Cost Principles and Fiscal Policy

Background: This policy will provide the financial and administrative requirements applicable to Workforce Services Division programs. The Office of Management and Budget (OMB) Uniform Guidance (2 CFR Part 200 Subpart E) for grants and agreements contains the federal cost principles that define when and how costs can be charged to grants. Even though the regulations do not address every possible cost, they are the basis for all grant financial management.

Scope: This policy applies to all service providers operating Workforce Services Division programs; program manager(s) and fiscal officer(s); the State Workforce Innovation Board (SWIB); and Workforce Services Division (WSD). This policy is effective July 1, 2022.

Policy:

Costs Must be Necessary and Reasonable:
- Any cost charged to a grant must be necessary and reasonable for the proper and efficient performance and administration of the grant. A grantee or sub-grantee is required to exercise sound business practices and to comply with its procedures for charging costs.

Cost Must be Allocable:
- A grantee or sub-grantee may charge costs to the grant if those costs are clearly identifiable as benefiting the grant program. To be allocable, a cost must be treated consistently with like costs and incurred specifically for the program being charged. Shared costs must benefit both the Employment and Training Administration (ETA) grant and other work and be distributed in reasonable proportion to the benefits received.

Costs Must be Authorized or Not Prohibited Under Federal or State Laws or Regulations:
- Cost incurred must not be prohibited by any federal or state law or federal or regulation.

Costs Must Receive Consistent Treatment by a Grantee:
- A grantee or sub-grantee must treat a cost uniformly across program elements and from year to year. Costs that are indirect for some programs cannot be considered direct ETA grant costs.

Costs Must Not be Used Meet Matching or Cost-Sharing Requirements:
- A grantee may not use federally funded costs, whether direct or indirect, as match or to meet matching fund requirements unless specifically authorized by law.
Costs Must be Adequately Documented:

- A grantee must document all costs in a manner consistent with Generally Accepted Accounting Principles (GAAP). Examples include retaining evidence of competitive bidding for services or supplies, adequate time records for employees who charge time against the grant, invoices, receipts, purchase orders, etc.

Costs Must Conform to ETA Grant Exclusions and Limitations:

- A grantee or sub grantee may not charge a cost to the grant that is unallowable per the grant regulations or the cost limitations specified in the regulations.

Per Diem and Travel Expense Limitations:

- Travel costs are expenses for transportation, lodging, subsistence, and related items incurred by employees and others who are on travel status on official business of the organization. Travel expenses must be reasonable and necessary, and for a bona fide business purpose related to the funding source. All supporting documentation must be kept on file. Examples of supporting documentation include agendas and receipts.

- Service providers are required to develop and maintain policies regarding compensation for staff and participant travel costs. Meals, lodging, rental cars, airfare, mileage for employee-owned cars, and other travel expenses may be paid for staff and participants who travel as part of their job, training activity or grant purpose. Documentation of the purpose and cost of travel must be maintained. The documentation must include the time of travel to compute and verify allowed per diem amounts. No employee may be reimbursed for expenses incurred in going to and from work. Lunches and/or dinners in your home office city outside the scope of an agenda are prohibited.

- Workforce Services Division (WSD) may reimburse members of boards and councils, consultants, service providers, and others for travel expenses incurred for an allowable purpose benefiting the workforce system. All travel expenses for state-sponsored purposes are subject to state per diem.

Food Purchases:

- Per ETA Financial Management Bulletin No. 01-10, meals, food and refreshments for employees are prohibited unless outlined below.

- Definitions:
  - External Customers: Businesses or professional colleagues outside of the organizations influence but sharing common interests and goals of the organization.
  - Internal Customers: employees, sub grantees, and board members.
  - Trainers: are neither an internal nor an external customer and cannot be used to determine if food is allowable.

- Allowable Costs:
  - Meals that can be a direct charge or charged through an indirect cost allocation plan include:
    - Meals while employees are in travel status per agency travel policy.
    - Meal costs when the grantee incurs such costs in the process of conducting meetings or conferences with external customers.
    - The cost of a “working Lunch” with external customers is only considered “reasonable and necessary” when there is adequate documentation on the necessity of having a meeting during a mealtime instead of during normal business hours. Documentation must specify what ETA related subjects were discussed, a list of attendees and dated itemized meal cost receipts.

