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EXECUTIVE DIRECTOR

DATE: September 27, 2021
TO: South Bay Workforce Investment Board, South Bay Workforce Investment Board, Inc.,
South Bay One-Stop Business & Career Centers, Youth Programs, Contractors, and Partners
SUBJECT: **DIRECTIVE NO. 21-03**
ALLOWABLE COSTS AND PRIOR WRITTEN APPROVAL

PURPOSE

Local Workforce Development Areas (Local Area) are required to establish guidelines and procedures for beneficiaries and other subrecipients of programs funded under the Workforce Innovation and Opportunity Act (WIOA) regarding cost principles, allowable costs, and prior written approval relating to WIOA Title I funds.

BACKGROUND

On December 26, 2013, the Office of Management and Budget (OMB) issued the [Uniform Guidance](#), which establishes uniform administrative requirements, cost principles, and audit requirements for federal awards. The Uniform Guidance consolidated multiple, previously separate, sets of OMB guidance into one combined set of rules. The following year, the DOL adopted the OMB Uniform Guidance and issued [DOL Exceptions](#). The Uniform Guidance applies to all federal awards made on or after December 26, 2014. Therefore, beginning with WIOA Program Year (PY) 2015-16 funds, all subrecipients of this funding must adhere to the Uniform Guidance, DOL Exceptions, and corresponding WIOA administrative requirements, cost principles, and audit requirements. For more information on Uniform Guidance implementation, please see [TEGL 15-14](#).

EFFECTIVE DATE

The directive is effective immediately.

STATE-IMPOSED REQUIREMENTS

The attached directive contains state-imposed requirements. These requirements are indicated by **bold**, *italic type*.

REFERENCES

- WIOA (Public Law 113-128) Sections 184(a)(3), 134(c)-(d), 129, and 195
- Title 2 Code of Federal Regulations (CFR) Part 200: "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance)
- Title 2 CFR Part 2900: "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Department of Labor [DOL] Exceptions)
- Title 21 United States Code (USC) Section 812
- Training and Employment Guidance Letter (TEGL) 15-14, Subject: Implementation of the New Uniform Guidance Regulations (December 19, 2014) • Workforce Investment Act Directive WIAD03-10, Subject: Allowable Costs (April 09, 2004)
- WSD16-16, Allowable Costs and Prior Written Approval dated February 21, 2017

POLICY

All subrecipients who receive WIOA funds must comply with Uniform Guidance (WIOA Section 184[a](3)). However, should more restrictive city, state, or federal guidelines exist, they take precedence. The attached matrix represents various cost items referenced in Uniform Guidance Sections 200.420 through 200.475 and a quick reference guide indicating whether the cost item is allowable or not (Attachment 1). WIOA subrecipients can use the matrix as an initial tool, rather than the final authority, to determine whether a cost is allowable or not.

In general, to be an allowable charge to WIOA, a cost must meet the following criteria:

- Be necessary and reasonable for the performance of the award.
- Be allocable to the award.
- Conform to any limitations or exclusions set forth in the award.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles.
- Not be used to meet cost sharing or matching requirements of any other federally financed program (without prior approval from the state).
- Be adequately documented.

Additionally, expenditure of WIOA funds is only allowable for those activities permitted by the WIOA statute or federal regulations. Required and permissible program activities for adult and dislocated workers can be found in WIOA Sections 134(c) and (d), respectively. Similarly, allowable program activities for the youth program can be found in WIOA Section 129.

Prior Written Approval

The Uniform Guidance includes administrative requirements and cost items that are allowable only with prior written approval from the federal awarding agency or pass through entity (EDD). Subrecipients should review the terms and conditions of their grant agreements to determine the appropriate authority to grant prior approval. As the pass-through entity of WIOA Title I funds, the EDD is responsible for granting prior approval in most cases.

Under any given federal award, the reasonableness and allocability of certain cost items may be difficult to determine. In order to avoid subsequent disallowance or dispute, subrecipients should obtain prior written approval for the incurrence of special or unusual costs. The following matrix lists key sections of the Uniform Guidance that address when prior written approval is required.

