



Montana Department of LABOR & INDUSTRY

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2 **Division: Workforce Services Division**
3 **Category: WIOA**
4 **Effective Date: 10/1/2018**
5 **Last Revised: October 1, 2020**
6 **Policy No.: 21-18**

7 **Cost Principles, Allowable Costs and Unallowable Costs Policy**

8 **Background:** This policy will provide the financial and administrative requirements applicable to
9 federally funded programs in the One-Stop System. The OMB Uniform Guidance 2 CFR Part 200 Subpart E
10 contains the federal cost principles that define when and how costs can be charged to grants. Even though the
11 regulations do not address every possible cost, they are the basis for all grant financial management; and
12 grantees and sub grantees must rely on their guidance to avoid audit findings and potential liability.

13 **Scope:** This policy applies to all service providers operating WIOA Title I programs, WIOA Title I program
14 manager(s), WIOA fiscal officers, the Statewide Innovation and Workforce Board (SWIB), and the Division
15 Management Services Bureau (DMS). This policy is effective October 1, 2020.

16 **Policy:**

17 **Costs Must be Necessary and Reasonable:**

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

21 **Cost Must be Allocable:**

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

27 **Costs Must be Authorized or Not Prohibited Under Federal or State Laws or Regulations:**

- 28 • Cost incurred must not be prohibited by any federal or state law or federal or regulation.

29 **Costs Must Receive Consistent Treatment by a Grantee:**

- 30 • A grantee or sub grantee must treat a cost uniformly across program elements and from year to year.
31 Costs that are indirect for some programs cannot be considered direct ETA grant costs.

32 **Costs Must Not be Used Meet Matching or Cost-Sharing Requirements:**

- 33 • A grantee may not use federally funded costs, whether direct or indirect, as match or to meet matching
34 fund requirements unless specifically authorized by law.

35 **Costs Must be Adequately Documented:**

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

40 **Costs Must Conform to ETA Grant Exclusions and Limitations:**

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

43 **Per Diem and Travel Expense Limitations:**

- 44 • Travel costs are expenses for transportation, lodging, subsistence, and related items incurred by
45 employees and others who are on travel status on official business of the organization. Travel expenses
46 must be reasonable and necessary, and for a bona fide business purpose related to the funding source.
47 All supporting documentation must be kept on file. Examples of supporting documentation include
48 agendas and receipts.
- 49 • Service providers are required to develop and maintain policies regarding compensation for staff and
50 client travel costs. Meals, lodging, rental cars, airfare, mileage for employee-owned cars, and other
51 travel expenses may be paid for staff and clients who travel as part of their job, training activity or grant
52 purpose. Documentation of the purpose and cost of travel must be maintained. The documentation
53 must include the time of travel to compute and verify allowed per diem amounts. No employee may be
54 reimbursed for expenses incurred in going to and from work. Lunches and/or dinners in your home
55 office city outside the scope of an agenda are prohibited.
- 56 • Workforce Services Division (WSD) may reimburse members of boards and councils, consultants,
57 service providers, and others for travel expenses incurred for an allowable purpose benefiting the
58 workforce system. All travel expenses for state-sponsored purposes are subject to state per diem.

59 **Food Purchases:**

- 60 • Per ETA Financial Management Bulletin No. 01-10, meals, food and refreshments for employees are
61 prohibited unless outlined below.
- 62 • Definitions:
- 63 ○ External Customers: Businesses or professional colleagues outside of the organizations
64 influence but sharing common interests and goals of the organization.
 - 65 ○ Internal Customers: employees, sub grantees, and board members.
 - 66 ○ Trainers: are neither an internal nor an external customer and cannot be used to determine if
67 food is allowable.
- 68 • Allowable Costs:
- 69 ○ Meals that can be a direct charge or charged through an indirect cost allocation plan include:
70 ■ Meals while employees are in travel status per agency travel policy.
71 ■ Meal costs when the grantee incurs such costs in the process of conducting meetings or
72 conferences with external customers.
73 ■ The cost of a “working Lunch” with external customers is only considered “reasonable
74 and necessary” when there is adequate documentation on the necessity of having a
75 meeting during a meal time instead of during normal business hours. Documentation
76 must specify what ETA related subjects were discussed, a list of attendees and dated
77 itemized meal cost receipts.
- 78 • Disallowed Costs:
- 79 ○ Charging costs for meals and refreshments while engaging in day-to-day business with
80 employees.
 - 81 ○ All meals and refreshments at meetings where the attendees are internal customers only. This
82 includes but is not limited to coffee, bottled water, networking breakfast, lunch and dinner.

