

SAN DIEGO WORKFORCE PARTNERSHIP, INC.
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| OPERATIONS ISSUANCE |
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OPERATIONS ISSUANCE NO. 2005-18

DATE: March 1, 2005

TO: One-Stop Career Center Operators
Contracted Adult and Youth Service Providers

FROM: Nathaniel K. Buggs,
Management Services Director

SUBJECT: WORKFORCE INVESTMENT ACT (WIA) ALLOWABLE COSTS

PURPOSE

The purpose of this Operations Issuance is to inform One-Stop Operators and Contracted Adult and Youth service providers of federal guidelines regarding general cost principles and allowable costs under the Workforce Investment Act (WIA).

BACKGROUND

The WIA Sections 1178 (f)(1), 129 (c)(6), 134 (d) (2) through (4), 181 (d) and (e) and 188 (a)(3) and WIA Final Rule, Sections 661.310, 667.200, 627.260 and 667.268 provide guidance regarding cost principles and allowable costs and refers to the OMB circulars for specific requirements according to the type of organization expending the funds. The OMB circular guidance may vary from one type of organization to another, based on the circular that applies to each type of organization, as follows:

- Educational Institutions - OMB Circular A-21;
- Governmental Agencies - OMB Circular A-87;
- Non-profit organizations - OMB Circular A-122;
- Audits of States, Local governments and Non-Profit Organizations – OMB Circular A-133; and
- Contract Cost Principles and Procedures - Title 48 CFR, Part 31.

Please note that although the OMB circulars refer to federal guidance regarding the approval process for purchase and construction of facilities, WIA Regulations, Section 667.260, prohibits the purchase or construction of facilities.

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The regulations allow a few exceptions regarding renovation and repair (see details in Section 667.260); however, a written request for approval must be submitted to your Program Specialist prior to undertaking any renovations or repairs.

Expenditures of WIA funds are allowable only for activities that are permitted by the WIA or the Regulations. Allowable activities for Adults and Dislocated workers are described in WIA Section 134 (c) (2), (3), and (4). Allowable and unallowable Youth activities are found in WIA Section 129.

The attached WIA Directive, WIAD03-10, Allowable Costs, issued April 9, 2004 requires that all One-Stop Operators and Adult and Youth service providers expending WIA funds comply with federal allowable costs regulations and policies. It is each organization's responsibility to become familiar with and comply with the OMB circulars that are applicable to that organization, as well as the WIA and the Final WIA Regulations, to ensure that the programs and expenditures meet all requirements. Each organization must ensure that their staff and subcontractors who are expending WIA funds are also aware of and following the general cost principles and WIA allowable costs. The Policies and Procedures listed on pages 2 and 3 of Directive WIA03-10 and the Cost Items Matrix attachment, beginning on page 4 provide guidance on what are allowable and what are unallowable costs under WIA. Please read this Directive and its attachment thoroughly and ensure that staff and subcontractors are fully aware of these requirements.

This issuance supersedes and replaces Operations Issuance 2001-07, Allowable Costs, issued on October 20, 2000.

If you have any questions regarding this Operations Issuance, please call your Program Specialist at (619) 228-2900

Attachment

EDD Directive WIAD03-10, Allowable Costs

cc: Workforce Partnership Internal Distribution List
Conrad & Associates, LLP

DIRECTIVE

WORKFORCE INVESTMENT ACT

Number: WIAD03-10

Date: April 9, 2004
69:136:lh:8201

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: ALLOWABLE COSTS

EXECUTIVE SUMMARY:

Purpose:

This directive provides federal guidance under the Workforce Investment Act (WIA) program regarding general cost principles and allowable costs.

Scope:

This directive requires that all subrecipients charging costs to the WIA funds shall comply with federal requirements regarding the allowability of costs.

Effective Date:

This directive is effective on date of issue.

