



COUNTY OF SAN LUIS OBISPO
DEPARTMENT OF SOCIAL SERVICES
WORKFORCE DEVELOPMENT BOARD

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POLICY NO: 28-19
TO: Service Providers
FROM: Department of Social Services
EFFECTIVE: September 17, 2024, REVISED March 18, 2025
SUBJECT: Allowable Costs

REFERENCES:

- WIOA (Public Law 113-128) Sections 184(a)(3), 134(c)-(d), 129, and 195
- Title 2 Code of Federal Regulations (CFR) Part 200: "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance)
- Title 2 CFR Part 2900: "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Department of Labor [DOL] Exceptions)
- Title 21 United States Code (USC) Section 812
- Training and Employment Guidance Letter (TEGL) 15-14, Subject: Implementation of the New Uniform Guidance Regulations (December 19, 2014)
- Employment Development Department (EDD) Workforce Services Directive, WSD16-16

PURPOSE:

This directive provides guidance regarding the general cost principles and allowable costs under the Workforce Innovation and Opportunity Act (WIOA) program. It requires that all subrecipients and service providers expending WIOA funds shall comply with federal and State guidance regarding the allowability of expenditures.

BACKGROUND:

On December 26, 2013, the Office of Management and Budget (OMB) released the Uniform Guidance, which outlines standardized administrative requirements, cost principles, and audit protocols for federal awards. This guidance consolidated several previously distinct sets of OMB regulations into a single framework. In the following year, the Department of Labor (DOL) adopted the OMB Uniform Guidance and issued specific exceptions.

The Uniform Guidance is applicable to all federal awards made on or after December 26, 2014. Consequently, starting with the Workforce Innovation and Opportunity Act (WIOA) Program Year

2015–2016 funding, all subrecipients are required to comply with the Uniform Guidance, the DOL Exceptions, and the associated WIOA administrative, cost principles, and audit requirements.

POLICY AND PROCEDURE:

The San Luis Obispo Workforce Development Board and subrecipients, including service providers that receive funds under WIOA Title I shall comply with Uniform Guidance. This includes general principles and guidance on selected items of cost. However, if more restrictive guidelines exist from the State of California or County of San Luis Obispo, they take precedence.

The Employment Development Department (EDD) has compiled a high-level matrix listing various cost items referenced in Uniform Guidance Sections 200.420 through 200.475 (Attachment 1). The columns in the matrix contain various entity types, specific CFR sections, and DOL Exceptions sections (if applicable). The matrix also provides a quick reference guide indicating whether a cost item is allowable or not. WIOA subrecipients can use the matrix as an initial tool, rather than the final authority, to determine whether a cost is allowable or not.

In general, to be an allowable charge to 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.

Expenditure of WIOA funds is only allowable 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 WIOA Sections 134(c) and (d), respectively. Similarly, allowable program activities for the youth program can be found in WIOA Section 129.

Allocable Costs

Costs may be allocated to the WIOA program if the cost is assignable to the Federal award (program) or other cost objective with the relative benefit received. This standard is met if the cost satisfied any of the following criteria:

1. Is incurred specifically for the program;
2. Benefits both the program and other work of the recipient or subrecipient and can be distributed in proportions that may be approximated using reasonable methods; or
3. Is necessary to the overall operation of the recipient or subrecipient and is assignable in part to the program in accordance with cost principles for the Federal award.
4. Costs may be either direct or indirect. When determining if a cost is direct or indirect, it must be treated the same way across all funding sources. Indirect costs must be proportionally allocated using a reasonable method. Proper records must be maintained to

justify cost classification and allocation.

- a. Direct costs are those specifically identified with a particular WIOA program, activity or cost objective and may include: personnel costs; participant costs; supplies and materials; equipment.
- b. Indirect costs are shared costs that cannot be directly assigned to a specific WIOA program but support multiple activities. These may include: administrative salaries; office space and utilities; general office supplies.

Reasonableness of Costs

Costs incurred for WIOA programs must be reasonable, defined as costs that do not exceed what a prudent person would incur under similar circumstances. Factors to consider include:

1. Whether the cost is ordinary and necessary for the service provider's operations.
2. Constraints imposed by laws and sound business practices.
3. Market prices for comparable goods or services.
4. The prudence of the individuals making the expenditure decisions.
5. Significant deviations from organizational practices that could unjustifiably inflate costs.