83 ○ Meals cannot be paid through an indirect cost allocation plan.

84 **Procurement, Inventory and Disposal:**

- 85 ● Service providers may procure equipment, supplies and services under the provider agreement. Items
86 expensed to the provider agreement must be reasonable and serve the primary objective of the
87 agreement. Supportive Services are allowable.
- 88 ● The purchase or construction of facilities or buildings is unallowable under WIOA, unless specifically
89 permissible under the grant award.
- 90 ● Service providers have delegated authority to make purchases of equipment, supplies and services as
91 described below. Service providers are responsible for ensuring the vendors selected are not debarred
92 or suspended by checking the information on State Vendor Debarred and Suspended List and the
93 Federal Vendor Debarred and Suspended List.
 - 94 ○ Small Purchases – under \$5,000. All service providers may purchase items with a value of less
95 than \$5,000 using any open and fair procurement method that best meets the service
96 provider’s needs. The method must assist the service provider in obtaining a high-quality
97 product for a fair price. Documentation must be maintained regarding the need for the item and
98 its benefit to the program.
 - 99 ○ Limited Solicitation for Services – Purchases between \$5,001 to \$25,000. Service providers
100 must maintain a fair and open procurement process meeting the criteria for small purchases.
101 This requires a documented solicitation from a minimum of three viable sources, if available,
102 either orally or in writing. In addition, the service provider must obtain and document prior
103 approval from the Program Manager for the purchase and maintain documentation of the
104 following: bid and rating criteria; advertising and public notice of the bid opportunity; responses
105 received; and reason for the decision.
 - 106 ○ Limited Solicitation for Supplies - Purchases between \$5,001 to \$50,000. Service providers
107 must maintain a fair and open procurement process meeting the criteria for small purchases.
108 This requires a documented solicitation from a minimum of three viable sources, if available,
109 either orally or in writing. In addition, the service provider must obtain and document prior
110 approval from the Program Manager for the purchase, and maintain documentation of the
111 following: bid and rating criteria; advertising and public notice of the bid opportunity; responses
112 received; and reason for the decision.
 - 113 ○ Formal Competition – Large purchases over \$25,000 for services and \$50,000 for supplies.
114 Large purchases are typically included in the provider agreement as part of the major purpose of
115 the provider agreement, although this is not a requirement. Large purchases are subject to all
116 the requirements of medium purchases, and in addition must use a formal, closed-bid
117 procurement process. Service providers must obtain and document prior approval from the
118 Program Manager.
- 119 ● Inventory:
 - 120 ○ Service providers must maintain an inventory record of assets purchased that have a unit
121 acquisition cost of \$5,000 or more. A physical inventory must be taken at least once every two
122 years to verify the presence of items on the inventory list, and an annual reconciliation of books
123 and inventory records must be completed. Closeout of a provider agreement will include
124 reconciliation and a report on office equipment or other items purchased under the agreement.
 - 125 ○ Service providers must maintain physical control of the asset to ensure adequate safeguards
126 are in place to prevent loss, damage or theft of property. Adequate maintenance procedures
127 must be in place to keep the property in good condition.
 - 128 ○ Service providers must retain property records for the time period required in the provider
129 agreement.
- 130 ● Disposal:

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- 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.

142 **Monitoring and Evaluation:**

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- A formal monitoring will be conducted by the entity designated by SWIB.

144 **References:**

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- [OMB Uniform Guidance 2 CFR Part 200](#)
 - [OMB Uniform Guidance 2 CFR Part 2900 DOL Exceptions](#)