

North Central Workforce Development Area

233 N.Chelan • Wenatchee, WA 98801 • (509) 663-3091 • Fax (509) 663-5649 • www.skillsource.org

LOCAL DIRECTIVE

Directive #: <u>09-87</u> Date: <u>11/01/2009</u>

TO: SkillSource Staff and Service Providers

FROM: Dave Petersen, Executive Director

SUBJECT: Allowable Cost Policy

SUPERCEDES: Allowable Cost Directive 05-61

Effective Date: 11/01/2009

All North Central Workforce Development Area subrecipients, and contractors funded under the Workforce Investment Act, (WIA) whether in whole or in part, must abide by the Workforce Investment Act of 1998, the WIA Regulations, all applicable Office of Management and Budget (OMB) circulars, state regulations in laws and rules (Revised Code of Washington and Washington Administrative Code), Office of Financial Management (OFM) policies, and the Washington State WIA policies.

BACKGROUND

The Workforce Investment Act (WIA) Title I Final Rule, Title 20 CFR 667.200 and the "Comprehensive Financial Management Technical Assistance Guide" provide federal direction regarding allowable activities, cost principles and allowable costs. It also refers subrecipients to the federal Office of Management and Budget (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. Education 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.

POLICY

Allowable Costs

Expenditures of WIA funds are allowable only for those activities permitted by the WIA Title I and related regulations. Allowable activities include core, intensive, and training services. Core, intensive, and training services are described in Section 134(d)(2), (3), and (4); additional guidance regarding supportive services and needs related payments is provided in this section. WIA Section 129 details the allowable and unallowable activities for the youth program.

Among the sections of the Final Rule, Title 20 providing prohibitions against specific activities are Sections 667.260 through 667.270, and Section 661.310. When planning a program or an expenditure, subrecipients are advised to consult all relevant federal documents. The OMB circulars provide general principles and guidance on selected items of cost identifying allowable and unallowable costs.

Prior Approval of Certain Costs

Certain items related to equipment and capital expenditures are allowable only if approval is granted prior to the purchase. The WIA Regulations, Section 667.200 (c) delegates the authority for granting prior approval for those selected items of cost to the Governor.

Section 667.260 of the WIA Regulations prohibits the purchase or construction of facilities. Some exceptions regarding renovation and repair are permitted as detailed in this section.

OMB Circular A-87 Attachment B, Section 19 states the following relevant requirements. OMB Circular A-122 has similar language, but should be reviewed for specific requirements related to non-profit organizations.

Capital expenditures that 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 allowability of rental costs for buildings and equipment.

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.

The circular also requires prior approval for expenditures for equipment and capital improvements of \$5000 or more. For equipment purchases this approval is required for single items and is not an aggregate of multiple items.

When planning purchases, entities should refer to the appropriate OMB circular to identify items of cost requiring prior approval; these items may differ depending upon the type of entity. If an item requires prior approval, please submit your request in writing to:

Laura Leavitt, Financial Director
SkillSource
P.O. Box 2360
Wenatchee, WA 98807-2360

If an item requires prior approval Laura will submit a written request according to State Policy 3260, Revision 1

Allowable Cost and Prior Approval to:

Deputy Assistant Commissioner
Employment Security Department
Employment and Training Division, Workforce Administration
P.O. Box 9046
Olympia , WA 98507-9046

DEFINITIONS

OMB Circular A-87, Attachment B, Section 19 and OMB Circular A-122, Attachment B, Section 15 defines equipment and other capital expenditures.

"Capital expenditure" means the cost of the asset including the cost to put it in place.

Capital expenditure for equipment means the net invoice price of the equipment including the cost to put it in place. Capital expenditure for equipment means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is to be acquired.

"Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of (a) the capitalization level established by the governmental unit for financial statement purposes or (b)\$5,000.

"Other capital assets" mean buildings, land, and improvements to buildings or land that materially increase their value of useful life.

REFERENCES

All fiscal policies and guidance letters published for WIA are governed, as appropriate, under:

- Public Law 105-200
- 20 CFR Part 652
- OMB Circular A-122, Cost Principles for Non-Profits
- OMB Circular A-133, Audit of State and Local Government
- OMB Circular A-133, Compliance Supplement
- OMB Circular A-21, Cost Principles for Educational Institutions
- OMB Circular A-87, Revised Cost Principles for State and Local Government and Indian Tribal Government
- Federal Register Vol. 65, No.124, Resources Sharing for workforce Investment Act One-Stop Centers
- Generally Accepted Accounting Procedures (GAAP)