

SOUTHWEST LOCAL WORKFORCE DEVELOPMENT BOARD

1527 White Avenue
Henderson, TN 38340
(731) 989-5111

Effective Date: May 1, 2019

Duration: Indefinite

Workforce Services Policy – Allowable / Disallowable Costs - WIOA (18-6)

Subject:

WIOA Allowable and Disallowable Costs, Including Food and Beverage Expenses

Purpose:

The purpose of this policy is to provide guidance to SWLWDB, American Job Center staff, OSO, CSP, the general public, and partners regarding allowable and disallowable costs per WIOA federal regulation.

References: 20 CFR 683.200; 2 CFR parts 200, 215, 225, 230; WIOA Sections 107, 129(c)(2), 134(c)(3); Final Rules 683.245, 683.710(b)(4), 683.290(a), 683.290(b); Tennessee Central Procurement Policy Number 2013-007; Tennessee Policy Number 2016-007(7.1.1); Department of Finance and Administration Policy 8 – Comprehensive Travel Regulations; Tennessee Workforce Services Property Policy; Buy American Act; State of Tennessee – Code of Conduct; Workforce Services Policy – Allowable and Disallowed Costs, Including Food TN-WIOA (17-1)

Background:

Costs are allowable when they are permitted, reasonable, and necessary to fulfill the functions of a given Federal program. This policy conveys to sub-recipients and contractors the requirements for determining when a cost is allowable and when and how prior approval must be obtained before making certain purchases.

Definitions:

- A. **Allocable Cost** is a cost to a particular award or other cost objective if the goods or services involved are chargeable or assignable to the award or cost objective in accordance with relative benefits received.
- B. **Award** is any money, loans, non-cash assistance, granted to the State (from the federal government), or granted by the State to a person or legal entity for furnishing by the State of assistance, whether financial or otherwise, to any person or entity to support a program authorized by law.
- C. **Contractor** is an entity that receives a contract as defined in the US OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards as a "legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. The term as used in this part does not include a legal instrument, even if the non-federal entity considers it a contract, when the substance of the transaction meets the definition of a federal award or sub-award.

Policy:

SWLWDB staff, sub-recipients and contractors receiving WIOA funds are expected to review all relevant federal, state and local guidance regarding allowable costs prior to making expenditures of WIOA and other funds.

Expenditures of WIOA funds must only be made for activities permitted by the applicable WIOA Title and related regulations, the governing OMB Circulars, the governing Code of Federal Regulations, Generally Accepted Accounting Principles, and Tennessee Workforce Services Policy 17-1.

Allowable activities include basic, individualized and follow-up career services, and training services described in WIOA Law Section 134(c) (2) and (3), and supportive services and needs-related payments described in Section 134(d) (2) and (3) and in SWLWDB Policy 17-25, Change 1. Allowable activities for the youth program are detailed in WIOA Law Section 129. Prohibited activities are specified in 20 CFR Sections 685.235 through 683.270 and 20 CFR Section 679.410.

A. Expenditure of WIOA funds must be allowable. A cost is allowable if the cost is:

- i. Incurred in a manner consistent with policies and procedures that apply uniformly to both Federally funded and other activities of the sub-recipient;
- ii. 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;
- iii. Not used to meet matching requirements of any other federally funded program in any period;
- iv. Adequately documented;
- v. Incurred in a manner consistent with all restrictions in the sub-recipient contract;
- vi. Incurred through standard procurement practices of the sub-recipient that conform with all relevant Federal, State, and local requirements; and
- vii. Free of conflict of interest as per SWLWDB Conflict of Interest Policy (17-4).
- viii. In addition to being allowable, the cost must be reasonable.

B. Expenditure of WIOA funds must be reasonable. A cost is reasonable if:

- i. In its nature or 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;
- ii. It is ordinary and necessary for performance of the contract;
- iii. It is consistent with generally accepted sound business practices.

C. Expenditure of WIOA funds must be allocable. A cost is allocable to a particular cost objective, such as a grant, contract, project, service or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and

- i. Is incurred specifically for the award,
- ii. Benefits both the award and the other work and can be distributed in reasonable proportion to the benefits received or
- iii. Is necessary to the overall operation of the organization, although a direct relationship to any particular cost cannot be shown.

Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the Award.

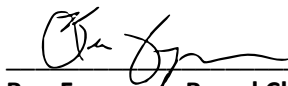
- D. Capital improvements and single item equipment with a cost of more than \$5,000, including those identified in a fully executed contract between SWLWDB and a sub-recipient or contractor, may only be purchased with written prior approval from the SWLWDB. Sub-recipients and contractors must provide the SWLWDB sufficient time to adequately review and evaluate the request, and obtain approval from the Tennessee Department of Labor and Workforce Development in conformation with SWLWDB WIOA Property Guidelines Policy # 17-3 before making the purchase.
- E. The purchase or construction of facilities is prohibited, except with the prior written approval from the U.S. Department of Labor.
- F. The purchase of small and attractive assets does not require written approval; however, sub-recipients are required to consult with the SWLWDB Director or Inventory Coordinator prior to making such purchases to assure that the asset will meet the requirements of SWLWDB and is not otherwise available in inventory. Sub-recipients must project their needs for equipment and small attractive objects annually when developing their budgets. Equipment and small and attractive objects must be maintained as per the requirements of SWLWDB WIOA Property Guidelines Policy # 17-3. All other purchases are considered supplies and do not require prior approval or consultation. Failure to comply with these provisions may result in withholding of payment or other recourse until the condition is corrected. If the condition is uncorrected SWLWDB will issue a Corrective Action. If the issue is not fully addressed in the timeframe specified, the SWLWDB may initiate contract termination proceedings which could affect future funding.
- G. All costs associated with an unallowable activity are considered **disallowed costs**, regardless of their permissibility under other circumstances. The following list contains some examples of unallowable activities:
 - i. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities).
 - ii. Employment or training programs for sectarian activities. This section does not prohibit the provision of services by faith-based organizations, unless those services are sectarian in nature.
 - iii. Any legal expenses incurred for the prosecution of claims against the government. This includes appeals to the Administrative Law Judge of disallowed costs or other claims and civil actions where the federal government is a defendant (2 CFR 200.435(4) (g)).
 - iv. The wages of incumbent workers during participation in economic development activities provided through the state workforce system.

Action:

SOUTHWEST LWDB staff will ensure the One-Stop Operator and Service Delivery staff is made aware of the above-mentioned policy items and that all policies are adhered to.

Contact:

Questions regarding this policy should be addressed to Dr. Gary Damon, Jr., SOUTHWEST LWDB Director, at SWHRA, 1527 White Avenue, P. O. Box 264, Henderson, TN 38340. Phone: (731) 983-3688. Email: gdamonjr@swhra.org.



Ben Ferguson, Board Chairman