

Seattle-King County Workforce Development Council
Policy #02-2002 FINAL
FISCAL CONTROLS AND ACCOUNTING GUIDELINES POLICY

Purpose

Allowable and Allocable Grant Costs

Background

As mandated by the Workforce Development Act (WIA) and required by the U.S. Department of Labor, the Workforce Development Council of Seattle-King County shall continuously monitor service provider's compliance with Federal laws and regulations, State provisions, WDC policies and contractual terms and conditions applicable to the operation of programs funded by the WDC. Service providers shall maintain records sufficient to demonstrate compliance with contractual and/or legal requirements.

Reference

All fiscal policies and guidance letters published for WIA are governed, as appropriate, under:
Public Law 105-200

20 CFR Part 652

OMB Circular A-122, Cost Principles for Non-Profits

OMB Circular A-133, Audit of State and Local Government

OMB Circular A-133, Compliance Supplement

OMB Circular A-21, Cost Principles for Education Institutions

ONB Circular A-87, Revised Cost Principles for State and Local Government and Indian Tribal Government

Federal Register Vol. 65, No. 124, Resource Sharing for Workforce Investment Act One Stop Centers

Generally Accepted Accounting Procedures (GAAP)

Policy

The procedure for determining allowability and allocability of grant costs is as follows. To be allowable under an award, costs must meet the following general criteria:

- A) Be reasonable and allocable for the performance of the award.
- B) Conform to any limitations or exclusions set forth in these principles (OMB Circular A-122) or in the award as to types or amount of cost item.
- C) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- D) Be accorded consistent treatment.
- E) Be determined in accordance with generally accepted accounting principles (GAAP)
- F) 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.
- G) Be adequately documented.

- H) Expenditures of WIA funds are allowable only for those activities permitted by WIA Title I-B.
- I) Prior approval from ESD is required for all single item equipment and capital improvement purchases that cost \$5,000 or more.
- J) A cost is reasonable if, in its nature or 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 costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof, which receives the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to: 1) whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award. 2) The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award. 3) Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government. 4) Significant deviations from the established practices of the organization, which may unjustifiably increase the award costs.

A cost is allocable to a particular cost objective, such as a grant, contract, project, service or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and 1) is incurred specifically for the award, 2) benefits both the award and other work and can be distributed in reasonable proportion to the benefits received or 3) is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown. 4) any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.