

**THE OREGON CONSORTIUM & OREGON WORKFORCE ALLIANCE
POLICY MEMORANDUM #WIA-37-R01/12**

DATE: January 1, 2012

SUBJECT: Cost Principles and Allowable Costs

REFERENCES: WIA Sections 117(f)(1), 129(c)(6), 134(d)(2), 181(d) and (e), and 188(a)(3)
2 CFR 225 and 230
As appropriate:
TITLE 48 CFR, Part 31
TITLE 29 CFR 95.27
TITLE 29 CFR 97.22
OMB Circular A-87
OMB Circular A-122
DOLETA TEGL 16-03
Federal Register, Vol 69, Number 81, Part V
One-Stop Comprehensive Financial Management Technical Assistance Guide II, Chapter 11-3 and 4.

PURPOSE:

This policy provides guidance regarding the general cost principles and allowable costs under the Workforce Investment Act (WIA) Title IB and other Department of Labor Employment and Training (DOLETA) programs.

POLICY:

The OMB circulars provide general principles and guidance on selected items of cost by identifying allowable and unallowable costs. The circulars specify that for costs to be charged to a federal grant, certain standards must be met. These cost principles, which provide the framework for costs that may be charged to the grant, are summarized below:

- Cost must be reasonable, necessary and allocable to the grant.
- Costs must be authorized or not prohibited under federal, state, or local laws or regulations.
- Costs must receive consistent treatment.
- Costs must not be used to meet matching requirements.
- Costs must be adequately documented
- Costs must conform to WIA grant exclusions and limitations.

In addition, the circulars specify that costs may not be charged as both a direct cost to the grant and contained in the indirect costs of the organization.

The circulars and regulations also provide specific guidance on a selected number of cost items. These cost items are described as allowable, unallowable or allowable with conditions and will specify the exact conditions that must be met for the cost to be allowable.

In addition, certain costs are allowable only if approval is granted prior to incurring the cost. Examples of costs requiring prior approval include fixed assets with a cost equal to \$5,000 or more, memberships in civic organizations, or rearrangements of facilities to accommodate remodeling. When planning purchases, regional sub grant recipients should refer to the appropriate OMB circular and Attachment A to this policy to identify selected items of cost. If a specific item of cost requires prior approval, please submit your request on an Inventory Addition Form in writing to:

TOC/OWA Administrative Office
260 SW Ferry, Suite 202
Albany, OR 97321

The WIA and the implementing regulations also provide guidance regarding allowable and unallowable activities. Expenditures of WIA funds are allowable only for those activities permitted by the WIA or the Regulations. When planning a program or expenditure, regional sub grant recipients are advised to consult all relevant federal documents and program contract language.

General Allowability Requirements

A. Total Cost Composition: The total cost of an award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

B. Allowability requirements: To be allowable costs must: be reasonable for performance of the award, be allocable to the identified cost objective, be consistent with policies and procedures applying uniformly to both federally financed and other organizational activities, conform to cost principles and award limitations or exclusions, and be afforded consistent treatment, adequately documented, and in conformance with Generally Accepted Accounting Principles.

C. Cost reasonableness criteria: A cost is reasonable if it does not exceed the amount that a reasonably prudent person would incur under prevailing circumstances at the time the decision was made. In determining reasonableness the following factors considered: (1) whether the cost is recognized as ordinary and necessary for the organization's operation and performance of the award, (2) the restraints or requirements imposed by such factors as generally accepted sound business practices, Federal and State laws and regulations, and terms and conditions of the award, (3) whether the individuals concerned acted with prudence under the circumstances considering their responsibilities to the organization, its members, employees, clients, and the Federal Government, and (4) significant deviations from established organizational practices.

D. Cost Consistency criteria: A cost may not be charged to the ETA grant as a direct cost if any other cost incurred for the same purpose in like circumstances has been charged to another grant as an indirect cost.