REFERENCES:

- One-Stop Comprehensive Financial Management Technical Assistance Guide (TAG), Department of Labor, July 2002, Chapters II-3, Cost Principles and II-4 Allowable Costs
- WIA Sections 117(f)(1), 129(c)(6), 134(d)(2) through (4), 181(d) and (e), and 188(a)(3)
- Title 20 Code of Federal Regulations (CFR), WIA Final Rule, Sections 661.310, 667.200(c), and 667.260 through 667.268
- Title 29 CFR Part 95.27 and Part 95.48
- Title 29 CFR Part 97.22
- Title 48 CFR Part 31 Contract Cost Principles and Procedures
- Office of Management and Budget Circulars (OMB) A-21, Cost Principles for Educational Institutions
- OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
- OMB Circular A-122, Cost Principles for Non-Profit Organizations
- OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations
- WIA Directive WIAD03-9, Property—Prior Approval, Purchasing, Inventory and Disposal, dated March 25, 2004

STATE-IMPOSED REQUIREMENTS:

This directive does not contain any State-imposed requirements.

FILING INSTRUCTIONS:

This directive supersedes WIA Directive WIAD00-1, dated August 24, 2000 and finalizes WIA Draft Directive WIADD-65, issued for comment on December 30, 2003. Retain this directive until further notice.

BACKGROUND:

The WIA Final Rule, Title 20 CFR 667.200(c) et. seq, provides guidance regarding cost principles and allowable costs. Subrecipients are referred to OMB circulars for specific requirements. The OMB circulars provide guidance according to type of organization and the guidance may vary from one circular to another. Educational institutions are bound by OMB Circular A-21, governmental entities by OMB Circular A-87, nonprofit organizations by OMB Circular A-122, and for-profit organizations by Title 48 CFR Part 31. The OMB Circulars are available at the following location: www.whitehouse.gov/omb/circulars/index.html.

POLICY AND PROCEDURES:

The OMB circulars provide general principles and guidance on selected items while identifying allowable and unallowable costs. However, more restrictive city, State, or federal procurement guidelines must take precedence. This directive contains a matrix showing the various cost items along with the appropriate OMB circulars. Each column heading on the matrix has the various OMB circulars for the listed organizations. Locate the desired cost item in the matrix listing and move across to the appropriate OMB circular. The description of what each letter code means will be found in the first page of the matrix table.

In general, to be an allowable charge to WIA, a cost must meet the following principles:

- Costs must be necessary and reasonable for the performance of the award.
- Costs must be allocable to the grant.
- Costs must be authorized and not prohibited under federal, state, or local laws or regulations.
- Costs must receive consistent treatment by the subrecipient.
- Costs must not be used to meet federal matching (without prior approval from the State).
- Costs must be adequately documented.
- Costs must conform to federal Employment and Training Administration grant exclusions and limitations.

Expenditures of WIA funds are allowable only for those activities permitted by the WIA guidelines or federal regulations. Allowable program activities include core, intensive, and training services as described in Section 134(d)(2), (3), and (4). Additional guidance regarding supportive services and needs related payments is also provided in Section 134(e)(2) and (3). The WIA Section 129 details the allowable and unallowable activities for the youth program.

Property-Prior Approval:

Prior written approval from the State is required before a subrecipient can charge WIA grant funds for any portion of property procured with a per unit cost of \$5,000 or more. Refer to WIA Directive [WIAD03-9](#), Property—Prior Approval, Purchasing, Inventory and Disposal, dated March 25, 2004 for further information.

Capital Assets And Construction Costs:

The WIA Title I funds must not be spent on construction or purchase of facilities or buildings except under the following conditions after obtaining prior approval regardless of the dollar amount:

- To provide physical and programmatic accessibility and reasonable accommodation as required by the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990.
- To fund repairs, renovations, alterations and capital improvements of property including:
 1. State Employment Security Agency real property, identified at WIA Section 193, using a formula that assesses costs proportionate to space utilized.
 2. Job Training Partnership Act owned property, which is, transferred to WIA Title I programs.
- Job Corps facilities, as authorized by WIA Section 160(3)(B).
- To fund disaster relief employment on projects for demolition, cleaning, repair, renovation, and reconstruction of damaged and destroyed structures, facilities and lands located within a disaster area.

ACTION:

Bring this directive to the attention of all appropriate staff and subrecipients.

INQUIRIES:

If you require further information regarding this directive, please contact your Regional Advisor or Program Manager at (916) 653-6347 or Grey Rider, Financial Management Unit, at (916) 654-7508.

