

Facilities & Equipment

Facilities

Allowable Premises Cost

- ❖ Operational leases

- ❖ Capital leases

 - ◆ Not allowed

Reasonable Premise Costs

- ❖ Reasonable rental cost for buildings
- ❖ Sale or leaseback arrangements
- ❖ Less-than-arms length
 - ◆ Between closely related entities

WIA Prohibition

- ❖ Construction or purchase of facilities
 - ◆ (20 CFR Part 667.260)

- ❖ Some exceptions:

- ◆ Physical and programmatic accessibility and reasonable accommodation (rehab act and ADA)
- ◆ Repairs, renovations, alterations and capital improvements of property including:
 - ◆ SESA
 - ◆ JTPA transferred property
 - ◆ Job corps facilities and
 - ◆ Disaster relief

Tenant Improvements

All Programs

- ❖ Part of the lease agreements
 - ◆ see TEGl 7-04, page 14, number 14 for DOL guidance
- ❖ Tenant improvements not included in lease agreement

Capital Improvement Projects

Examples

- ❖ Materially increases the value or useful life of the facility
 - ◆ Replacing a roof
 - ◆ Paving sidewalks
 - ◆ Adding a floor
 - ◆ ADA upgrades to toilets
 - ◆ HVAC system

Program Income

- ❖ Revenue earned in excess of costs
 - ◆ Room rental fees
 - ◆ Should not be generated from other federal programs or partners

Cost Free Occupancy (*Any ETA Program*)

- ❖ DOL programs cannot pay a disproportionate share of facilities costs
- ❖ There is NO free rent for partners ...
 - ◆ Resource Sharing Agreement (RSA) should contain information on shared space costs

Operations & Maintenance Costs

Examples

- ❖ Utilities
- ❖ Security
- ❖ Grounds
- ❖ Janitorial

Idle Space/Facilities & Unneeded Space

- ❖ Idle Space/Facilities - space once needed, but no longer needed (allowable)
- ❖ Unneeded Space – acquired too much space, never needed, never used (unallowable)
- ❖ Space Utilization Plans

Disposition of Unused Space

- ❖ Lease agreements should have reasonable termination clauses
- ❖ Agreements for space should pass the prudent person test

DOL Capital Improvement Projects Prior Approval Process

(Charges to the Grant)

- ❖ OMB Cost Principle Circulars require prior approval from awarding agency
 - ◆ WIA formula grants – authority delegated to the governor
 - ◆ All other grants – N.O. approval required

Capital Improvement Projects

Examples

- ❖ Materially increases the value or useful life of the facility
 - ◆ Replacing a roof
 - ◆ Paving sidewalks
 - ◆ Adding a floor
 - ◆ ADA upgrades to toilets
 - ◆ HVAC system

Cost Free Occupancy

(Any ETA Program)

- ❖ DOL programs cannot pay a disproportionate share of facilities costs
- ❖ There is NO free rent for partners ...
 - ◆ RSA should contain information on shared space costs

Operations & Maintenance Costs

Examples

- ❖ Utilities
- ❖ Security
- ❖ Grounds
- ❖ Janitorial

Payments or Equity Exceed Occupancy

- ❖ WIA, JS or UI equity or DOL lease payments are greater than program occupancy
 - ◆ Actions must be taken to eliminate the space
 - ◆ These actions need to be documented
 - ◆ Breaking lease agreements
 - ◆ WIA, JS, UI equity disposition will be prescribed by the Secretary

Equipment

Equipment

❖ *Federal definition*

- ◆ Acquisition cost of \$5000 or more
- ◆ Useful life of 1 year or more
- ◆ Prior approval requirements
- ◆ Title remains with grantee

Equipment

❖ **State and local definitions**

- ◆ Refer to agreement with the State
- ◆ Local & States rules may be more restrictive

❖ **State & local guidance should address:**

- ◆ Budget
- ◆ Approval Process
- ◆ Title & Management
- ◆ Disposition

Equipment Management

- ❖ Required of all grantees and subrecipients
- ❖ Biennial physical inventory must be done
- ❖ Maintenance procedures
- ❖ Loss prevention & control system
- ❖ Disposition process
- ❖ Tagging

Equipment Records

must contain the following:

