



## **TITLE: Administrative Policy # 3120**

### **Allowable Cost and Prior Approval Requirements**

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**Type:** Administrative Policy

**Date Established:** 01/01/2011

**Date Last Revised:** 07/14/2022

**Date Posted to Website:** 03/28/2017

**Status:** Final

**Supersedes:** Allowable Costs #103

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## **Purpose**

To address and provide guidance and instructions regarding allowable cost and prior approval requirements for expenditures relative to allowable activities under WIOA and as permitted under federal, state and grant guidance.

The WIOA Title I rule at 20 CFR 683.200 and the "One Stop Comprehensive Financial Management Technical Assistance Guide" (TAG) provide federal direction regarding cost principles and allowable activities funded under WIOA.

Recipients and subrecipients of a federal award under Title I of WIOA and Wagner-Peyser must follow the uniform guidance at 2 CFR parts 200, 215, 255, 230 and appendices I through XI, including any exceptions identified at 2 CFR part 2900.

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## **Policy**

### **Allowable Costs:**

1. General principles and guidance on selected items and on allowable and unallowable costs are provided in 2 CFR Part 200;
2. Only costs allowed pursuant to 20 CFR Part 683.200 Subpart B, 2 CFR Part 200.400-475 Subpart E, 2 CFR Part 2900, WIOA Title I and related regulations, ESD Policy 5260-R3 and those included in the scope of the budget, provided financial means, and in accordance with grant terms and conditions shall be allowed as expenditures to funds provided through the WorkforceInnovation and Opportunity Act.
  - Allowable basic, individualized, follow-up and training services are described in WIOA Law Section 134(c) (2) and (3).
  - Allowable supportive services and needs-related payments funds use are described in Section 134(d) (2) and (3) and in WIOA Policy 5602 – Supportive Services and Needs-Related Payments.
  - Allowable activities for the youth program are detailed in WIOA Law Section 129.
  - Allowable use of incentive payments to Title I participants is described in WIOA Policy 5621-Incentive Payments to WIOA Title I Participants.

3. Specifically, costs must meet the factors of allowability, reasonableness and allocable cost guidelines as detailed in 2 CFR Part 200.403-405.
4. Prohibitive activities are specified in Sections 683.235 through 683.270 and Section 679.410 of the Rules.
5. Prior written approval guidance must be followed in accordance with 2 CFR Part 200.407 and ESD Policy 5260-R3.
6. PacMtn policy may set forth stricter requirements than provided by federal and state guidance but in no case will PacMtn policy not meet minimum federal and state policy.
7. Any discrepancies arising between PacMtn policy with federal and state provisions due to revisions will default to the minimum federal guidance provided.

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## **Guidelines**

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### **Cost Principles**

As a general rule for all costs incurred, care should be taken to ensure that they are allowable, reasonable and allocable under the basic guidelines as provided in 2 CFR Part 200.403-405 and as described below, except where otherwise authorized by statute.

The guidelines for determining allowability of costs should meet the following general criteria.

1. Be necessary and reasonable for the performance of the award and allocable.
2. Conform to any limitations or exclusions set forth in the award as to types or amount of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities
4. Be accorded consistent in treatment to both federal and non-federal activities.
5. Be determined in accordance with generally accepted accounting principles.
6. Be consistently treated when determining a cost as direct or indirect.
7. Be adequately documented, with authorized and supporting documentation.

The guidelines for determining reasonableness of costs should meet the following general criteria.

1. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
2. The cost is a type generally recognized as ordinary and necessary for the operation of PacMtn to carry out proper and efficient performance of activities or an award.
3. The cost is within market prices for comparable goods or services for the geographic area.
4. The cost does not deviate from established practice and policy which would unjustly increase costs to a specific award.

The guidelines for determining allocable costs should meet the following general criteria.

1. A cost is allocable to an award or other cost objective if the goods or services involved are chargeable or assignable to that award or cost objective in accordance with the relative benefits received.

This standard is met if the cost:

- a. Is incurred specifically for the award;
  - b. Benefits both the award and other work and can be distributed in proportions that may be approximated using reasonable methods; and
  - c. Is necessary to the overall operation of PacMtn and is assignable in part to the award in accordance with these principles.
2. All activities which benefit from the indirect cost by PacMtn will receive an appropriate allocation of indirect costs.
  3. Any cost allocable to an award under these principles may not be charged to other awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms of conditions of the Federal awards, or for other reasons.
  4. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If cost proportions cannot be directly determined than the costs may be allocated to benefitted projects based on an approved indirect cost allocation plan.

### **Prior Approval Requirements**

Some equipment and capital expenditures are allowable only if approval is granted prior to the purchase. 20 CFR 683.200(b) (2) delegates the authority for granting prior approval for those selected items to the Governor or his designee or from the cognizant agency for indirect cost or direct federal costs that would otherwise be difficult to determine.

20 CFR 683.235 prohibits the purchase or construction of facilities, except with the prior written approval of the Secretary.

In accordance with 2 CFR Part 230 Appendix B, Section 15, Employment Security Department requires that all entities receiving WIOA funds request and obtain prior approval for all single item equipment and capital improvement purchases that cost \$5,000 or more.

2 CFR Part 230 Appendix B 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.” Prior written approval is needed from the Employment Security Department for all single item equipment and capital improvement purchases that cost \$5,000 or more if using WIOA funds. Capital expenditures using other funds are allowable as direct costs with prior written approval from the awarding federal agency or pass-through entity.*

**Equipment** - Tangible, non-expendable personal property having a useful life of more than one year and an acquisition cost of more than \$5,000.

**Capital Expenditures** – expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.

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### **References**

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Public Law 113-128

ESD Policy 5260-R3 R3, Allowable Cost and Prior Approval Requirements - (Effective 11/30/2021)

20 CFR 683.200 and Subpart (b) and Subpart (b) (2)

2 CFR parts 200, 215, 255, 230 and appendices I through XI  
2 CFR part 2900  
2 CFR Part 200.400-475 Subpart E  
2 CFR Part 230 Appendix B Section 15 (b) (1)

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