Circumstance	Section
Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts	§200.201, paragraph (b)(5)
Cost sharing or matching	§200.306
Program income	§200.307
Revision of budget and program plans	§200.308
Real property	§200.311
Equipment	§200.313
Fixed amount sub awards	§200.332
Direct costs	§200.413, paragraph (c)
Compensation—personal services	§200.430, paragraph (h)
Compensation—fringe benefits	§200.431
Entertainment costs	§200.438
Equipment and other capital expenditures	§200.439
Exchange rates	§200.440
Fines, penalties, damages and other settlements	§200.441
Fund raising and investment management costs	§200.442
Goods or services for personal use	§200.445
Insurance and indemnification	§200.447
Memberships, subscriptions, and professional activity costs	§200.454, paragraph (c)
Organization costs	§200.455
Participant support costs	§200.456
Pre-award costs	§200.458
Rearrangement and reconversion costs	§200.462

Selling and marketing costs	\$200.467
Taxes (including Value Added Tax)	\$200.470
Travel costs	\$200.474

Subrecipients should thoroughly review the Uniform Guidance sections referenced above to determine when prior written approval must be obtained and assess if their specific circumstance(s) require prior approval. As indicated in DOL Exception Section 2900.407, inclusion of item(s) in the statement of work or budget when awarded **does not** constitute prior approval; subrecipients must still follow all applicable policies and procedures outlined in this directive.

Prior Written Approval Procedures

Subrecipients must complete and submit the Prior Written Approval Request (Attachment 2), along with all necessary supporting documentation, to their assigned **Regional Advisor** no less than 30 days before the requested action is to occur.

The EDD will consider the following factors in its review of the requests:

- Is this purchase necessary and reasonable?
- Have the best products been selected?
- What other costs are associated with the purchase?
- If applicable, what procurement method will be used?
- If applicable, was a lease option considered in lieu of the purchase?

Subrecipients will receive a formal notification from their assigned **Regional Advisor** providing approval or denial of their request. Written approval must be received prior to the cost being incurred. Approval is based on the supplied justification and supporting documentation for the proposed expenditure. If the actual expenditure is not in accordance with the justification or Uniform Guidance requirements, the expenditure can still be questioned or disallowed. Factors affecting this include, but are not limited to, the following:

- Inadequate justification.
- Failure to follow internal, state, or federal policies.
- Expenditure is not necessary or reasonable.
- Failure to comply with applicable federal law or regulations.

Documentation

Supporting documentation must be retained for all costs associated with a prior approval request. The documentation must establish that the expenditure meets the following criteria:

- Meets the cost principles (is necessary and reasonable for proper and efficient performance and administration of the grant).
- Is allocable to the grant based upon the benefits received.
- Is authorized or not prohibited under state or local laws and regulations.
- Conforms to any limitations or exclusions of cost item types or amounts, as set forth in the Uniform Guidance, federal law, federal award, or other governing regulations.
- Is consistent with applicable policies, regulations, and procedures.

Subrecipients are encouraged to work with their assigned Regional Advisor to ensure requests are documented and justified in accordance with Uniform Guidance before submission.

ACTION

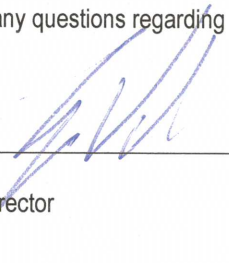
Notify all affected staff/partners of the changes to allowable costs and prior written approval guidance in the attached directive.

FILING INSTRUCTIONS

Retain this directive until further notice.

INQUIRIES

If you have any questions regarding this directive, please contact the Compliance Manager at (310) 970-7736.



Jan Vogel
Executive Director

Attachment:

https://www.edd.ca.gov/jobs_and_training/pubs/wsd16-16.pdf

The SBWIB is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.

COST ITEMS MATRIX

THIS COST ITEMS MATRIX SHOULD ONLY BE USED AS A QUICK REFERENCE GUIDE.

