

OFFICE OF WORKFORCE OPPORTUNITY
WIOA POLICY ISSUANCE – 2021-002
Effective Date: July 1, 2020

COST PRINCIPLES – ALLOWABLE, CLASSIFICATION, AND LIMITATIONS

PURPOSE: To provide guidance and instructions regarding cost principles applicable to federal grants.

BACKGROUND: The OMB Uniform Guidance [2 CFR Part 200 Subpart E](#) contains the Federal cost principles that define when and how costs can be charged to grants. The total cost of a grant program is comprised of the *allowable* direct costs incident to its performance, plus the *allocable* portion of *allowable* indirect costs, less applicable credits.

[20 CFR 683 Subpart B](#) - Administrative Rules, Costs and Limitations is part of the DOL-only rule containing additional fiscal regulations for recipients of funds under WIOA.

WIOA grant terms also include restrictions on certain costs, such as consultant rate limitations, mileage reimbursement rates, and foreign travel.

Both [WIOA P.L. 113-128](#) and related regulations, and WIOA grant terms contain administrative cost *limitations* that limit OWO to spending no more than 5 percent of the annual allotment on administrative costs at the state level.

POLICY:

Allowability

OWO shall apply the following general cost principles, as specified in [2 CFR 200.403](#), to determine whether costs are allowable, including, but not limited to:

- A. Costs must be necessary, reasonable, and allocable.**
Any cost charged to a grant must be deemed ordinary and necessary for the proper and efficient performance and administration of the grant. A grantee is required to exercise sound business practices, use arm's-length bargaining procedures and pay market prices for comparable goods and services for the geographic area.
- B. Costs must conform to any limitations or exclusions set forth in the Uniform Guidance or in the Federal award as to types or amount of cost items.**
- C. Costs must receive consistent treatment by a grantee.**

A cost may not be assigned to a grant as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the grant as an indirect cost. Costs must be consistent with policies and procedures.

D. Costs must not be used to meet matching or cost-sharing requirements.

A grantee may not use federally funded costs, whether direct or indirect, as match or to meet matching fund requirements of any other federally-financed program unless specifically authorized by law. See also [2 CFR 200.306\(b\)](#).

E. Costs must be adequately documented.

A grantee must document all costs in a manner consistent with GAAP. Examples include retaining evidence of competitive bidding for services or supplies, adequate time records for employees who charge time against the grant, invoices, receipts, purchase orders, etc.

Allocable/Classification

OWO shall apply the following general cost principles, as specified in [2 CFR 200.405](#), to determine whether costs are allocable to a federal grant:

A. Goods or services involved must be chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

A grantee may charge costs to the grant if those costs are incurred specifically for that grant; they benefit both the grant and other work of OWO, and can be reasonably distributed; and is necessary to OWO's overall operation.

B. Program or Administrative

DOL - only rule at [20 CFR 683.215](#) outlines functions and activities that constitute the costs of administration subject to the administrative cost limitation. Administrative expenditures are associated with functions (such as accounting, payroll, audit etc.) which are not related to the direct provision of workforce investment services.

C. Direct or Indirect

[2 CFR 200.412 to 200.414](#) of the Uniform Guidance outline classification of costs as direct or indirect. In general, direct costs are those costs that can be identified specifically with a particular cost objective, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

Limitations

OWO shall adhere to WIOA law and grant terms by spending no more than 5 percent (5%) of the annual allotment of WIOA funds at the state level on administrative costs. Flexibility is provided by allowing administrative funds from the three formula funding streams to be pooled and used together for administrative costs for any of the three programs.

PROCEDURE:

1. At the beginning of each program year, the OWO Director, in coordination with Fiscal Administrator, determines an annual plan that includes an overall budget for each grant and how costs will be allocated to those grants.
2. OWO obligations will only be incurred after verbal and/or written approval from the OWO Director and/or the BEA Commissioner, verification of fund availability and allowability, and in accordance with the established thresholds for Governor & Executive Council approval in the NH Department of Administrative Services Manual of Procedures (MOP) 150.
3. For all direct program and administrative costs, the Fiscal Administrator notes on the invoice or other documentation the applicable federal grant to be charged in accordance with actual expenditures.
4. For all shared direct program costs, the Fiscal Administrator notes on the invoice or other documentation the allocation to specific federal grants.
5. For all shared direct administrative costs, the Fiscal Administrator notes on the invoice or other documentation whether the costs benefit just WIOA federal programs, or all state and federal programs administered by OWO.
6. As of July 1, 2017, OWO is part of the new State Dept. of Business and Economic Affairs. As a non-Federal entity that has never received a negotiated indirect cost rate, DBEA elects to charge the de minimis indirect cost rate of 10% of modified total direct costs to its federal grants. Each quarter, OWO calculates and charges WIOA grants indirect costs equal to 10% of MDTC (all state-level direct program and administrative costs) for that quarter. This charge represents OWO's share of the central service agency costs included in the Statewide Cost Allocation Plan (SWCAP).
7. The OWO Director reviews all invoices/other documentation for all costs and initials approval of the cost allocation determination to ensure costs are allowable and accurate.
8. Prior written approval from the DOL shall be requested for costs when OWO deems necessary to avoid subsequent disallowance, or when required for costs listed in [2 CFR 200.407](#) Prior Written Approval (see also [2 CFR 2900.16](#) for DOL Exceptions).
9. In allocating costs to grants, consideration is made for the provisions in [2 CFR 200.420](#) Selected Items of Cost.