



**State of Tennessee
State Workforce Development Board**

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State Workforce Development Board Policy Allowable and Unallowable Costs

Effective Date: November 4, 2022

Expiration Date: Automatic Annual Renewal Pending Statute Limitations

Purpose

To ensure that Local Workforce Development Board (LWDB) oversight of WIOA Title I funds are allowable and support workforce development activities in the Local Workforce Development Area (LWDA). This policy defines allowable and unallowable expenses and provides scenarios where providing food and beverages during meetings is allowable.

Scope

- Fiscal Agent
- One-Stop Operator
- State Workforce Development Board
- Local Workforce Development Board
- WIOA Required Partners
- WFS Partners
- WIOA Sub Recipient Entities
- Staff to the Local Workforce Development Boards
- Executive Directors of the Local Workforce Development Boards

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Definitions¹

Allocable Cost: A cost to a particular award or other cost objective if the goods or services involved are chargeable or assignable to the award or cost objective in accordance with relative benefits received.

Award: Any money, loans, non-cash assistance, granted to the State (from the federal government)— or granted by the State to a person or legal entity for furnishing by the State of assistance— whether

¹Tennessee Central Procurement Policy Number 2013-007

financial or otherwise, to any person or entity to support a program authorized by law.

Conference: A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award.

Contractor: An entity that receives a contract as defined in the US OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards as "a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. The term as used in this part does not include a legal instrument, even if the non-federal entity considers it a contract when the substance of the transaction meets the definition of a federal award or sub-award."

External Customers: Participants and/or employers are considered external customers. Professional colleagues would normally be considered individuals outside of the organizations influence but sharing common interests and goals of the organization.

Grantee: The person or entity receiving an Award.

Grantor State Agency: State agency that provides an Award to a person or entity.

Internal Customers: Employees and sub-recipients are considered internal customers to include Local Workforce Development Board members and County Mayors.

Reasonable Costs: 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.

State Agency: Departments, agencies, and entities of the State of Tennessee.

Subrecipient: A non-federal entity that receives an award from a pass-through entity to carry out part of a federal or state program; this does not include an individual that is a beneficiary of such a program. A sub-recipient may also be a recipient of other federal awards directly from a federal awarding agency.

1. Allowable Cost Provisions

Expenditures of WIOA Title 1-B funds are allowable only for those activities permitted by the WIOA regulations. For the Adult and Dislocated Worker programs, allowable activities include basic career²,

² 20 CFR 678.430(a)

individualized career³, and training services⁴. Allowable activities include youth services⁵.

1.1 Applicable Cost Principles⁶

The following chart lists the kinds of organizations and the applicable cost principles.

For the cost Incurred by:	Use the principles in:
State, local or Indian tribal government	OMB Circular A-87 (as codified at 2 CFR Part 225).
Private nonprofit organization other than an: (1) institution of higher education (2) hospital, or (3) organization named in OMB Circular A-122 (as codified at 2 CFR part 230) as not subject to that circular	OMB Circular A-122 (as codified at 2 CFR Part 230).
Educational institutions	OMB Circular A-21 (as codified at 2 CFR Part 220).
For-profit organization other than a hospital and an organization named in OMB Circular A-122 (as codified at 2 CFR part 230) as not subject to that circular	48 CFR Part 31. Contract Cost Principles and Procedures, or uniform cost accounting standards that comply with cost principles acceptable to the Federal agency.

1.2 Allowable Costs⁷

Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable under federal awards:

- Be necessary and reasonable for the performance of the federal award and be allocable under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- 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. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

³ 20 CFR 678.430(b)

⁴ 20 CFR 680.200

⁵ 20 CFR 681.460

⁶ 29 CFR 97.22

⁷ 2 CFR 200.403

- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. See also 2 CFR 200.306(b).
- Be adequately documented⁸.

1.3 Outreach Allowability⁹

Outreach costs (examples could include - flyers, brochures, banners, and other promotional material) associated with promoting WIOA program services, including American Job Center (AJC) location information and participant recruitment at job fairs in the LWDA are allowable.

When participating in employer outreach activities, management must ensure that the participation is:

- Necessary and reasonable;
- Directly related to placing eligible individuals in training;
- Directly related to placing WIOA participants into employment; and
- Furthering the delivery of WIOA services.

In addition, management must ensure that any funds spent on employer outreach activities meet allowable costs standards. Employer outreach and job development activities may include, but are not limited to:

- Contacts with potential employers for the purpose of placement of WIOA participants.
- Participation in business associations (such as Chambers of Commerce), joint labor management committees, labor associations, and resource centers; or
- WIOA staff participation on economic development boards and commissions, and work with economic development agencies to provide information about WIOA programs.

1.4 Conference Costs Allowability

Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals if the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award¹⁰.

1.5 Travel Costs Allowability¹¹

Costs incurred by employees and officers for travel—to include subsistence and incidental expenses—must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-federal entity. Costs for meals during travel must justify that:

⁸ 2 CFR 200.300 through 2 CFR 200.309

⁹ 20 CFR 683.245

¹⁰ 2 CFR 200.404

¹¹ 2 CFR 200.475

- Participation of the individual is necessary to the federal award; and
- The costs are reasonable and consistent with the non-federal entity's established travel policy.

