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**ALLOWABLE COSTS AND PRIOR APPROVAL POLICY**

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**Policy Number:** 1000

**Effective Date:** May 1, 2017

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**A. BACKGROUND**

Costs are allowable when they are permitted, reasonable, and necessary to fulfill the functions of a given Federal program. This policy conveys to subrecipients and contractors the requirements for determining the allowability of costs and the requirements for prior approval.

**B. POLICY**

Subrecipients and contractors receiving WIOA funds must review all relevant federal documents regarding allowable costs.

Expenditures of WIOA funds are allowable only for activities permitted by the applicable WIOA Title and related regulations, the governing OMB Circulars, the governing Code of Federal Regulations, Generally Accepted Accounting Principles, and Washington Workforce Policy 5260, Revision 1: Allowable Cost and Prior Approval Requirements.

Allowable activities include basic, individualized and follow-up career services, training services, and supportive services.

Subrecipients and contractors may not expend WIOA funds on costs that are specifically prohibited under the Act, including the purchase or construction of facilities and donations to other organizations.

A cost is allowable if the cost is:

- Incurred in a manner consistent with policies and procedures that apply uniformly to both Federally funded and other activities of the subrecipient;
- Accorded consistent treatment -in other words, 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;
- Not used to meet matching requirements of any other federally funded program in any period; it is allowable if used for leverage.
- Adequately documented;
- Incurred in a manner consistent with all restrictions in the subrecipient contract;
- Incurred through standard procurement practices of the subrecipient that conform with all relevant Federal, State, and local requirements; and

- Free of conflict of interest as per the Workforce Snohomish conflict of interest policy.

In addition to being allowable, the cost must be reasonable. 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 cost;
- It is ordinary and necessary for performance of the contract;
- It is consistent with generally accepted sound business practices and arms-length bargaining;

Capital improvements and equipment with a cost of more than \$5,000, including those identified in a fully executed contract between Workforce Snohomish and the subrecipient, may only be purchased with **written prior approval** from Workforce Snohomish. Subrecipients must request such approvals in a timely fashion.

The purchase of small and attractive assets does not require written approval, however, subrecipients are required to consult with the Workforce Snohomish Inventory manager prior to making such purchases to assure that the asset will meet the requirements of the WorkSource system and is not otherwise available in inventory. Subrecipients are encouraged to project their needs for equipment and small and attractive objects annually when developing their budgets.

Equipment and small and attractive items must be maintained as per the requirements of Workforce Snohomish's Property Management Policy.

All other purchases are considered supplies and do not require prior approval or consultation.

Failure to comply with these provisions may result in the withholding of payment or other recourse until the condition is corrected. Should the condition remain uncorrected, Workforce Snohomish will initiate contract termination proceedings.

### **C. DEFINITIONS:**

- **Equipment** – any single tangible, non-expendable item of personal property having a useful life of more than one year and an acquisition cost of more than \$5,000.
- **Capital Improvements** – expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.
- **Small and Attractive Asset** – any single tangible, non-expendable item of personal property in the following two categories:

- Assets with unit cost of \$300 assigned the following asset codes
  - 7013 – Laptops and Notebook Computers;
  - 7014 – Tablets and Smart Phones; and
- Assets with unit cost of \$1,000 or more assigned the following asset codes
  - 6710-6730 – Cameras and Photographic Projection Equipment;
  - 7012 – Desktop Computers (PCs);
  - 7730 – Television Sets, DVD Players, Blu-ray Players, and Video Cameras (home type).

**References:**

- [Washington WorkSource Policy 5260, Revision 1: Allowable Cost and Prior Approval Requirements](#)
- [Workforce Snohomish Conflict of Interest and Appearance of Fairness Policy](#)
- [Workforce Snohomish Property Management and Inventory Policy](#)
- Washington Office of Financial Management Small and Attractive Capital Asset Risk Assessment Guidelines

**Supersedes:**

- Memorandum #05-18