

ARIZONA DEPARTMENT OF ECONOMIC SECURITY



**WORKFORCE INNOVATION AND
OPPORTUNITY ACT POLICY
MANUAL**

**CHAPTER 3 – Fiscal Policies
SECTION 100**

SUBJECT: ALLOWABLE COSTS AND LEVERAGED RESOURCES

100 ALLOWABLE COSTS & LEVERAGED RESOURCES

Expenditures of WIOA Title I-B funds are allowable only for those activities permitted by the WIOA regulations. For the Adult and Dislocated Worker programs, allowable activities include basic career, individualized career, and training services. Basic career and individualized career services are described in the WIOA Title I-B Adult and Dislocated Worker Programs Policy Section 104 and training services are described in WIOA Title I-B Training Services Section 500. In addition, allowable activities include youth services that are provided as a requirement of the WIOA Title I-B youth program elements. For a description of youth services, see Section 202.

Costs are considered allowable by the United States Department of Labor (USDOL) if they are reasonable, necessary to accomplishing program goals, and allocable.

References: OMB Circular A-21: Cost Principles for Educational Institutions (2CFR Parts 215 and 220), OMB Circular A-87: Cost Principles for State and Local Governments (2CFR Part 225) (applicable to grants awarded prior to December 26, 2014), OMB Circular A-122: Cost Principles for Non-Profit Organizations (2 CFR 230), 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), WIOA Final Regulations 29 CFR 95, 29 CFR 9, P.L. 113-128 Sections 184 and 188; 20 CFR Sections 683.200, 683.285, 683.620, 683.630, 684.630, 667.270, Department of Labor Training and Employment Guidance Letter (TEGL) No. 2-12, and 2 CFR parts 200, 215, 225, 230 and Appendices I through XI, including any exceptions identified by the Department at 2 CFR part 2900.

101 FEDERAL ALLOWABLE COSTS PRINCIPLES

- A. LWDA's 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. All procurement contracts between local boards and units of state or local governments must be only on a cost reimbursement basis.

D. 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.

102 WIOA TITLE I-B ALLOWABLE COSTS

.01 Advertising, Outreach and Public Relations

The use of promotional materials is allowable when the materials meet the basic standards of an advertisement or marketing campaign. All promotional material must meet the following criteria:

- A. State the services offered in at least one sentence;
- B. Contain a phone number, E-mail, web address, or street address for customers to contact;
- C. State the funding source for the advertisement (i.e. "Funded by the Department of Labor –WIOA Title I-B program that serves Youth, Adults and Dislocated Workers." Promotional materials may not solely promote the state or local entity. LWDAs must use Arizona@Work, and include the federal brand statement, "A proud partner of the American Job Center Network" must be featured as prominently as ARIZONA@WORK brand;
- D. Be able to be tracked to justify the effectiveness of the promotion;
- E. When applicable, be accompanied with an inventory control system;
- F. 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:
 1. The recruitment of personnel required to adequately perform WIOA Title I-B tasks;
 2. The procurement of goods and services required to perform WIOA Title I-B tasks; or
 3. Program outreach and other specific, pre-approved purposes necessary to perform required WIOA tasks.

LWDAs 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); and

4. The disposal of scrap or surplus materials acquired in the performance in the federal reward except when non-federal entities are reimbursed for disposal costs at a pre-determined amount.
5. Public relations include community relations and activities dedicated to maintaining the image of the non-Federal entity and the WIOA Title I-B programs 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 WIOA Title I-B; or
 - b. Costs of communicating with the public and press pertaining to specific activities or accomplishments achieved by the WIOA Title I-B programs.

.02 Allowable Employer Outreach and Job Development Activities

Allowable employer outreach and job development activities must be directly related to training individuals, such as:

- A. Contracts with potential employers for the purpose of placement of WIOA Title I-B participants;
- B. Participation in business associations such as chamber of commerce, joint labor management committees, labor associations, and resource centers;
- C. WIOA Title I-B staff participation on economic development boards and commissions, and work with economic development agencies to:
 1. Contacts with potential employers for purpose if placement of WIOA participants;
 2. Participation in business associations (such as chamber of commerce); joint labor associations, and resource centers;
 3. Provide information about WIOA Title I-B programs;

4. Coordinate activities in a region or local area to promote entrepreneurial training and microenterprise services;
5. Assist in making informed decisions about job training needs; and
6. Promote the use of first source hiring agreements and enterprise zone vouchering services.
7. Active participation in local business resource centers (incubators) to provide technical assistance to small and new businesses to reduce rate of business failure.
8. Subscriptions to relevant publications;
9. General dissemination of information on WIOA Title I-B programs and activities;
10. The conduct of labor market surveys;
11. The development of on-the-job opportunities; and
12. Other allowable WIOA activities in the private sector.