/S/ BOB HERMSMEIER
Chief
Workforce Investment Division

Attachment

COST ITEMS MATRIX

THIS COST ITEMS MATRIX SHOULD ONLY BE USED AS A QUICK REFERENCE GUIDE. THE WIA, WIA REGULATIONS AND OMB CIRCULARS CONTAIN DEFINITIVE GUIDANCE AND FINAL AUTHORITY FOR DETERMINING THE ALLOWABILITY OF COSTS.

Costs shown on the following chart identify those allowable under the various circulars. When determining whether the cost of an item is allowable under Title I of WIA, users must also refer to the applicable sections of the WIA and WIA regulations for guidance. In addition, when reviewing the provisions related to selected items of cost in the OMB circulars, the cost principles applied in establishing the allowability of certain items of cost apply whether the cost is treated as a direct cost 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.

| | | |
|-----|---|--|
| A | = | Allowable |
| AP | = | Allowable with prior approval of either the Grant Officer or Governor |
| AC | = | Allowable with conditions |
| A/U | = | Some categories within the particular activity are allowable, while some are not |
| U | = | Unallowable |
| NT | = | Not treated in circular |

If the symbols “AC” or “A/U” are the results of a cost item search then subrecipients must delve further into the various information sources. Other federal circulars and technical assistance guides may provide the desired information needed. If this effort does not provide the necessary information then subrecipients should contact their Regional Advisor/Program Manager. The symbol “NT” or “Reserved” will mean that information may not be readily found in the OMB circulars or technical assistance guides. In this event the subrecipient should seek other information sources before contacting their Regional Advisor/Program Manager.

Circulars used:

- OMB Circular A-21 Cost Principles for Educational Institutions
- OMB Circular A-122 Cost Principles for Non-Profit Organizations
- OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments
- OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations
- 48 CFR Part 31 Contract Cost Principles and Procedures

| | Cost Item | Circular A-21 | Circular A-122 | Circular A-87 | 48 CFR Part 31 |
|----|--|--------------------------|---------------------------|--------------------------|-----------------------|
| 1 | Accounting systems | NT | NT | A | NT |
| 2 | Advertising and public relations | AC | AC/U | AC/U | AC |
| 3 | Advisory councils | NT | NT | A | NT |
| 4 | Alcoholic beverages | U | U | U | U |
| 5 | Alumni/ae activities | U | NT | NT | NT |
| 6 | Asset valuations resulting business combinations | NT | NT | NT | A |
| 7 | Audit services | See A-133 | See A-133 | A | NT |
| 8 | Automatic electronic data processing | NT | NT | AC | NT |
| 9 | Bad debts | U | U | U | U |
| 10 | Bid and proposal costs | Item 65 | Reserved | Item 65 | Item 65 |
| 11 | Bonding costs | NT | A | A | NT |
| 12 | Budgeting | NT | NT | A | NT |
| 13 | Civil defense costs | AC | NT | NT | A/U |
| 14 | Commencement and convocation costs | U | NT | NT | NT |
| 15 | Communication costs | A | A | A | NT |
| 16 | Compensation for personal services | A/U | A/U | A/U | A/U |
| 17 | Contingency provisions | U | U | U | U |
| 18 | Cost of money (see also item 40) | U | U | U | A/C |
| 19 | Deans of faculty and graduate schools | A | NT | NT | NT |
| 20 | Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement | AC/U | AC/U | A/U | U |
| 21 | Deferred research and development costs | NT | NT | NT | AC/U |
| 22 | Depreciation and use allowances | AC | AC | AC | AC |
| 23 | Disbursing service | NT | NT | A | NT |
| 24 | Donations and contributions | U | U | U | U |
| 25 | Economic planning costs | AC/U | AC/U | AC/U | NT/U |
| 26 | Employee morale, health and welfare costs and credits | A | A | A | U |
| 27 | Entertainment costs | U | U | U | U |
| 28 | Equipment and other capital expenditures | A/U | AP | AP | AP |
| 29 | Executive lobbying costs | U | U | U See Item 42 | U |
| 30 | Fines and penalties | U | U | U | U |

