



**SUBJECT: ALLOWABLE COST AND PRIOR APPROVAL**

**Policy: WFC 3260-1212 Revision 1**

**Effective Date: February 1, 2013**

*This policy supersedes WFC Policy for guest meals, business meals, retirement receptions and flowers. The revision clarifies that foreign travel is defined as any travel outside Canada, Mexico and the United States and any United States territories and possessions. Also the revision includes instructions for sub-contractors to obtain prior approval from WFC for equipment with an acquisition cost at or exceeding \$5,000 and facility alterations or renovations.*

*Grantees, sub-recipients and contractors funded under the Workforce Investment Act (WIA), whether in whole or in part, must abide by the Workforce Investment Act (WIA) of 1998, the WIA Regulations, all applicable Office of Management and Budget (OMB) circulars, state requirements in laws and rules (Revised Code of Washington and Washington Administrative Code), Office of Financial Management (OFM) policies, and the Washington State WIA policies.*

**Purpose:** To provide the Tacoma-Pierce County Workforce Development Council (dba Workforce Central) sub-recipients, contractors and staff guidance regarding allowable costs and prior approval requirements of the Workforce Investment Act (WIA).

**Background:** WIA Title I Final Rules (20 CFR Section 667.200(a) and (c)) and (20 CFR Section 667.210) published August 11, 2000 provide specific rules governing allowable costs under the Workforce Investment Act (WIA) of 1998.

The "One Stop Comprehensive Financial Management Technical Assistance Guide (TAG)" provides federal direction on cost principles and allowable activities at Chapter II-4.

Allowable costs are determined in accordance with the cost principles applicable to the organization incurring the costs:

- **2 CFR 225** (OMB Circular A-87) – Cost Principles for State, Local or Indian Tribal Governments
- **2 CFR 230** (OMB Circular A-122) – Cost Principles for Private Non-Profit Organizations
- **2 CFR 220** (OMB Circular A-21) – Cost Principles for Educational Institutions
- **Title 48 CFR Part 31** – Commercial Organizations

Additional guidance for administration of federal funds:

- **29 CFR Part 97** – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- **29 CFR Part 95** – Grants and Agreements with Institutions of Higher Education, Hospitals, and other non-profit organizations and with commercial organizations

As per 2 CFR 225 Appendix A Section C.1. a.-j., to be allowable under Federal awards, costs must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

- Be allocable to Federal awards under the provisions of 2 CFR part [225](#).
- Be authorized or not prohibited under State or local laws or regulations.
- Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- 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.
- Except as otherwise provided for in 2 CFR part [225](#), be determined in accordance with generally accepted accounting principles.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- Be the net of all applicable credits.
- Be adequately documented.

A cost is reasonable if 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.

## **Policy**

- a. Allowable Costs – The Tacoma-Pierce County Workforce Development Council (dba Workforce Central) will comply with allowable cost principles at 2 CFR 225 (OMB Circular A-87) and 29 CFR Part 97 as well as State Policy #3260 Revision 2. Further Workforce Central will ensure that all sub-recipients and contractors comply with appropriate cost principles and administrative rules through oversight and monitoring and review of audit reports.

NOTE: The OMB Circulars and other allowable cost guidance provide general principles and guidance on selected items while identifying allowable and unallowable costs. However more restrictive federal, state or local procurement guidelines take precedence.

- b. Workforce Investment Act Allowable Costs – Expenditure of WIA funds are allowable only for those activities permitted by the WIA Law and federal regulations.

Allowable expenditures include those costs for core, intensive and training services as described in Section 134(d) (2), (3) and (4). Additional rules governing expenditures for supportive services and needs-related payments are provided in Section 134 and State WIA Policy 3695 Revision 2. WIA Section 129 details allowable and unallowable activities under youth programs.

Sections 667.260 through 667.270 describe prohibition against specific activities and Section 661.310 describes under what conditions a Workforce Investment Board may directly provide core, intensive or training services or act as a One-Stop Operator.

Workforce Central sub-recipients and contractors are advised to review all applicable federal guidelines as they plan for service provision.

c. Prior Approval of Certain Costs

Some equipment and capital expenditures are allowable only if approval is granted prior to the purchase. The WIA Final Rules, Section 667.200 (c) delegates the authority for granting prior approval for these selected items to the Governor or his designee. OMB Circular A-87, Attachment B, Section 19., and 19.c., state:

“i. Capital expenditures which are not charged directly to a Federal award may be recovered through use allowances or depreciation on buildings, capital improvements, and equipment (see Section 15). See also Section 38 for allowable rental costs for buildings and equipment.

ii. 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. Federal awarding agencies are authorized at their option to waive or delegate this approval requirement.”

OMB Circular A-122, Section 15.b (1) states:

“Capital expenditures for general purpose equipment are unallowable as a direct cost except with the prior approval of awarding agency.”