D. Technical Assistance Meetings and Conferences

1. The cost of meetings and conferences, where the primary purpose is to provide technical assistance and is necessary and reasonable for successful performance under the Federal award is allowable.
2. Outreach costs associated with promoting WIOA program services, including One-Stop location information and participant recruitment at job fairs in the local area are considered allowable costs.

E. 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. LWDAs must submit the Pre-approval Questionnaire to DES for the allowability to be reviewed for approval (see Exhibit 3-100A).

F. Travel Costs

1. 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.
2. Official business travel must be approved using the local area travel policy.

103 WIOA TITLE I-B UNALLOWABLE COSTS

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

.01 WIOA Provisions

- 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. (2 CFR 200.435 (4)(g))
- B. The costs of construction or purchase of facilities or buildings or other capital expenditures for improvements to land or buildings, are unallowable for all WIOA Title I-B programs [20 CFR 683.235], except with prior written approval from U.S. Department of Labor (20 CFR 683.235).
- C. Public service employment, except when authorized under title I of WIOA.
- D. Employment-generating activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, economic development activities or similar activities. An exception is made only for those employer outreach and job development activities directly related to participants.
- E. The wages of incumbent workers during participation in economic development activities provided through the state workforce

system.

- F. Foreign travel and first-class airline tickets;
- G. 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; and.
- H. Expenses prohibited under any other Federal, state or local law or regulation.

.02 Food & Beverages

- A. 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.

- B. 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:

- a. Staff meetings;
- b. Working luncheons;
- c. Office celebrations;
- d. Award ceremonies; and
- e. Holiday parties.

- C. 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.

D. Alcoholic Beverages

Alcoholic beverages are unallowable.

.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 Salaries and Bonuses

1. Title I-B funds may not be used by a recipient or sub-recipient to pay for the salary or bonus of an individual, either a direct or indirect cost, at an rate in excess of the annual rate of basic prescribe for level II of the Executive Schedule 5 U.S.C. 5313, which can be found at www.opm.gov.
2. In instances, where funds awarded under title I-B pay only a portion of the salary or bonus, the WIOA Title I-B funds may only pay be charged for the share of the employee's salary or bonus that attributable to the work performed on the WIOA Title I-B grant.
3. The limitation described paragraph 1 of this section does not applicable to contractors providing a goods or service. Characteristics of a contractor include:
 - a. Provides goods and services within normal business hours;
 - b. Provides similar goods and services to many different purchasers;
 - c. Normally operates in a competitive environment;
 - d. Providers goods and services that are supplementary to the operation of the Federal program; and

- e. Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.
- f. When a recipient is working for the same recipient or sub-recipient in multiple offices that are funded by WIOA Title I-B, the recipient must ensure that the sum of the salaries or bonuses does not exceed the limit in paragraph 7 of this section.

.05 Business Relocations

WIOA Title I-B funds are prohibited for business relocations that result in the loss of an employee's job at the original location in the U.S. WIOA funds must not pay for customized training, skill training, on-the-job training incumbent worker training, transitional employment, or company specific assessments of job applicants for or employees of any business of part of a business that has relocated from any location in the U.S., until the company has operated at the location for 120 days, if the relocation has resulted in any employee losing his or her job.

1. To verify that a business establishment that is new or expanding is not, in fact, relocating employment from another area a standardized pre-award review must be completed and documented by the LWDA and the business as a prerequisite to WIOA Title I-B assistance.
2. The pre-award review includes the:
 - a. Names under which the establishment does business, including the predecessors and successors in interest; and
 - b. Name, title, and address of the company official certifying the information; and
 - c. Whether WIOA Title I-B assistance was sought in connection with past or impending job losses at other facilities, including whether WARN notices relating to the employer have been filed.

.06 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), Division of Employment and Rehabilitation Services (DERS), Finance and Budget WIOA Unit.

1. Pursuant to WIOA Final Regulations, §683.200(a)(2) and 2 CFR 200.439, the Finance and Budget WIOA Unit has the authority to grant or deny approval for selected items of cost requiring prior approval.
2. Prior approval must be requested in writing and approved before the cost is incurred or the expenditure(s) will be considered unallowable.
3. Requests for pre-approval must be sent to Finance and Budget WIOA Unit on the DES WIOA Pre- Approval Questionnaire (See Exhibit 3-100A), along with the following information:
 - a. Explanation of the need for the expenditure; and
 - b. Three competitive quotes for the expenditure.

104 PROCUREMENT RESTRICTIONS

- A. WIOA Title I-B Funds must be expended on only American-made equipment and programs as required by the Buy American Act.
- B. Sub awards or contracts with parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal programs or activities.

