound business practices and arms length bargaining; and
- Whether there are or are not significant deviations from established procurement practices of the subrecipient.

Prior Approval of Certain Costs: The SAWDC requires subrecipients to request prior approval to purchase any equipment as defined in SAWDC Property/Equipment Management Policy.

Capital expenditures for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value of useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency.

Items identified for purchase or rent before the budget is approved must be specified in subrecipient's budget schedules. Those items of need arising after the budget is approved may be requested via the budget modification and approval process. Maintenance costs must be recognized and appropriately budgeted as part of any purchase/rental agreement or separately as a contracted service if a separate contract.

#### **DEFINITIONS:**

**Capital expenditure:** the cost of the asset including the cost to put it in place. Capital expenditure for equipment means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is to be acquired. Ancillary charges - - - accounting practices.

**Equipment:** an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of (a) the capitalization level established by the governmental unit for financial statement purposes or (b) \$5,000.

**Other capital assets:** buildings, land, and improvements to buildings or land that materially increase their value of useful life.

**Subrecipient:** the legal entity to whom a subrecipient *or contract* agreement is awarded and who is accountable to the recipient (or higher tier subrecipient) for the use of the funds provided. For WIA purposes, distinguishing characteristics of a subrecipient include items such as determining eligibility of applicants, enrollment of participants, performance measured against meeting the objectives of the program, responsibility for programmatic decision making, responsibility for compliance with program requirements, and use of the funds awarded to carry out a WIA program or project, as compared to providing goods or services for a WIA program or project (vendor).

**Subrecipient Award:** an award of Workforce Investment Act (WIA) financial assistance in the form of money, or property in lieu of money, made under a grant by a recipient to an eligible subrecipient. It also means a subrecipient agreement award of WIA financial assistance by a subrecipient to a lower tier subrecipient. The term includes financial assistance when provided by any legal agreement, even if the agreement is called a contract, but does not include procurement purchases from vendors nor does it include any form of assistance received by program participants.

#### **REFERENCE:**

All fiscal policies and guidance letters published for WIA are governed, as appropriate, under:

- Washington State Policy #3260 Allowable Costs and Prior Approval Requirements
- Spokane Area Workforce Development Property / Equipment Management Policy #G201
- Public Law 105-200
- 20 CFR Part 652
- OMB Circular A-122, Cost Principles for Non-Profits
- OMB Circular A-133, Audit of State and Local Government
- OMB Circular A-133, Compliance Supplement
- OMB Circular A-21, Cost Principles for Educational Institutions
- OMB Circular A-87, Revised Cost Principles for State and Local Government and Indian Tribal Government
- Federal Register Vol. 65, No.124, Resources Sharing for workforce Investment Act
- One-Stop Centers
- Generally Accepted Accounting Procedures (GAAP)
- One Stop Comprehensive Financial Management Technical Assistance Guide Part I and II