1.6 Working Lunches¹²

The cost of a "working lunch", with external customers and other colleagues, is considered reasonable and necessary when there is adequate documentation for the necessity of having a meeting during a mealtime instead of during normal business hours. This validating documentation must specify:

- Which employment, training, and administration-related subjects (e.g. technical assistance components) were discussed;
- Include a list of participants; and
- Dated, itemized meal cost receipts.

2. Unallowable Cost Provisions

All costs associated with noncompliance are considered unallowed costs, regardless of their permissibility under other circumstances. Examples of unallowable activities include, but are not limited to:

- Any legal expenses incurred for the prosecution of claims against the government are unallowable. This includes appeals to the Administrative Law Judge of disallowed costs or other claims and civil actions where the Federal government is a defendant¹³.
- The costs of construction or purchase of facilities or buildings or other capital expenditures for improvements to land or buildings, are unallowable for all WIOA Title 1-B programs, except with prior written approval from the U.S. Department of Labor¹⁴.
- Public service employment, except when authorized under Title I of WIOA.
- Employment-generating activities, investment in revolving loan funds, capitalization of businesses, investment in contact bidding resource centers, economic development activities or similar activities. An exception is made only for those employer outreach and job development activities directly related to participants.
- The wages of incumbent workers during participation in economic development activities provided through the state workforce system.
- Foreign travel and first-class airline tickets.
- Employment or training programs for sectarian activities. This section does not prohibit the provision of services by faith-based organizations unless those services are sectarian in nature.
- Expenses prohibited under any other federal, state, or local law or regulation.
- Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging,

¹² Tennessee Department of Finance and Administration Policy 8 - Comprehensive Travel Regulations & 2 CFR 200.474(b)

¹³ 2 CFR 200.435(g)

¹⁴ 20 CFR 683.235

- rentals, transportation, and gratuities) are unallowable¹⁵.
- Costs of promotional items and memorabilia, including models, gifts, and souvenirs are unallowable¹⁶.
- Costs of alcoholic beverages are unallowable.¹⁷

2.1 Employment-Generating Activities¹⁸

LWDBs must ensure WIOA Title I funds are not spent on the following items unless they are directly related to training for eligible individuals.

- Employment generating activities
- Investment in revolving loan funds
- Capitalization of businesses
- Investment in contract bidding resource centers
- Economic development activities

2.2 Contributions and Donations¹⁹

LWDBs must ensure WIOA Title I funds are not used to:

- Sponsor third-party events, such as a Chamber of Commerce event.
- Pay sponsorship costs of contributions and donations including:
 - Cash
 - Property
 - Services
- Sponsor events by purchasing tables
- Pay to have entity's name placed on event material
- Purchase tickets to an event

3. Restrictions for Cost Provisions

3.1 Salary and Bonus Restrictions Using WIOA Funds

In instances where funds awarded under WIOA Title I or the Wagner-Peyser Act pay only a portion of the salary or bonus, the WIOA Title I or Wagner-Peyser Act funds may only be charged for the share of the employee's salary or bonus attributable to the work performed on the WIOA Title I or Wagner-Peyser Act grant. The restriction applies to the sum of salaries and bonuses charged as either direct costs or indirect costs under WIOA Title I and the Wagner-Peyser Act²⁰.

¹⁵ 2 CFR 200.438

¹⁶ 2 CFR 200.421(e)

¹⁷ 2 CFR 200.423

¹⁸ 20 CFR 683.245

¹⁹ 2 CFR 200.434

²⁰ 20 CFR 683.290(b)

3.2 Procurement Restrictions²¹

WIOA Title 1-B funds must be expended on only American-made equipment and programs as required by the Buy American Act. Sub-awards or contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal programs or activities are prohibited.

4. General Guidelines

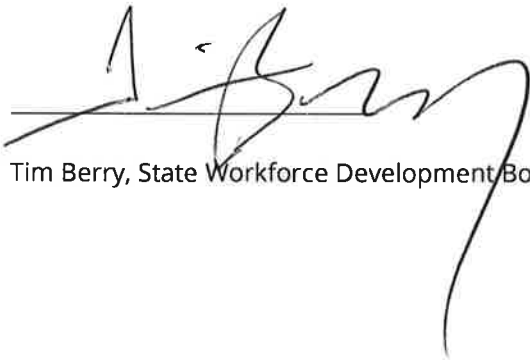
As the grantee of WIOA funding, Local Workforce Development Boards (LWDBs) and subrecipients must comply with the federal allowable cost principles that apply to their organization²². Each LWDB and each grant recipient must make readily accessible reports concerning its operations and expenditures²³.

5. Automatic Renewal Process

All policies approved by the State Workforce Development Board will be automatically renewed on July 1 of every year unless the statute of limitations for the policy expires or changes. A list of policies that will be automatically renewed are submitted to the State Workforce Development Board during the meeting prior to July 1 every year. If a policy requires any type of substantial change, the policy will be resubmitted to the State Workforce Development Board for a new approval and will not be subject to the annual renewal process.

Contact

For any questions related to this policy, please contact the Program Integrity Unit at Workforce.Board@tn.gov.

A handwritten signature in black ink, appearing to read 'Tim Berry', is written over a horizontal line. The signature is stylized and extends below the line.

Tim Berry, State Workforce Development Board Chair

²¹ 20 CFR 683.200(f)

²² 2 CFR Subpart E

²³ WIOA Section 185(c)(1)