105 LEVERAGED RESOURCES

Leveraged Resources (LR) are all resources used to support WIOA Title I-B grant activities and desired grant outcomes, whether or not those resources meet the standards required of allowable matches. This means that LRs may fall into two categories:

- Allowable Match; or
- Non-Match

.01 Allowable Match

- A. Per 29 CFR 97.24 and 29 CFR 95.23, allowable match is defined as additional non-Federal resources expended to further the grant objectives, if required either by statute or within the grant agreement as a condition of funding. All matched funds must be spent on allowable grant activities and in accordance with cost principles.
- B. The grantee cannot claim both an allowable cost (to be reimbursed from grant revenue) and a match expenditure. In order to qualify as match, the costs cannot have been paid from federal funds, charged to program income or used to match other federal match requirements.
- C. LRs that are considered an allowable match are reported on the ETA 9130 Accrued Expenditure and Cash Report (see Exhibit 3-200A), as well as on the Performance Report (see Exhibit 3-200B).

.02 Non-Match

- A. The cost of non-match LRs may be paid for with either federal or non-Federal funds. Non-match LRs may fund a WIOA Title I-B participant's provided services, or pay for facilities or equipment used to further the goal of the grant activities.
- B. WIOA does not have a match requirement, but allowable match leveraged resources are required to be reported. LRs that are considered non-match are reported on the Performance Report.
- C. All LRs must be allowable and auditable under the WIOA program, to include all regulations, circulars and state-level requirements.
- D. Match Expenditures

There are two types of match expenditures:

- Cash; and
 - In kind contribution
1. Cash match reflects additional funds or services (allowable costs) provided and paid for by grantee from non-Federal

funds that are in support of grant objectives and outcomes.

2. In kind contributions are allowable costs and services that are not paid by the grantee, but rather a third party organization.
3. These costs and services must support allowable WIOA grant activities and outcomes.
4. The rules that apply to determining the value of such services are found at 29 CFR 97.24(b) (7) and 95.23(c-h).

E. Examples of LR activities and funding sources include, but are not limited to:

1. Types of Leveraged Activities

- Training
- Tuition Grants
- Other Job Readiness Activities and Services
- Grants or matching funds for certification fees
- Grants of tools or other required, job-specific supplies
- Construction or purchase of facilities for housing of grant activities
- Donated supplies, personnel services, equipment, or space

2. Types of Funding Sources for Leveraged Activities

- Federal Pell Grants
- Public programs authorized by the WIOA of 2014
- Trade Adjustment Assistance (TAA) program
- Department of Labor National Emergency Grants
- Arizona State Funding (not from Federal funds granted to the state)

.03 Leveraged Resource Documentation

All purchases, rentals and donations must be reasonable and must not exceed fair market value. The value of donated personnel must not exceed the rate and fringe benefits received by Arizona WIOA personnel performing the same or similar duties. WIOA funds must not be utilized to evaluate the leveraged resource value.

The WIOA Fiscal Unit will make all final decisions on activities and costs

that qualify as a LR and if they are to be reported on the Accrued Expenditure and Cash Report. Requests to utilize a service, item or entity as a LR must be sent to WIOAFiscalReports@azdes.gov.

- A. Requests for approval must include:
- The funding source;
 - The program's cost;
 - The activity or item; and
 - The benefit to the participant and/or program.
- B. Examples of acceptable documentation the local area may submit to the WIOA Fiscal Unit include, but not limited to:
- A commitment letter or written agreement from an employer or training provider;
 - A training agreement with an employer detailing the employer's contribution; and
 - A copy of the Pell Grant award letter.

.04. Supporting Documentation for Leveraged Resources

- A. Records must be maintained that support the cash match costs within the grantee's accounting system and be available for audit and review. For third party contributions, the support for the value must be verifiable from sub-grantee records or be maintained by the grantee, including the methods used to determine the value.
- B. Supporting documentation must meet the requirements that are in place for all costs charged to the grant program (i.e. time and effort records, and original invoices).

.05 Reporting Leveraged Resources

- A. Once the Local Workforce Development Area (LWDA) has consulted with the WIOA Fiscal Unit on the proposed leverage resource and received approval, the LWDA will begin reporting the leveraged resource on the monthly Accrued Expenditure and Cash Report.
- B. Leveraged resources must be reported for each subsequent month thereafter until the grant is closed.
- C. In reporting the leveraged resources, the Accrued Expenditure

and Cash Report must include the following:

- a. Expended leverage resources will be reported in box 8D (b);
 - b. Unliquidated leverage resources will be reported in box 8D(c); and
 - c. Total leveraged resource obligations, will be reported in box 8D (d), which will be the sum of the aforementioned boxes.
- D. The WIOA Fiscal Unit will compile, as needed or required, and audit all LWDA reports for consolidation into the quarterly ETA 9130 report sent to USDOL Employment & Training Administration (ETA).

.06 Profit

Sub grantees may not earn a profit or keep any profit resulting from Federal financial assistance, unless expressly authorized by the terms and conditions of the federal award. This does not prohibit program income as referenced in 2 CFR 200.80.