The *Workforce Innovation and Opportunity Act* (WIOA), Title 2 *Code of Federal Regulations* (CFR) Part 200 (Uniform Guidance), and Title 2 CFR Part 2900 (Department of Labor [DOL] Exceptions), contain definitive guidance and final authority for determining whether or not a cost is allowable.

The matrix on the following pages identifies the cost items and different types of entities. When determining whether the cost of an item is allowable, users must also refer to the applicable sections of the Uniform Guidance, DOL Exceptions, and WIOA.

Failure to address a particular cost item is not intended to imply that it is allowable or unallowable. Rather, the determination of allowability in each case must be based on the treatment or principles provided for similar or related costs. In the case of a discrepancy between the Uniform Guidance and the provisions of a specific federal award administered by the pass-through entity, the federal award provisions govern. Note also that, in some instances, different cost items may be similarly named, and there may be some overlap between the various cost items.

When reviewing the matrix please use the following legend:

Legend Key	Legend Key Definition
A	Allowable
AP	Allowable with Prior Approval
AC	Allowable with Conditions
U	Unallowable
NS	Not Specified in the Uniform Guidance

If a cost item is denoted with two or more legend keys, users should delve further into the various information sources as they may provide the additional clarity that is needed. If this effort does not provide the necessary information, then subrecipients should contact their Regional Advisor/Project Manager.

The “NS” legend key denotes that information may not be readily available. In this event, the subrecipient should seek other sources before contacting their Regional Advisor/Project Manager.

The “AP” legend key denotes that, in some instances, prior written approval will be required from the Cognizant Agency or Governor. In this event, one should adhere to the Uniform Guidance Section 200.407, and DOL Exceptions Section 2900.16.

	Cost Item	Educational Institutions	Non-Profit Organizations	State, Local and Indian Tribal Governments	Uniform Guidance Section	DOL Exception Section
1	Advertising and public relations	A/U	A/U	A/U	<u>200.421</u>	
2	Advisory councils	AC/U	AC/U	AC/U	<u>200.422</u>	
3	Alcoholic beverages	U	U	U	<u>200.423</u>	
4	Alumni/ae activities	U	NS	NS	<u>200.424</u>	
5	Audit services	AC/U	AC/U	AC/U	<u>200.425</u>	
6	Bad debts	U	U	U	<u>200.426</u>	
7	Bonding costs	A	A	A	<u>200.427</u>	
8	Collection of improper payments	A	A	A	<u>200.428</u>	
9	Commencement and convocation costs	AC/U	NS	NS	<u>200.429</u>	
10	Compensation – personal services	A/U	A/U	A/U	<u>200.430</u>	
11	Compensation – fringe benefits	A /U	A /U	A /U	<u>200.431</u>	
12	Conferences	A	A	A	<u>200.432</u>	
13	Contingency provisions	AC/U	AC/U	AC/U	<u>200.433</u>	<u>2900.18</u>
14	Contributions and donations	U	U	U	<u>200.434</u>	
15	Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement	AC/U	AC/U	AC/U	<u>200.435</u>	
16	Depreciation	AC	AC	AC	<u>200.436</u>	
17	Employee health and welfare costs	A	A	A	<u>200.437</u>	
18	Entertainment costs	U/AP	U/AP	U/AP	<u>200.438</u>	
19	Equipment and other capital expenditures	AP/U	AP/U	AP/U	<u>200.439</u>	
20	Exchange rates	AP	AP	AP	<u>200.440</u>	
21	Fines, penalties, damages and other settlements	U/AP	U/AP	U/AP	<u>200.441</u>	
22	Fund raising and investment management costs	U/AP/A	U/AP/A	U/AP/A	<u>200.442</u>	
23	Gains and losses on disposition of depreciable assets	AC	AC	AC	<u>200.443</u>	
24	General cost of government	NS	NS	U/A	<u>200.444</u>	
25	Goods or services for personal use	U/AP	U/AP	U/AP	<u>200.445</u>	
26	Idle facilities and idle capacity	AC/U	AC/U	AC/U	<u>200.446</u>	