- Disallowed Costs:
  - Charging costs for meals and refreshments while engaging in day-to-day business with employees.
  - All meals and refreshments at meetings where the attendees are internal customers only. This includes but is not limited to coffee, bottled water, networking breakfast, lunch and dinner.
o Meals cannot be paid through an indirect cost allocation plan.

**Procurement:**

- Service providers may procure equipment, supplies and services under the provider agreement. Items expensed to the provider agreement must be reasonable and serve the primary objective of the agreement. Supportive Services are allowable.
- The purchase or construction of facilities or buildings is unallowable under WIOA, unless specifically permissible under the grant award.
- Service providers have delegated authority to make purchases of equipment, supplies and services as described below. Service providers are responsible for ensuring the vendors selected are not debarred or suspended by checking the information on State Vendor Debarred and Suspended List and the Federal Vendor Debarred and Suspended List.
  - Small Purchases – under $5,000. All service providers may purchase items with a value of less than $5,000 using any open and fair procurement method that best meets the service provider’s needs. The method must assist the service provider in obtaining a high-quality product for a fair price. Documentation must be maintained regarding the need for the item and its benefit to the program.
  - Limited Solicitation for Services – Purchases between $5,001 to $25,000. Service providers must maintain a fair and open procurement process meeting the criteria for small purchases. This requires a documented solicitation from a minimum of three viable sources, if available, either orally or in writing. In addition, the service provider must obtain and document prior approval from the Program Manager for the purchase and maintain documentation of the following: bid and rating criteria; advertising and public notice of the bid opportunity; responses received; and reason for the decision.
  - Limited Solicitation for Supplies - Purchases between $5,001 to $50,000. Service providers must maintain a fair and open procurement process meeting the criteria for small purchases. This requires a documented solicitation from a minimum of three viable sources, if available, either orally or in writing. In addition, the service provider must obtain prior approval from the Program Manager who will work with the WSD Fiscal Officer. The provider must document the approval along with maintaining the following: bid and rating criteria; advertising and public notice of the bid opportunity; responses received; and reason for the decision.
  - Formal Competition – Large purchases over $25,000 for services and $50,000 for supplies. Large purchases are typically included in the provider agreement as part of the major purpose of the provider agreement, although this is not a requirement. Large purchases are subject to all the requirements of medium purchases, and in addition must use a formal, closed-bid procurement process. Service providers must obtain and document prior approval from the Program Manager, who will work with the WSD Fiscal Officer.

**Inventory:**

- Service providers must maintain an inventory record of assets purchased that have a unit acquisition cost of $5,000 or more. A physical inventory must be taken at least once every two years to verify the presence of items on the inventory list, and an annual reconciliation of books and inventory records must be completed.
- Service providers must maintain physical control of the asset to ensure adequate safeguards are in place to prevent loss, damage or theft of property. Adequate maintenance procedures must be in place to keep the property in good condition.
- Service providers must retain property records for the time period required in the provider agreement.
Disposal:

- Service providers may dispose of equipment and supplies according to agency policy when the fair market value of the equipment unit, or the aggregate fair market value of the supplies is less than $5,000.
- Service providers must notify the Program Manager and obtain permission to dispose of items listed above that are valued above $5,000. DLI has the following options:
  - Request the equipment or supplies be returned.
  - Approve a buy-out of the equipment or supplies by the service provider or another agency.
  - Approve a sale of the equipment or supplies by the service provider.
  - Approve State of Montana surplus property requirements if the service provider is a state agency.

Monitoring and Technical Assistance:

- A formal monitoring will be conducted by the entity designated by SWIB.
- Technical assistance will be provided by the WSD Fiscal Officer.

References:

- OMB Uniform Guidance 2 CFR Part 200
- OMB Uniform Guidance 2 CFR Part 2900 DOL Exceptions