

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: ALLOWABLE COSTS

EXECUTIVE SUMMARY

Purpose

The Employment Development Department (EDD) is providing guidance on general cost principles and allowable costs under the *Workforce Innovation and Opportunity Act* (WIOA) and the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; Final Rule (Uniform Guidance).

Scope

This directive applies to subrecipients who received or will receive WIOA funds on or after December 26, 2014. In other words, this guidance applies to WIOA Program Year (PY) 2015-16 funds and all WIOA funds received in subsequent PYs.

Effective Date

This directive is effective on the date of issuance.

REFERENCES

- WIOA (Public Law 113-128) Sections 184(a)(3), 134(c)-(d), and 129
- Title 2 *Code of Federal Regulations* (CFR) Part 200 and 2900
- Training and Employment Guidance Letter (TEGL) 15-14, Subject: *Implementation of the New Uniform Guidance Regulations* (December 19, 2014)
- Workforce Services Directive (WSD)14-13 Subject: *Property—Prior Approval, Purchasing, Inventory, and Disposal* (April 29, 2015)
- Workforce Investment Act Directive (WIAD)03-10 Subject: *Allowable Costs* (April 09, 2004)

STATE-IMPOSED REQUIREMENTS

This directive does not contain any state-imposed requirements.

FILING INSTRUCTIONS

This directive finalizes Workforce Services Draft Directive WSDD-129, issued for comment on November 18, 2015. The Central Office Workforce Services Division received 1 comment during the draft comment period. The comment did not result in any changes to the directive. A summary of comments is provided (Attachment 2). Retain this directive until further notice. For information on allowable costs under the former OMB guidance, refer to [WIAD03-10](#).

BACKGROUND

On December 26, 2013, the OMB issued the [Uniform Guidance](#) under Title 2 CFR Part 200, which establishes uniform administrative requirements, cost principles, and audit requirements for federal awards. The Uniform Guidance consolidated multiple, previously separate, sets of OMB guidance into one combined set of rules. The following year, the Department of Labor (DOL) adopted the OMB Uniform Guidance and issued DOL Exceptions under Title 2 CFR Part 2900.

The Uniform Guidance applies to all Federal awards made on or after December 26, 2014. Therefore, beginning with WIOA PY 2015-16 funds, all recipients and subrecipients of this funding must adhere to the Uniform Guidance (including DOL Exceptions) as well as the corresponding administrative requirements, cost principles, and audit requirements included in WIOA. For more information on overarching Uniform Guidance Implementation, please see [TEGL 15-14](#).

POLICY AND PROCEDURES

Each state, Local Workforce Development Area (Local Area), and provider that receives funds under WIOA Title I is required to comply with Uniform Guidance [WIOA Section 184(a)(3)]. This includes general principles and guidance on selected items of cost. However, if more restrictive city, state, or federal guidelines exist, they must take precedence. Local Areas should be reviewing and updating their local policies and procedures to ensure they are in compliance with all new guidance.

The EDD has compiled a high level matrix listing the various cost items referenced in Title 2 CFR Sections 200.420 through 200.475 (Attachment 1). The columns in the matrix contain the various entity types, the specific CFR Sections, and DOL Exceptions Sections (if applicable). The matrix also provides a quick reference guide to help indicate whether a cost item is allowable or not. WIOA funding recipients and subrecipients can use the matrix as an initial tool, rather than a final authority for making a determination of whether or not a cost would be considered allowable.

In general, to be an allowable charge to the WIOA, a cost must meet the following criteria:

- Be necessary and reasonable for the performance of the award.
- Be allocable to the award.
- Conform to any limitations or exclusions set forth in the award.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles.
- Not be used to meet cost sharing or matching requirements of any other federally-financed program (without prior approval from the state).
- Be adequately documented.

Expenditures of WIOA funds are allowable only for those activities permitted by the WIOA statute or federal regulations. Required and permissible program activities for adult and dislocated workers can be found in the WIOA Section 134(c) and (d) respectively. Similarly, allowable program activities for the youth program can be found in WIOA Section 129.

Funds awarded prior to December 26, 2014

Funding received prior to December 26, 2014 (i.e., PY 2014-15 funds and before) must continue to follow the terms and conditions of those awards, including the cost principles required under the former OMB guidance. For information on allowable costs under the former OMB guidance, please refer to [WIAD03-10](#).

ACTION

Please bring this directive to the attention of all appropriate staff and subrecipients.

INQUIRIES

For further information regarding this directive, please contact your [Regional Advisor](#) or Project Manager.

/S/ JOSÉ LUIS MÁRQUEZ, Chief
Central Office Workforce Services Division

Attachment is available on the internet:

1. [Cost Items Matrix](#)
2. [Summary of Comments](#)