



Workforce Investment Act Policy
WorkSource Standards & Integration Division

Washington envisions a nationally recognized fully integrated One-Stop system with enhanced customer access to program services, improved long-term employment outcomes for job seekers and consistent, high quality services to business customers. In order to achieve this vision, the WorkSource Standards & Integration Division sets a common direction and standards for Washington's WorkSource system through the development of WorkSource system policies, information notices, and technical assistance.

Policy Number: 3260 Revision 2
To: Washington WorkSource System
Date of Publication: October 26, 2012
Subject: Allowable Cost and Prior Approval Requirements

1. Purpose:

To provide guidance and instructions regarding allowable cost and prior approval requirements for Workforce Investment Act (WIA) funds.

2. Background:

WIA Title I Final Rules (20 CFR Section 667.200) and the "One Stop Comprehensive Financial Management Technical Assistance Guide" (TAG) provide federal direction regarding cost principles and allowable activities. These documents also refer subrecipients to the federal Office of Management and Budget (OMB) Circulars for more specific information. These OMB Circulars provide guidance according to type of organization.

The common rule in OMB Circulars A-102 and A-110 apply respectively to grants and cooperative agreements with states and local governments and federally-recognized Indian Tribal Governments (A-102) and grants and agreements with institutions of higher education, hospitals and non-profit organizations (A-110).

For cost principles and allowable costs see OMB Circular A-87, Cost Principles for State, Local and Indian Governments, OMB Circular A-122, Cost Principles for Non-Profits; and OMB Circular A-21 for Educational Institutions.

Commercial organizations should refer to Title 48 CFR Part 31.

3. Policy:

a. 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 and in WIA Policy 3695 Rev 2 – Supportive Services / Needs-Related Payments. 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, recipients of WIA funds are advised to review all relevant federal documents. OMB circulars provide general principles and guidance on selected items and describe allowable and unallowable costs.

b. 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 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, 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 19.c., state:

- i. 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.
- ii. 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, using the Request for Approval Form (Attachment A), to:

Grants Administration Unit

Attention: Bob Isom, Program Manager
WorkSource Standards and Integration Division
Employment Security Department
P.O. Box 9046
Olympia, WA 98507-9046

4. **Definitions:**

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

Capital Expenditure - 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 - 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 - buildings, land, and improvements to buildings or land that materially increase their value of useful life.

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

5. **References:**

All fiscal policies and guidance letters published for WIA are governed, as appropriate, under:

- Workforce Investment Act (Public Law 105-220)
- 20 CFR Part 652

- OMB Circular A-122, Cost Principles for Non-Profits
- OMB Circular A-133, Audit of State and Local Government
- OMB Circular A-133, Compliance Supplement
- OMB Circular A-21, Cost Principles for Educational Institutions
- OMB Circular A-87, Revised Cost Principles for State and Local Government and Indian Tribal Government
- Federal Register Vol. 65, No.124, Resources Sharing for Workforce Investment Act One-Stop Centers
- Generally Accepted Accounting Procedures (GAAP)
- [WIA Policy 3695 Rev 2 - Supportive Services / Needs-Related Payments](#)

6. Supersedes:

WIA Policy 3260 Rev 1 - Allowable Cost and Prior Approval Requirements

7. Website:

<http://www.wa.gov/esd/1stop/policies.htm>

8. Action:

Each Workforce Development Area is required to have a local allowable cost and prior approval procedure. It should include a process for the approval of expenditures of \$5000 or more for equipment requested by subcontractors.

Workforce Development Councils and their contractors, as well as Employment Security Area Directors, should distribute this policy broadly throughout the system to ensure that WorkSource System staff are familiar with its content and requirements.

9. Attachments:

[Attachment A – Request for Approval Form](#)

Direct Inquiries To:

For Fiscal Questions:

Bob Isom, Program Manager
WorkSource Standards & Integration Division
Employment Security Department
PO Box 9046
Olympia, WA 98507
(360) 725-9506
bisom@esd.wa.gov

For Other Policy Questions:

WorkSource Standards & Integration Division
Employment Security Department
PO Box 9046
Olympia, WA 98507
(360) 725-9500
WSIDpolicy@esd.wa.gov

Approved:

A handwritten signature in black ink, appearing to be 'AS', written over a horizontal line. The signature is stylized and cursive.

Amy Smith, Deputy Assistant Commissioner