

THE OREGON CONSORTIUM & OREGON WORKFORCE ALLIANCE
POLICY MEMORANDUM #WIA-37-02/06

DATE: February 28, 2006

SUBJECT: Cost Principles and Allowable Costs

REFERENCES: Public Law 105-220 Sections 117 (f)(1), 134 (d), 181 (d) and (e),
184(2) and (3), and 188(a)(3)
WIA Final Rule, 20 CFR 661.310, and 667.200 through 667.268
As appropriate:
48 CFR Part 31
29 CFR 95.27
29 CFR 97.22
OMB Circular A-21
OMB Circular A-87
OMB Circular A-122 Indirect Cost Rate Determination Guide:
Cost Principles and Procedures for Non-Profit Organizations
One-Stop Comprehensive Financial Management Technical
Assistance Guide, 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 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
Chief Administrative Officer
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.

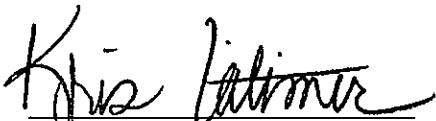
ACTION

The TOC/OWA administrative office and regional sub grant recipients 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 Chief Administrative Officer at 1-866-888-4TOC.



Kris Latimer
Chief Executive Officer