| | Cost Item | Circular A-21 | Circular A-122 | Circular A-87 | 48 CFR Part 31 |
|----|--|--------------------------|---------------------------|---------------------------|-----------------------|
| 31 | Fund raising and investment management costs (see also item 40) | NT | NT | U | U |
| 32 | Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs (see also item 64) | NT | NT | A | A |
| 33 | General government expenses | NT | NT | U | NT |
| 34 | Goods/services for personal use | U | U | NT | NT |
| 35 | Goodwill | NT | NT | NT | U |
| 36 | Housing and personal living expenses | U | AC/U | NT | NT |
| 37 | Idle facilities and capacity | NT | AC/U | AC/U | AC/U |
| 38 | Independent research and development | NT | Reserved | NT | AC |
| 39 | Insurance and indemnification | AC | AC | AC | A |
| 40 | Interest, fund-raising and investment management costs | A/U | AU | A/U | U |
| 41 | Labor relations costs | AC | AC | NT | AC |
| 42 | Lobbying | U | U | U | U |
| 43 | Losses on other sponsored agreements/contracts | U | U | U | U |
| 44 | Maintenance and repair costs | A | A | A | A |
| 45 | Manufacturing and repair costs | NT | NT | NT | A |
| 46 | Manufacturing and product engineering costs | NT | NT | NT | A |
| 47 | Material costs | A | A | A | A |
| 48 | Meetings and conferences | NT | A | See Item 2 | See Item 2 |
| 49 | Memberships, subscriptions, and professional activity costs | A/U | A/U See also Item 2 | A/U See also Item 2 | NT |
| 50 | Motor pools | NT | NT | A | NT |
| 51 | Organization costs | NT | AP | NT | U |
| 52 | Other business expense | NT | NT | NT | A |
| 53 | Overtime, extra-pay shift, and multi-shift premiums | NT | AC | AC | See also Item 16 |
| 54 | Page charges in professional journals | NT | A | NT | NT |
| 55 | Participant support costs | NT | A | NT | NT |
| 56 | Patent costs | A | A/U | NT | A/U |
| 57 | Plant protection costs | NT | NT | NT | A |
| 58 | Plant reconversion costs (See also item 68) | NT | NT | NT | U |
| 59 | Plant security costs | U | A | NT | NT |

| | Cost Item | Circular A-21 | Circular A-122 | Circular A-87 | 48 CFR Part 31 |
|----|---|--------------------------|---------------------------|-----------------------------|-----------------------|
| 60 | Pre-agreement costs (See also item 61) | U | NT | NT | NT |
| 61 | Pre-award costs | NT | AP | U (Formula) AP | NT |
| 62 | Pre-contract costs | NT | NT | NT | AP |
| 63 | Professional services costs | A | A | A | A |
| 64 | Profits and losses on disposition of plant equipment/other capital assets | A | A | See Item 32 | See Item 32 |
| 65 | Proposal costs (See also item 10) | AC | Reserved | AC/AP | AP |
| 66 | Publication and printing costs | NT | A/U | A | NT |
| 67 | Rearrangement and alteration costs | A | A | A | NT |
| 68 | Reconversion costs (See also item 58) | A | A | A | NT |
| 69 | Recruiting costs | A/U | A/U | See Item 2 | A |
| 70 | Relocations costs | AC | AC | NT | A/U |
| 71 | Rental costs of buildings and equipment | AC | AC | AC | AC |
| 72 | Royalties and other costs for use of patents | A | A | NT | A |
| 73 | Sabbatical leave costs | A | NT | NT | NT |
| 74 | Scholarships and student aid costs | A | NT | NT | NT |
| 75 | Selling and marketing | U | U | NT | A/U |
| 76 | Service and warranty costs | NT | NT | NT | A |
| 77 | Severance pay | AC | AC | AC | AC |
| 78 | Special tooling and special test equipment costs | NT | NT | NT | A |
| 79 | Specialized service facilities | AC | AC | NT | NT |
| 80 | Student activity costs | U | NT | NT | NT |
| 81 | Taxes | AC | AC | AC | AC |
| 82 | Termination costs | NT | AC | NT | A/U |
| 83 | Trade, business, technical and professional activity costs | AC | AC | AC (See Also Item 49) | AC |
| 84 | Training and education costs | AC | AC | AC | AC |
| 85 | Transportation | AC | AC | NT | AC |
| 86 | Travel costs | AC | AC | AC | AC |
| 87 | Termination costs applicable (See also item 82) | AC | NT | NT | NT |
| 88 | Trustees | AC | AC | NT | NT |
| 89 | Under recovery of costs under Federal agreements | U | U | U | U |