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# Allowable Costs and Prior Written Approval

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## PURPOSE

The purpose of this policy is to provide guidance and establish procedures regarding general cost principles, allowable costs, and prior written approval related to Workforce Innovation and Opportunity (WIOA) Title I funds. The policy applies to Pacific Gateway Workforce Innovation Network (Pacific Gateway) administered by the City of Long Beach, and its subrecipients.

## BACKGROUND

On December 26, 2103, the Office of Management and Budget (OMB) issued the Uniform Guidance, 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.

The Uniform Guidance applies to all federal awards made on or after December 26, 2104. Therefore, beginning with WIOA Program Year (PY) 2105 – 16 funds, all subrecipients of this funding must adhere to the Uniform Guidance, DOL Exceptions, and corresponding WIOA administrative requirements, cost principles, and audit requirements.

## POLICY

Pacific Gateway and its subrecipients that receive funds under WIOA Title I are required to comply with Uniform Guidance (WIOA Section 184 [a] [3]). This includes general principles and guidance on selected items of cost. The City of Long Beach policies are more restrictive, therefore, local area policies take precedence to ensure compliance with this guidance.

The Employment Development Department (EDD) has compiled a high-level matrix listing various cost items referenced in the 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. The matrix can be used 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 Pacific Gateway's Workforce Director and the State).
- Be adequately documented.

Expenditure of WIOA funds is only allowable for activities permitted by Pacific Gateway, 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.

A. 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 circulars. For information on allowable costs under the former OMB circulars, please refer to Workforce Investment Act Directive WIAD03-10.

B. Prohibited Use of Funds

*Lobbying*

Pacific Gateway and its subrecipients that receive WIOA Title I funds must comply with the restrictions on political activities as specified in WIOA Section 195. The 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; or an Executive Order proposed or pending before Congress, any state government, state or local legislature, or legislative body.

*Marijuana Industry*

Uniform Guidance Section 200.221 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 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.

C. Prior Written Approval

The Uniform Guidance includes administrative requirements and cost items that are allowable only with prior written approval from Pacific Gateway and the federal awarding agency or pass through

entity. Subrecipients and staff should review the terms and conditions of their grant agreements to determine the appropriate levels of authority to grant prior approval. As the pass through entity of WIOA Title I funds, the EDD is responsible for granting prior approval in most cases.

Under any given federal award, the reasonableness and allocability of certain cost items may be difficult to determine. In order to avoid subsequent disallowance or dispute, subrecipients should obtain prior written approval for the incurrence of special or unusual costs. Key sections of the Uniform Guidance addresses when prior written approval is required. Subrecipients should thoroughly review Uniform Guidance sections referenced in the Prior Written Approval Matrix (Attachment 2) to determine when prior written approval must be obtained, and assess if their specific circumstance(s) require prior approval. As indicated in DOL Exception Section 2900.407, inclusion of item(s) in the statement of work or budget when awarded does not constitute prior approval; subrecipients must still follow all applicable policies and procedures outlined in this policy.

Property procurements with a unit acquisition cost of \$5,000 or more must have prior written approval. A non-property related purchase or circumstance that fits into one of the above referenced categories may still require prior written approval, regardless of the dollar amount.

**D. Prior Written Approval Procedures for Subrecipients**

Subrecipients must complete and submit the Prior Written Approval Request (Attachment 3) along with the necessary supporting documentation to Pacific Gateway's Workforce Development Director no less than 45 days before the requested action is to occur. If approved, Pacific Gateway will forward the request to their assigned Regional Advisor no less than 30 days from the date received from the subrecipient. Subrecipients must receive written approval prior to the cost being incurred.

Pacific Gateway and EDD will consider the following factors in its review of the requests:

- Is this purchase necessary and reasonable?
- Have the best products been selected?
- What other costs are associated with the purchase?
- If applicable, what procurement method will be used?
- If applicable, was a lease option considered in lieu of the purchase?

Pacific Gateway will submit the Prior Written Approval Request and supporting documentation to their assigned Regional Advisor electronically or through one of the methods listed below:

Mail	ATTN: (Name of Regional Advisor) Workforce Service Division, MIC 50 Employment Development Department P.O. Box 826880 Sacramento, CA 94280-0001
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Courier Service/ Overnight Mail	ATTN: (Name of Regional Advisor) Workforce Service Division, MIC 50 Employment Development Department 722 Capitol Mall Sacramento, CA 95814
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Pacific Gateway will receive a formal notification from their assigned Regional Advisor providing approval or denial of their request.

Approval is based on the supplied justification and supporting documentation for the proposed expenditure. If the actual expenditure is not in accordance with the justification or Uniform Guidance requirements, the expenditure can still be questioned or disallowed. Factors affecting this include, but are not limited to, the following:

- Inadequate justification
- Failure to follow internal, state, or federal policies.
- Expenditure is not necessary or reasonable.
- Failure to comply with applicable federal law or regulations.

#### E. Documentation

Supporting documentation must be retained for all costs associated with a prior approval request. The documentation must establish that the expenditure meets the following criteria:

- Meets the cost principles (is necessary and reasonable for proper efficient performance and administration of the grant).
- Is allocable to the grant based upon the benefits received.
- Is authorized or not prohibited under state or local laws and regulations.
- Conforms to any limitations or exclusions of cost item types or amounts, as set forth in.
- Is consistent with applicable policies, regulations, and procedures.

#### REFERENCES

- WIOA (Public Law 113-128) Sections 184(a)(3), 134 (c)(d), 129, and 195
- Title 2 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” (DOL Exceptions)
- Title 21 United States Code (USC) Section 812
- Training and Employment Guidance Letter (TEGL) 15-14 “Implementation of the New Uniform Guidance Regulations” (December 19, 2014)
- Workforce Services Directive WSD14-13, “ Property-Prior Approval, Purchasing, Inventory, and Disposal” (April 29, 2015)
- Workforce Investment Act Directive WIAD03-10, “ Allowable Costs” (April 9, 2004)
- Workforce Services Directive WSD16-16, “Allowable Costs and Prior Written Approval” (February 21, 2017)
- Pacific Gateway P-WIOA-PIDP-1.A “Purchasing, Inventory and Disposal of Property” (April 11, 2017)

#### INQUIRIES

For questions or assistance related to this policy, please contact Pacific Gateway Workforce Innovation Network staff at (562) 570-3680.

#### ATTACHMENT(S)

- Cost Items Matrix (Attachment 1)
- Prior Written Approval Matrix (Attachment 2)
- Prior Written Approval Request (Attachment 3)

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