E. Cost Documentation criteria: A grantee must document all costs in a manner consistent with GAAP. Examples include retaining evidence of competitive bidding for services or supplies and adequate time records for those employees who charge time against an ETA grant.

Prohibited WIA Costs/Activities

The circulars require the federal agency to provide guidance regarding the purchase and construction of facilities. Section 667.260 of the WIA Regulations prohibits the purchase or construction of facilities; a few exceptions regarding renovation and repair are permitted as detailed in this section. The WIA and its Regulations provide guidance regarding allowable and unallowable activities related to the administration of the program.

Costs associated with the following WIA activities are unallowable:

- Public service employment, except to provide disaster relief employment as specifically authorized in section 173(d) of WIA (20 CFR 667.264).
- Relocation of a business or part of a business that results in the loss of employment at the original location (20 CFR 667.268)
- Sectarian activities (20 CFR 667.266)
- Foreign travel (20 CFR 667.264)
- Political activities (WIA Section 195(6))
- Duplication of facilities/services available in the area (20 CFR 663.320)
- Wages of incumbent employees during participation in economic development activities (20 CFR 667.264)
- The promotion or deterrence of union organizing (20 CFR 667.270)
- The construction or purchase of facilities or buildings (20 CFR □667.260)
- Non-Discrimination and equal opportunity (20 CFR □667.200(f), 667.275, and 29 CFR Part 37)

Other Grant Terms

Guidance for programs other than WIA formula may have provisions related to allowable and unallowable costs and activities. For example, National Emergency Grants (TEGL 16-03) and State Additional Assistance Grants as part of the evaluation of “reasonableness of costs” is to compare the average cost per participant in a state’s formula Dislocated Worker program with the proposed cost in a NEG or SAA application, excluding disaster projects. In making such an evaluation, ETA recognizes that a two-year project with a limited number of participants may incur a greater cost per

participant than the average annual cost for formula participants whose costs may be captured in more than one program year.

Per DOLE-ETA guidance found in Federal Register, Volume 69, Number 81, Part V, "WIA: National Emergency Grants - - Application Procedures," the comparison of average cost per participant should be the amount of the NEG against the DW program year prior to the NEG application. To ensure the consistent treatment in comparison of like costs, at the conclusion of each program year TOC/OWA will calculate the DW cost per of the previous year for core services, intensive services, support services and training services discretely.

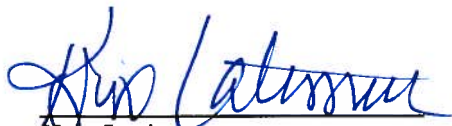
ACTION

The TOC/OWA administrative office and Regional Contractors shall:

- Establish and maintain a financial system that assures financial integrity and control of WIA and other DOLETA funds in conformance with the prescribed rules, regulations and OMB circulars.
- Ensure that costs charged to the grant meet the standards for allowability. Bring this policy to the attention of all affected staff and all subrecipients.
- Follow this policy which will remain in effect from the date of issue until such time that a revision is required.

INQUIRIES

Inquiries should be addressed to the TOC/OWA Financial Services Coordinator at 1-866-888-4862.



Kris Latimer
Chief Executive Officer

Attachment

Summary of Cost Items

KEY

- NT = Not treated in referenced Cost Principle
 A = Allowable
 AC = Allowable with conditions
 AP = Allowable with prior approval of either the Grant Officer or Governor
 U = Unallowable
 A/U = Some categories within the particular activity are allowable, while some are not.
 Please consult respective circular for precise explanations.

Note: Some of the costs on this chart are allowable under the circulars and prohibited under WIA or other program-specific regulations. You should refer to the program-specific regulations if you have any questions on allowability of a particular cost. This chart is for reference only.

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. Note also that, in some instances, different cost items may be similarly named, and there may be some overlap in the cost items treated by the different circulars. Again, this chart is for reference only.