	Cost Item	Educational Institutions	Non-Profit Organizations	State, Local and Indian Tribal Governments	Uniform Guidance Section	DOL Exception Section
27	Insurance and indemnification	AC/U	AC/U	AC/U	<u>200.447</u>	
28	Intellectual property	A/U	A/U	A/U	<u>200.448</u>	
29	Interest	AC/U	AC/U	AC/U	<u>200.449</u>	
30	Lobbying	U	U	U	<u>200.450</u>	
31	Losses on other awards or contracts	U	U	U	<u>200.451</u>	
32	Maintenance and repair costs	A	A	A	<u>200.452</u>	
33	Material and supplies costs, including costs of computing devices	A	A	A	<u>200.453</u>	
34	Memberships, subscriptions, and professional activity costs	A/U	A/U	A/U	<u>200.454</u>	
35	Organization costs	U/AP	U/AP	U/AP	<u>200.455</u>	
36	Participant support costs	AP	AP	AP	<u>200.456</u>	
37	Plant and security costs	A	A	A	<u>200.457</u>	
38	Pre-award costs	AP	AP	AP	<u>200.458</u>	
39	Professional services costs	A	A	A	<u>200.459</u>	
40	Proposal costs	A	A	A	<u>200.460</u>	
41	Publication and printing costs	A	A	A	<u>200.461</u>	
42	Rearrangement and reconversion costs	A/AP	A/AP	A/AP	<u>200.462</u>	
43	Recruiting costs	A/U	A/U	A/U	<u>200.463</u>	
44	Relocations costs of employees	AC/U	AC/U	AC/U	<u>200.464</u>	
45	Rental costs of real property and equipment	AC/U	AC/U	AC/U	<u>200.465</u>	
46	Scholarships and student aid costs	AC	NS	NS	<u>200.466</u>	
47	Selling and marketing	U/AP	U/AP	U/AP	<u>200.467</u>	
48	Specialized service facilities	AC	AC	AC	<u>200.468</u>	
49	Student activity costs	U/AP	U/AP	U/AP	<u>200.469</u>	<u>2900.19</u>
50	Taxes	AC	AC	AC	<u>200.470</u>	
51	Termination costs	AC/U	AC/U	AC/U	<u>200.471</u>	
52	Training and education costs	A	A	A	<u>200.472</u>	
53	Transportation costs	A	A	A	<u>200.473</u>	
54	Travel costs	AC	AC	AP	<u>200.474</u>	
55	Trustees	A	A	NS	<u>200.475</u>	

Prior Written Approval Request

Subrecipient Name _____

Subrecipient Number _____ Request Date _____

Instructions – For Prior Written Approval Requests that include costs, complete Sections A, C and D. For requests that do not include costs, complete Sections B, C and D.

Section A – Requests that include costs

Item of cost being requested _____

Estimated total cost _____

Is this purchase necessary and reasonable? Describe the item of cost and its functionality.

Is the purchase needed? Describe the reason for the purchase/rent/subscription including functionality not provided by state or local partners.

What other costs are associated with the purchase? Describe additional costs (maintenance, set up, taxes, fees, etc.) associated with the purchase.

Have the best products been selected? Describe how the product will be selected.

If applicable, what procurement method will be used? Describe the procurement method selected.

If applicable, was a lease option considered in lieu of the purchase? Describe leasing options as part of the consideration.

If applicable, name and address of the entity where the property will be located.

Section B – Requests that do not include costs but still require prior written approval

Describe the circumstance that requires prior written approval.

Section C – 30 day requirement

Is this request being made more than 30 days before the requested action is to occur?

☐ Yes

☐ No

If approved, date that the requested action is to occur.

Section D – Signature

By signing below, the authorized representative requests a prior written approval for the item of cost listed above.

Name _____ Signature _____

Title _____ Date _____

For EDD/WSB Use

Regional Advisor/Project Manager _____ Date _____

Program Section Manager _____ Date _____

ITPAS Section Manager _____ Date _____

(If computer related equipment, software or subscription is being purchased, the ITPAS Section Manager's signature is required.)