

## Allowable Costs Policy

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**Approved:** June 14, 2019

**Purpose:** To provide guidance for the Workforce Innovation and Opportunity Act (WIOA) requirements for Allowed and Disallowed Costs.

### **Policy:**

**Factors Affecting Allowability of Cost: (2 CFR §200.403)** Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) 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.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for State and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not 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. See also § 200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also § 200.300 statutory and national policy requirements through § 200.309 period of performance of this part.

**NOTE:** Required and permissible program activities for Adult and Dislocated Workers can be found in the WIOA Section 134(c) and (d) respectively. Similarly, allowable program activities for the Youth program can be found in WIOA Section 129.

**Reasonable Costs: (2 CFR §200.404)** 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:

- (a) 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.
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's length bargaining; Federal, State, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) 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, and the Federal Government.
- (e) 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.

**Prior Approval from State: (2 CFR §200.407)** Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the non-Federal entity may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. (2 CFR §200.407)

Prior approval **must** be sought with;

- Capital expenditures for special purchase equipment with a unit cost over \$5,000 (2 CFR §200.439(b)(2))
- **When all sole source contracts or consultant contracts will be utilized (2 CFR §200.320)**
- Conferences and conference space costs (2 CFR §200.432)
- Capital expenditures for improvements to land or building (2 CFR §200.439(b)(3))

#### Cost Principles Examples- Allowable vs. Unallowed Disallowable

NOTE: Reference WIOA P.L., and CFR for a comprehensive understanding in each case as allowability is questioned. SCP may contain additional state-imposed limits to appropriateness or allowability.

**NT** = Not treated in cost principle

**A** = Allowable

**AWC**= Allowable with conditions

**AWC/U** = Allowable with conditions otherwise unallowable

**AWP** = Allowable with prior approval of either the Governor/State or Federal Project Officer (FPO)

**AWPWA** = Allowable with prior written approval

**U** = Unallowable

**P.L.** = WIOA Sec. 113-128

**SCP**= State Compliance Policy

Cost Item	2 CFR 200	USDOL 2 CFR 2900	DETR	OTHER
Advertising and public relations (2 CFR §200.421)	AWC/U	NT		
Advisory councils (2 CFR §200.422)	AWC/U	NT		
Alcoholic beverages (2 CFR §200.423)	U	NT		
Audit costs and related services (2 CFR §200.425)	AWC/U	NT		
Bad debts (2 CFR §200.426)	U	NT		
Bonding costs (2 CFR §200.427)	A/AWC	NT		
Capital expenditures for improvement to land or buildings (2 CFR §200.439)	AWPWA	AWPWA	AWPWA	
Capitalization of business (WIOA Sec. 181(e))	NT	NT		U/P.L.
Collection of improper payments (2 CFR §200.428)	A	NT		
Compensation for personal Services (2 CFR §200.430)	AWC/U	NT		
Compensation fringe benefits (2 CFR §200.431)	AWC/U	NT		
Conferences (2 CFR §200.432)	AWPWANT	NT	AWPWA	Contract General Assurance Cert
Contingency provisions (2 CFR §200.433)	AWPWA	AWPWA		
Contracts with persons falsely labeling products made in America (20 CFR §683.250(a)(5))	NT	NT		U/CFR
Contributions and donations (2 CFR §200.434)	UAWC/U	NT		
Costs incurred by IHEs for, or in support of, alumni/ae activities (2 CFR §200.424)	U	NT		U/CFR
Defense and prosecution of criminal and civil proceedings, and claims (2 CFR §200.435)	AWC/U	NT		
Depreciation and use allowances (2 CFR §200.436)	AWC/U	NT		
Economic development activities/similar, that are not directly related to training for eligible individuals under this title (WIOA Sec. 181(e))	NT	NT		U/P.L.
Employee health, and welfare Costs (2 CFR §200.437)	AWC/U	NT		
Employment generating activities (WIOA Sec. 181(e))	NT	NT		U/P.L.
Entertainment costs (SCP 3.15, 2 CFR §200.438)	AWC/U	NT	SCP	AWC/U
Equipment and other capital Expenditures (2 CFR §200.439)	AWPWA	NT	AWPWA	
Exchange rates (2 CFR §200.440)	AAWPWA	NT		
Expenses prohibited under any other Federal, State or local law or regulation (20 CFR §683.250(a)(3))	NT	NT		U/CFR
Fines and penalties (2 CFR §200.441)	AWC/AWPWAAWP/U	NT		
Foreign Travel (WIOA Sec.181(e), 20 CFR §683.250(b))	NT	NT	U	U/P.L.
Fund raising and investment management costs (2 CFR §200.442)	AWPWA	NT		