Cost Item	2 CFR Part 220	2 CFR Part 230	2 CFR Part 225	48 CFR Part 31
Advertising and public relations costs	AC/U	AC/U	AC/U	AC
Advisory councils	A	A	A	NT
Alcoholic beverages	U	U	U	U
Alumni/ae activities	U	NT	NT	NT
Asset valuations resulting from business combinations	NT	NT	NT	A
Audit costs and related services	A	A	A	NT
Bad debts	U	U	U	U
Bonding costs	NT	A	A	NT
Commencement and convocation	U	NT	NT	NT

Cost Item	2 CFR Part 220	2 CFR Part 230	2 CFR Part 225	48 CFR Part 31
Communication costs	A	A	A	NT
Compensation for personal services	A/U	A/U	AC/U	A/U
Contingency provisions	U	U	U	U
Cost of money	U	U	U	AC
Deans of Faculty and graduate schools	A	NT	NT	NT
Defense and prosecution of criminal and civil proceedings, and claims	AC/U	AC/U	A/U	U
Deferred Research and development costs	NT	NT	NT	AC/U
Depreciation and use allowances	AC	AC	AC	AC
Donations and contributions	U	U	U	U
Economic planning costs	NT	NT	NT	NT/U
Employee morale, health, and welfare costs	A	A	A	U
Entertainment costs	U	U	U	U
Equipment and other capital expenditures	AP/U	AP/U	AP/U	AP
Fines and penalties	U/AP	U/AP	U/AP	U
Fund raising and investment management costs	U/A	U	U	U
Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs	AC	AC	AC	A
General government expenses	NT	NT	U	NT
Goods or services for personal use	U	U	U	NT
Goodwill	NT	NT	NT	U
Housing and Personal Living Expenses	U	AP/U	NT	NT
Idle facilities and idle capacity	AC/U	AC/U	AC/U	AC/U
Insurance and indemnification	AC/U	AC/U	AC/U	A

Cost Item	2 CFR Part 220	2 CFR Part 230	2 CFR Part 225	48 CFR Part 31
Interest	A/AC/U	A/AC/U	A/AC/U	U
Labor Relations Costs	A	A	NT	AC
Lobbying	U	U	U	U
Losses on other sponsored agreements or contracts	U	U	U	U
Maintenance, operations, and repairs	A	A	AC	A
Materials and supplies costs	A	A	A	A
Meetings and conferences	A	A	A	See Item 2
Memberships, subscriptions, and professional activity costs	A/U	A/AP/U	A/AP/U	NT
Organization costs	NT	U/AP	NT	U
Other business expenses	NT	NT	NT	A
Page charges in professional journals	NT	A	NT	NT
Participant support costs	NT	AP	NT	NT
Patent costs	A/U	A/U	A/U	A/U
Plant and homeland security costs	A	A	A	A
Pre-award costs	U/AP	AC/AP	AC/AP	NT
Professional service costs	A	A	A	A
Proposal costs	A	NT	A	AP
Publication and printing costs	A	A	A	NT
Rearrangement and alteration costs	A	A	A	NT
Reconversion costs	A	A	A	NT
Recruiting costs	A	A	A	A
Relocation costs	NT	AC	NT	A/U
Rental costs of building and equipment	AC	AC	AC	AC
Royalties and other costs for the use of patents	A	A	A	A
Scholarships and student aid	A	NT	NT	NT
Selling and marketing	AC/U	U	U	A/U

Cost Item	2 CFR Part 220	2 CFR Part 230	2 CFR Part 225	48 CFR Part 31
Service and warranty costs	NT	NT	NT	A
Special tooling and special test equip.	NT	NT	NT	A
Specialized service facilities	AC	AC	NT	NT
Taxes	AC	AC	AC	AC
Termination costs applicable to sponsored agreements	AC	AC	AC	A/U
Training costs	A	AC/AP/U	A	AC
Transportation costs	A	A	NT	AC
Travel costs	AC	AC	AC	AC
Trustees	AC	AC	NT	NT

With limited exceptions, selected items of costs are treated similarly for all recipients of Federal awards. Principal differences in the treatment of costs unique to any one Circular are shown in bold within the table above.