



**WORKFORCE INVESTMENT ACT
POLICY MANUAL**

**CHAPTER 3 – Fiscal Policies
SECTION 100**

SUBJECT: Allowable Costs

100 ALLOWABLE COSTS

Expenditures of Workforce Investment Act (WIA) Title IB funds are allowable only for those activities permitted by the WIA regulations. For the Adult and Dislocated Worker programs, allowable activities include core, intensive, and training services. Core, intensive, and training services are described in the Adult Program Policy Section 101. In addition, allowable activities include youth services that are provided as a requirement of the WIA youth program elements. For a description of youth services see Section 302.

Costs are considered allowable by the United States Department of Labor (USDOL) if they are reasonable, necessary to accomplishing program goals, and allocable. This section will utilize the applicable federal and state regulations, laws, codes, and policies to further define Allowable Costs and Unallowable Costs in the Arizona WIA program.

.01 Federal Allowable Cost Principles

- A. LWIAs and sub- recipients must comply with the Federal allowable cost principles that apply to their organization. Allowability of costs shall be determined in accordance with the following cost principles:
 1. OMB Circular A-21: Cost Principles for Educational Institutions (2CFR Parts 215 and 220)
 2. OMB Circular A-87: Cost Principles for State and Local Governments (2CFR Part 225) (applicable to grants awarded prior to December 26, 2014)
 3. OMB Circular A-122: Cost Principles for Non-Profit Organizations (2 CFR 230)
 4. OMB Circular 2 CFR Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (applicable to grants awarded after December 26, 2014)

- B. These circulars are available on the Internet at:
1. www.whitehouse.gov/omb/circulars; and
 2. www.ecfr.gov/cgi-bin/ECFR?page=browse
- C. In evaluating any expenditures, the following elements need to be considered:
1. Reasonability of the cost
 - a. Do I have the capacity to use what I am purchasing?
 - b. Did I pay a fair rate?
 - c. If I were asked to defend this purchase, would I be comfortable doing so?
 2. Necessary
 - a. Is this item or service needed to meet grant goals?
 - b. Is this the minimum amount I need to spend to meet my need?
 3. Repetition/Frequency
 4. Costs are similar to that which would be incurred by a reasonable and prudent person.

.02 WIA Provisions

In addition to the allowable cost provisions of the cost principles, WIA regulations contain the following provisions related to allowable and unallowable costs:

- A. Any legal expenses incurred for the prosecution of claims against the government are unallowable. This includes appeals to the Administrative Law Judge of disallowed costs or other claims and civil actions where the Federal government is a defendant. [20 CFR 667.200(c)(6)]
- B. The costs of construction or purchase of facilities are unallowable for all WIA Title I programs [20 CFR 667.260], except for the following circumstances. The exceptions are listed below:
 1. To meet obligations for access and accommodation under the Rehabilitation Act of 1973, as amended, and the Americans with

Disabilities Act (ADA) of 1990, as amended;

2. To make repairs, renovations, and capital improvements of real property, including:
 - a. State Employment Service Agency (SESA) real property (identified at WIA Section 193); or
 - b. Job Training Partnership Act (JTPA) owned property transferred to WIA Title I programs;
3. Jobs Corps facilities; and
4. To fund construction-related disaster relief projects.

C. All costs associated with an unallowable activity are considered unallowable costs, regardless of their allowability under other circumstances. The prohibited activities are as follows:

1. Employment-generating activities, including economic development activities.

An exception is made only for those employer outreach and job development activities directly related to participants.

Employment-generating activities are addressed in 20 CFR 667.262.

2. Public service employment, except to provide disaster relief employment [20 CFR 667.264(a)(2)].
3. The wages of incumbent employees participating in statewide economic development activities [20 CFR 667.264(a)(1)].
4. 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. [20 CFR 667.266] [29 CFR 37.6(f)(1)].

D. WIA funds are prohibited for business relocations that result in the loss of an employee's job at the original location in the U.S.

101 Pre-Approval of Capital Expenditure

Capital expenditures for general purpose equipment are unallowable as a direct cost except when pre-approved. All single item vehicles and other equipment purchases that cost \$5,000 or more must receive pre-approval from the Arizona Department of Economic Security (DES), WIA Fiscal Unit.

