

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

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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