1. Unit acquisition cost
2. Acquisition date
3. Description
4. Serial number
5. Funding source
6. Percentage of Federal interest
7. Title of ownership
- 8-9. Current use & location
- 10-11. Date and condition at last physical inventory
12. Disposition data

Allowable Equipment Costs

- ❖ Expense purchase at time of acquisition
- ❖ Purchased from other fund sources
 - ◆ Annual depreciation charges – limited to $6\frac{2}{3}$ percent of total acquisition cost annually
 - ◆ Use Allowance – reasonable cost based on actual outlays

Disposition

- ❖ State must adhere to state rules on disposition
 - ◆ Locals look to State agreement
- ❖ All other grantees including discretionary grants must obtain disposition instructions from DOL (include requested use option)
 - ◆ Equipment proceeds must be returned to DOL

What is it?

- ❖ Tangible & intangible property
- ❖ Examples
 - ◆ Training models
 - ◆ Curricula
 - ◆ Videos & other media
 - ◆ Technical assistance products

Who owns it?

- ❖ The developer retains title or ownership
- ❖ The Federal grantor (DOL) retains
 - ◆ Rights in distribution
 - ◆ This means that the DOL may distribute in whole or in part, any such property developed with grant funds
- ❖ Rights accrue only to the Department

Requirements

- ❖ 29 CFR 97.34 Copyrights &
- ❖ 29 CFR 95.36 Intangible Property
 - ◆ Provide Federal agency with rights to distribute, use, copy, etc. any materials developed with grant funds
- ❖ See grant agreement and state guidance

Prior Approval of Equipment Purchases

- ❖ Formula grants: states have been delegated approval authority for equipment
- ❖ Discretionary grants: approval rests with the ETA Grant Officer

Allowable Equipment Cost

- ❖ Direct cost to grant if prior approval is obtained
- ❖ Annual depreciation charges
- ❖ Used part of the time by other programs
 - ◆ reasonable use fee = program income

Allowable Equipment Cost – Continued

- ❖ Purchased by the grantee – use fee charged to all users
 - ◆ Federal cost recovery limited to 6/23 percent of total acquisition cost annually

Disposition

- ❖ State must adhere to state rules on disposition
- ❖ All other grantees including discretionary grants must obtain disposition instructions from DOL (include requested use option)
- ❖ Equipment proceeds must be returned to DOL

Other Property Issues

- ❖ Grantees can continue using the equipment, as intended, after the end of the project
 - ◆ When no longer needed and fair market value is greater than \$5000 – DOL disposition instructions must be obtained
- ❖ Disposition of aggregate supplies with a fair market value of \$5000 or more at the end of a program.

Hot Topics

- ❖ Facilities costs, including space charges (all grants) must be necessary, reasonable and allowable and relative to space occupied and/or usage (operations and maintenance)

Hot Topics

- ❖ Limitations on grant costs – depreciation or use allowance
 - ◆ Record retention requirement
- ❖ Cannot mix methods for a single class of assets
- ❖ Reasonable operations and maintenance
- ❖ Allowable occupancy cost

Grantor Agency and Grantee Ownership Interest in Real Property

- Prior to Section 193 Revision

- ❖ Title is distinguished from equity
 - ◆ What is equity and how is it created?

- ❖ Amortization of Reed Act or State Costs using ES/UI/AS&T funds?

Ban on Amortizations Circulars and 2007 Appropriations

- ❖ All Revised OMB Cost Principles Circulars, June 10, 2004
- ❖ Section 193 of 2007 Revised Continuing Appropriations Resolution (RCAR)
 - ◆ Limitation on use – A state must not use funds awarded under WIA Act, Wagner-Peyser Act or Title III of the Social Security Act to amortize the cost of real property that is purchased on or after enactment of the RCAR

New WIA Section 193 (a)

- ❖ Gave DOL equity to the States to be used for Wagner Peyser, UI and WIA

State's New Equity/Property Dispositions – Rev. Sec. 193

- ❖ Options for use of proceeds
 - ◆ Shall be prescribed in new guidance to be issued by ETA
- ❖ Transferred equity proceeds
 - ◆ Shall be used to carry out activities authorized by WIA, Wagner-Peyser or Title III of The Social Security Act

ETA Equity Prior to Section 193 Revision/ Property Dispositions

- ❖ Options for use of proceeds
 - Replacement property – approval needed from N.O.
 - Equity transfer between properties
 - Return proceeds to N.O