

Allowable Costs

OMB Circular A-87

OMB Circular A-21

OMB Circular A-122

48 CFR Part 31

US DOL & HHS Indirect Cost Determination
Guides

Training Objectives

- ❖ Purpose & Allowability
- ❖ Items of Costs
- ❖ Administration vs. Program Costs
- ❖ Cost Allocation
- ❖ Indirect Costs
- ❖ Cognizant Agency
- ❖ Time Distribution Systems

Federal Cost Principles

Purpose

- ❖ Provides that the Federal Government bear its fair share of costs except where restricted or prohibited by law
 - ◆ Prudent person theory
 - ◆ Allocable
 - ◆ Both indirect and direct costs clearly benefits program

Federal Cost Principles

❖ Reasonable

❖ Necessary

❖ Allocable

Federal Cost Principles

- ❖ Consistent with the Federal Regulations & Circulars
- ❖ Consistent Treatment
 - ◆ Across time & program lines
 - ◆ Direct & indirect costs

Federal Cost Principles

Factors

- ❖ Not Used as Match
 - ◆ Unless specifically authorized
- ❖ Documented
 - ◆ Traceable to source documentation
- ❖ Consistent with GAAP
 - ◆ Accounting standards & treatment
- ❖ Conform to limitations/exclusions
- ❖ Net of applicable credits

Selected Items of Cost

❖ 3 types of Costs

- ◆ Allowable

- ◆ Unallowable

- ◆ Allowable with Conditions

❖ If Cost not Treated -

- ◆ Principles of necessary and reasonable apply

Selected Items of Costs

- ❖ Specific treatment based on DOL regulations or guidance
- ◆ Salaries & Bonus Limitations – TEGL 5-06
- ◆ Real Property – see WIA 667.260

Unallowable Costs

- ❖ Entertainment
 - ◆ Allowable for certain WIA Youth recreation activities
- ❖ Losses, fines & penalties
- ❖ Contingency reserves
- ❖ Disallowed costs
- ❖ Business relocation costs
- ❖ Employment generating activities & economic development activities

Administration

WIA Definition

- ❖ 20 CFR 667.220(a)
- ❖ Not related to direct services
 - ◆ Either to clients or employers
- ❖ List of specific functions
 - ◆ Unlike traditional definitions
- ❖ Applies to all Title I programs

WIA Admin Limits

- ❖ Formula grants
 - ◆ State level = 5% [20 CFR 667.210(a)]
 - ◆ Local level = 10% [20 CFR 667.210(b)]
- ❖ Measured at conclusion of grant period
- ❖ Tracked, accounted for & reported
 - ◆ Single combined amount

Applicability

- ❖ State and local boards
- ❖ Direct recipients
- ❖ State grant recipients
- ❖ Local grant recipient
- ❖ Local grant subrecipient
- ❖ Fiscal agents (LWIA)
- ❖ One-Stop operators

Administrative Functions

- ❖ Overall general administrative functions
 - ◆ Accounting, financial & cash management
 - ◆ Procurement
 - ◆ Property management
 - ◆ Personnel management
 - ◆ Payroll
 - ◆ Coordinating resolution of findings
 - ◆ Audit, monitoring, investigations

Administrative Functions

- ❖ General administrative functions
 - ◆ Audit functions
 - ◆ General legal services
 - ◆ Developing systems and procedures
 - ◆ Includes information systems
 - ◆ Required for administrative functions
- ❖ Monitoring of administrative functions

Administrative vs. Program Costs

includes

- ❖ Only that portion of the costs of 1-Stop operators which are associated with the performance of the administrative functions
- ❖ And costs of Subrecipients and vendors that are SOLELY for the performance of administrative functions
- ❖ OTHERWISE, costs of 1-Stop operators/vendors are classified as PROGRAM costs