Cost Item	2 CFR 200	USDOL 2 CFR 2900	DETR	OTHER
Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs (2 CFR §200.443)	AWC	NT		
General government expenses (2 CFR §200.444)	U	NT		
Goods or services for personal use (2 CFR §200.445)	AWC/U	NT		
Idle facilities and idle capacity (2 CFR§ 200.446)	AWC	NT		
Impact on Union Organization, no funds will be used to assist, promote or deter union organizing (WIOA Sec 181(b)(7))	NT	NT		U/P.L.
Insurance and indemnification (2 CFR §200.447)	A/AWC/U	NT		
Intellectual property (2 CFR §200.448)	AWC/U	NT		
Interest (2 CFR §200.449)	AWC/U	NT		
Investment in revolving loan funds (WIOA Sec. 181(e), 2 CFR §200.101)	U	NT		U/P.L.
Investment in contract bidding resource centers (WIOA Sec. 181(e))	NT	NT		U/P.L.
Lobbying (2 CFR §200.450)	U	NT		
Losses on other sponsored agreements or contracts (2 CFR §200.451)	U	NT		
Maintenance, operations, and repairs (2 CFR §200.452)	A/AWC	NT		
Materials and supplies costs including cost of computing devices (2 CFR §200.453)	AAWC	NT		
Memberships, subscriptions, and professional activity costs (2 CFR §200.454)	A/AWC/U	NT		
Organization costs (2 CFR §200.455)	AWPWA	NT		
Participant support costs (2 CFR §200.456)	AWPWA	NT		
Plant and security costs (2 CFR §200.457)	A	NT		
Pre-award costs (2 CFR §200.458)	AWPWA	NT		
Professional service costs (2 CFR §200.459)	A/AWC/U	NT	AWPWA	
Proposal costs (2 CFR §200.460)	A	NT		
Public service employment, except as specifically authorized under title I of WIOA. (20 CFR §683.250(a)(2))	NT	NT		U/CFR
Publication and printing costs (2 CFR §200.461)	A/AWC	NT		
Rearrangement and reconversion costs (2 CFR §200.462)	A/AWP	NT		
Recruiting costs (2 CFR §200.463)	AWC	NT		
Relocation costs of employees (2 CFR §200.464)	AWC	NT		
Relocation, encourage or induce relocation of business or part of business if such location results in loss of employment (WIOA Sec. 181(d)(1))	NT	NT		U/P.L.

Cost Item	2 CFR 200	USDOL 2 CFR 2900	DETR	OTHER
Relocation; employment or training activity shall be used for customized or skill training, on-the-job training, incumbent worker training, transitional employment, or company-specific assessments of job applicants or employees, for any business or part of a business that has relocated, until the date that is 120 days after the date on which such business commences operations at the new location, if the relocation of such business or part of a business results in a loss of employment for any employee of such business at the original location and such original location is within the United States. (WIOA Sec. 181(d)(2))	NT	NT		U/P.L.
Rental costs of building and equipment (2 CFR §200.465)	AWC	NT		
Scholarships and student aid (2 CFR §200.466)	AWC	NT		
Sectarian; Participants shall not be employed under this title to carry out the construction, operation, or maintenance of any part of any facility that is used or to be used for sectarian instruction or as a place for religious worship (except with respect to the maintenance of a facility that is not primarily or inherently devoted to sectarian instruction or religious worship, in a case in which the organization operating the facility is part of a program or activity providing services to participants) (WIOA Sec.188(a)(3))	NT	NT		U/P.L.
Selling and marketing costs (2 CFR §200.467)	AWPWA	NT		
Specialized service facilities (2 CFR §200.468)	AWC	NT		
Student activity costs (2 CFR §200.469)	A/AWC	AWPWA		
Sub-awards or contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal programs or activities. (20 CFR 683.250(a)(4), 2 CFR §200.205)	U	NT		U/CFR
Taxes (2 CFR §200.470)	AWC/U	NT		
Termination costs (2 CFR §200.471)	AWC	NT		
Training and education costs for employees (2 CFR §200.472)	A	NT		
Transportation costs (2 CFR §200.473) (SCP 3.15)	A	NT	AWCU	AWC/U
Travel costs (2 CFR §200.474) (SCP 3.15)	AWC	NT	AWCU	AWC/U
Trustees (2 CFR §200.475)	AWC	NT		
Wages of incumbent employees during their participation in economic development activities provided through a statewide workforce development system. (20 CFR §683.250(a)(1), WIOA Sec.181(b)(1))	NT	NT		U/CFR

**References:**

**2 CFR §200.0-521; 2 CFR §2900; 20 CFR §683.200-295**

**SCP 3.1 Allowable and Disallowed Costs**