- A. Pursuant to WIA Final Rules §667.200(c), WIA Fiscal Unit has the authority to grant or deny approval for selected items of cost requiring prior approval.
- B. Prior approval must be requested in writing and approved before the cost is incurred or the expenditure(s) will be considered unallowable.
- C. Requests for pre-approval must be sent to WIA Fiscal Unit on the DES WIA Pre- Approval Questionnaire (see Exhibit 3-100A), along with the following information:
 1. Explanation of the need for the expenditure; and
 2. Three competitive quotes for the expenditure.

102 Common Items of Cost and Allowability

.01 Advertising, Outreach and Public Relations

The use of promotional materials is permitted when the materials meet the basic standards of an advertisement or marketing campaign.

- A. All promotional material must meet the following criteria:
 1. State the services offered in at least one sentence;
 2. Contain a phone number, e-mail, web address, or street address for customers to contact;
 3. State the funding source for the advertisement (i.e. "Funded by the Department of Labor - WIA program, that serves Youth, Adults and Dislocated Workers"); and
 4. Be able to be tracked to justify the effectiveness of the promotion; and
 5. When applicable, be accompanied with an inventory control system.

6. Advertising costs are the costs of advertising media and subsequent administrative costs. Advertising media include magazines, newspapers, radio, television, direct mail, exhibits, electronic or computer transmittals, and the like. Allowable advertising costs must be directly related to the following:
 - a. The recruitment of personnel required to adequately perform WIA tasks;
 - b. The procurement of goods and services required to perform WIA tasks; or
 - c. Other specific, pre-approved purposes necessary to perform required WIA tasks. Local Workforce Investment Areas (LWIAs) must submit the Pre-Approval Questionnaire to DES for the allowability of the advertising type costs to be assessed for pre-approval (see Exhibit 3-100A).
7. Public relations include community relations and activities dedicated to maintaining the image of DES and the WIA program to promote understanding and favorable relations with the community or public at large. The only allowable public relations costs are:
 - a. Costs specifically required by WIA ; or
 - b. Costs of communicating with the public and press pertaining to specific activities or accomplishments achieved by the WIA program.

.02 Technical Assistance Meetings and Conferences

- A. The cost of meetings and conferences, where the primary purpose is to provide technical assistance is allowable.
- B. Outreach costs associated with promoting WIA program services, including One-Stop location information and participant recruitment at job fairs in the local area are considered allowable costs.

.03 Entertainment

Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as

tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

.04 Food & Beverages

State law and subsequent policy, as described in the [Arizona Accounting Manual](#), prohibits the use of public funds for any purpose other than serving the public and any use that fosters or promotes purely private or personal interests of any individual. The cost of food and beverages will not be considered an allowable cost unless:

- The cost serves a public purpose; and
- The “gift clause” of the Arizona Constitution would not be violated.

A. Food at Meetings

Food is permissible at any meeting as long as it is paid for by the attendees’ personal funds. This applies to all meetings including, but not limited to:

1. Staff meetings;
2. Working luncheons;
3. Office celebrations;
4. Award ceremonies; and
5. Holiday parties.

B. Food at Conferences

The conference brochure, flyer, or registration website must specifically state that food and/or beverages will be provided and a conference registration fee must be included to cover the cost of the food and/or beverages.

C. Alcoholic Beverages

Alcoholic beverages are not permitted.

.04 Youth Incentives

Specific costs that may otherwise be considered entertainment may be allowable when they have programmatic purpose and are authorized in a Federal award or with written approval from DES. Examples include youth milestones or youth incentives. LWIAs must submit the Pre-approval Questionnaire to DES for the allowability to be reviewed for approval (see Exhibit 3-100A).

.05 Travel Costs

- A. Travel costs are the expenses for transportation, lodging, subsistence, including meals, and related items incurred by employees who are traveling on pre-approved, official business, and are allowable. Foreign travel and first class air travel are not allowable.
- B. Official business travel must be approved using the local area travel policy.