If the below, requiring state Employment Security Department approval, are requested by a sub-recipient, contractor or staff, and after review and approval by the Tacoma-Pierce County Workforce Development Council (dba Workforce Central), a written request will be submitted by Workforce Central to Employment Security Grants Management using the Request for Approval Form (Attachment A).

- Equipment – Items with an acquisition cost at or exceeding \$5,000;
- Facility Alteration or Renovation – Proposed alterations or renovations of facilities paid for in whole or in part by Workforce Central using Workforce Investment Act funds.

**NOTE:** Definitions and guidelines for first Class Commercial Travel are noted in Appendix B at 43.c.(1)a-e. Definitions and guidelines for Foreign Travel are noted in Appendix B at 43.e. **Any such travel must be approved in advance by the Workforce Central CEO.**

d. 2 CFR 225 Appendix B contains a complete list with definitions of activities that are allowable or not allowable using Workforce Investment Act funds. Workforce Central is highlighting for sub-recipients and contractors several unallowable costs as follows:

- The purchase or construction of facilities (WIA Section 667.260);
- Any costs for entertainment purposes;
- Costs for foreign travel;

- Advertising;
- Fund-raising; and
- Lobbying.

**Action:** All sub-recipients, contractors and staff will complete a Request for Approval (Attachment A) for review and approval by the CEO of Workforce Central. If approved, the Request for Approval Form will be forwarded to Employment Security Department for approval. No purchase of equipment or renovation or change to any facilities will be undertaken using Workforce Investment Act funds prior to state approval.

No First Class Travel or Foreign Travel will be undertaken prior to Workforce CEO review and approval.

**Definitions:**

**Acquisition** – The net invoice price of the equipment, including the cost of any modification, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose acquired. Charges such as taxes, duty, protective in-transit insurance, freight, and installation may be included or excluded based on the organization’s regular accounting practices.

**Capital Assets** – Equipment, buildings, land.

**Capital Expenditures** – Expenditure for the acquisition cost of capital assets or expenditures to make improvements to capital assets that materially increase their value or useful life.

**Commercial Air Travel** – Customary standard commercial airfare (coach or equivalent). – 2 CFR Appendix B, Section 43 c.(1)a-e.

**Equipment** – An article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost equal to or exceeding \$5,000. 2 CFR 225 Appendix B, Section 15(2) and (3).

**Foreign Travel** - includes any travel outside Canada, Mexico, the United States and any US territories and possessions as per 2 CFR 225 Appendix B, Section 43.e.

**References:**

- 20 CFR Part 652 et al.** – Department of Labor Workforce Investment Act Final Rules
- 2 CFR 225** (OMB Circular A-87) – Cost Principles for State and Local Government and Indian Tribal Government
- 2 CFR 230** (OMB Circular A-122) – Cost Principles for Private Non-Profit Organizations
- 2 CFR 220** (OMB Circular A-21) – Cost Principles for Educational Institutions
- Title 48 CFR Part 31** – Commercial Organizations
- 29 CFR Part 97** – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- 29 CFR Part 95** – Grants and Agreements with Institutions of Higher Education, Hospitals, and other non-profit organizations and with commercial organizations
- Federal Register Vol. 64, No. 124** – Resource Sharing for Workforce Investment Act One-Stop Centers
- OMB Circular A-133** – Audit of State and Local Government
- OMB Circular A-133** – Compliance Supplement
- WIA Policy 3260 Rev 2** – Allowable Costs and Prior Approval Requirements
- WIA Policy 3695 Revision 2** – Support Services and Needs-Related Payments.

**Attachment:**

Attachment A – Request for Prior Approval Form

**DIRECT INQUIRIES TO:**

Workforce Central  
3650 South Cedar Street  
Tacoma, Washington 98409-5714  
(253) 472-8094 or 1-800-999-8168

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*WorkForce Central and WorkSource Washington are equal opportunity employers and providers of employment and training services. Auxiliary aids and services are available upon request for individuals with disabilities. Language services for clients are provided free of charge. WA Relay Services: 1-800-833-6384.*

**Request for Prior Approval**

**Organization:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Contact person:** \_\_\_\_\_ **Phone number:** \_\_\_\_\_

**E-mail address:** \_\_\_\_\_

**Description and Cost of Item to be purchased:**

Item Name and Description *	Unit Price
	<p><b>Number of Units:</b> _____</p> <p><b>Total Cost:</b> _____</p> <p><b>Estimate:</b> _____</p> <p>(include installation)</p>

\* Please attach competitive bidding documentation. If this was not competitively bid please explain how the vendor was chosen. Also attach a copy of, or link to, your procurement policy.

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**Approving Authority**

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**Date of Request**

Send this request and accompanying documents to:

Linda Nguyen, CEO  
 Workforce Central  
 3650 South Cedar Street  
 Tacoma, Washington 98409-5714  
 (253) 472-8094 or 1-800-999-8168

If approved this request will be forwarded to Employment Security Grants Management for state approval.