Any credits accruing or received by a recipient or subrecipient relating to allowable costs for the Federal Award must be applied as a cost reduction or cash refund, as appropriate. Examples of such transactions may include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charge.

WIOA and Uniform Guidance (2 CFR Part 200) places limitations and caps on certain costs. This may include but is not limited to administrative costs, salary caps and indirect costs. The recipient or subrecipient must ensure all costs allocated to the Federal award comply with any cost limitations imposed by the law and regulations.

Prohibited Costs and Activities

Under WIOA Section 194(6) and related regulations, the following costs are unallowable:

- Public service employment, except for disaster relief employment as outlined in Section 173(d) of WIOA (20 CFR 681.260).
- Relocation costs that result in job loss at the original location (20 CFR 681.270).
- Sectarian activities (20 CFR 681.260).
- Foreign travel (20 CFR 681.260).
- Political activities (WIOA Section 195(6)).
- Duplication of services already available in the area (20 CFR 681.320).
- Wages for incumbent employees during economic development activities (20 CFR 681.260).
- Union organizing activities (20 CFR 681.280).
- Construction or purchase of facilities (20 CFR 681.260).
- Non-discrimination and equal opportunity violations (20 CFR 681.200(f), 681.275, and 29 CFR Part 37).

Prohibited Use of Funds

Lobbying

Subrecipients that receive WIOA Title I funds must comply with the restrictions on political

activities as specified in WIOA Section 195. This provision prohibits the use of WIOA Title I funds for publicity or propaganda purposes, or for materials designed to support or defeat the enactment of federal, state, or local legislation; proposed or pending regulation; administrative action; or order issued by the executive branch of any state or local government. This also includes prohibition of the use of Title I funds for activities designed to influence the enactment or issuance of legislation; appropriations; regulations; administrative action; or an Executive Order proposed or pending before Congress, any state government, state or local legislature, or legislative body.

Marijuana Industry

Uniform Guidance Section 200.331 requires the state, as the pass-through entity, to advise subrecipients of imposed requirements by federal laws, regulations, and the provisions of contracts or grant agreements, as well as additional requirements imposed by the state. Although California passed Proposition 64, in accordance with federal law (21 U.S.C 812), marijuana is classified as a Schedule 1 narcotic, and is therefore illegal from a federal standpoint.

All grant agreements between the DOL and the state must follow all applicable federal statute, regulations, and policies. Therefore, in accordance with federal law, WIOA funds cannot be used to directly or indirectly support the marijuana industry including, but not limited to, use, possession, growth or distribution of marijuana. This applies to WIOA; Wagner-Peyser; Trade Adjustment Assistance; Veterans' Employment and Training Service; and National Dislocated Worker Grant programs and services including, but not limited to, training, employer outreach, hiring events, career counseling, job orders and referrals.

Prior Written Approval

Written prior approval from the Employment Development Department is required for equipment and related services under the following criteria:

- Procurements with a per-unit cost that exceeds \$5,000.
- Related procurements with cumulative costs that exceed \$5,000 within the same state fiscal year.
- Procurements resulting in improvements to land, buildings, or equipment which exceed \$5,000.

Approval will be based on the reasonableness and allowable criteria, availability of funds, and other considerations. Written approval will include the timeframe or scope of the agreement (Uniform Guidance Section 200.407). Public exigency or emergency resulting in an immediate procurement need waives the requirement for prior approval, however, approval should be sought afterwards to conform of the appropriate use of WIOA funds.

Ongoing procurement costs such as subscriptions, maintenance, license, support costs or procurement which are otherwise paid annually will be considered approved after the initial approval if the cost remains constant or decreases.

Procurements under \$5,000 which have additional or unexpected charges within the same 12-month period which causes the total cumulative cost to exceed \$5,000 can be submitted for Retroactive Approval through the prior approval process. The Retroactive Approval should be requested before the cumulative charges exceed \$5,000. Cumulative charges are only applicable for procurements of a single or set of similar or connected goods or services (e.g. servers and related infrastructure or computers and computer memory for equipment).

ACTION:

The Administrative Entity for the WDB and its service providers shall follow this policy. This policy shall remain in effect until such time that a revision is required.

INQUIRIES:

Any questions regarding this policy may be directed to the DSS WIOA Program Manager at 805-781-1838.

Workforce Development Board (WDB) Approval Required? Yes ____ No X

Initial approval date: _____ N/A _____