

## ALLOWABLE COSTS AND PRIOR APPROVAL POLICY #: 632

Date of Original Policy: 04/22/03  
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Date of Current Revision: May 29, 2008

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### **BACKGROUND:**

The Workforce Investment Act (WIA) Title I Final Rules (20 CFR Section 667.200) and the "One Stop Comprehensive Financial Management Technical Assistance Guide" provides federal direction regarding allowable activities, cost principles, and allowable costs. They also refer subrecipients to the federal Office of Management and Budget (OMB) circulars for specific requirements. The OMB circulars provide guidance according to type of organization. Education institutions are bound by OMB Circular A-21, governmental entities by OMB Circular A-87 and nonprofit organizations by OMB Circular A-122. Guidance for for-profit organizations can be found in Title 48 CFR Part 31.

### **POLICY:**

#### **Allowable Costs:**

Expenditures of WIA funds are allowable only for those activities permitted by the WIA Title I and related regulations. Allowable activities include core, intensive, and training services. Core, intensive, and training services are described in Section 134(d)(2), (3), and (4); additional guidance regarding supportive services and needs related payments is provided in this section. WIA Section 129 details the allowable and unallowable activities for the youth program.

Sections 667.260 through 667.270 and Section 661.310 of the Final Rules describe prohibitions against specific activities. When planning a program or expenditures, the WDC will review all relevant federal documents and advises its subrecipients of WIA funds to do the same. OMB circulars provide general principles and guidance on selected items and describe allowable and unallowable costs.

#### **Prior Approval of Certain Costs:**

Some equipment and capital expenditures are allowable only if approval is granted prior to the purchase. The WIA Final Rules, Section 667.200(c) delegates the authority for granting prior approval for those selected items to the Governor or his designee.

Section 667.260 prohibits the purchase or construction of facilities. Some exceptions regarding renovation and repair are permitted as detailed in the section.

In accordance with OMB Circular A-122 Section 15, the WDC (and Employment Security) requires that all entities receiving WIA funds request and obtain prior approval for all single item equipment and capital improvement purchases that cost \$5,000 or more.

OMB Circular A-122, Section 15.b (1) states:

“Capital expenditures for general purpose equipment are unallowable as a direct cost except with the prior approval of awarding agency.”

OMB Circular A-87, Attachment B, Section 19.b., and c., state:

- b. Capital expenditures which are not charged directly to a Federal award may be recovered through use allowances or depreciation on buildings, capital improvements and equipment (see Section 15). See also Section 38 for allowable rental costs for buildings and equipment.
- c. Capital expenditures for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value of useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency. Federal awarding agencies are authorized at their option to waive or delegate this approval requirement.

If an item requires prior approval a written request must be submitted to:

Marie Andrus, Finance Manager  
Southwest Washington Workforce Development Council  
805 Broadway, Suite 412, Vancouver, WA 98660

The WDC will in turn forward such requests to:

Holly Watson, Deputy Assistant Commissioner  
Employment and Training Division, Employment Security Department  
P.O. Box 9046, Olympia, WA 98507-9046

**DEFINITIONS:**

OMB Circular A-87, Attachment B, Section 19a defines equipment and other capital expenditures as follows:

Capital expenditure means the cost of the asset including the cost to put it in place. Capital expenditure for equipment means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is to be acquired. Ancillary charges - - - accounting practices.

Equipment means an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of (a) the capitalization level established by the governmental unit for financial statement purposes or (b) \$5,000.

Other capital assets mean buildings, land, and improvements to buildings or land that materially increase their value of useful life.

OMB Circular A-122 has similar language, but should be reviewed for specific requirements related to non-profit organizations.

*April 22, 2003*