

COMMONWEALTH OF KENTUCKY  
DEPARTMENT OF WORKFORCE DEVELOPMENT  
AND  
KENTUCKY WORKFORCE INNOVATION BOARD

**POLICY NAME:** Allowable Costs

**POLICY NUMBER:** 23-001

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**APPLIES/OF INTEREST TO:** Local Workforce Development Boards and staff and service providers in Local Workforce Development Areas

**FOR FURTHER INFORMATION CONTACT:** [workforce@ky.gov](mailto:workforce@ky.gov)

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**PURPOSE:** This policy provides guidance on allowable and unallowable WIOA program costs (including food and beverage expenses in the context of a “working lunch,” at conferences, and during travel). This policy will also define, and differentiate between, external and internal customers and provide instances where state employees, sub-grantee employees, and service providers fall into both categories. The policy also outlines guidance for employment generating activities under WIOA.

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## **POLICY:**

### **I. General Guidelines:**

Expenditures of WIOA Title 1-B funds are allowable only for those activities permitted by the WIOA regulations.

For the Adult and Dislocated Worker programs, allowable activities include:

- basic career,
- individualized career, and
- training services.

Basic career and individualized career services are described in the WIOA Title 1-B Workforce Investment Activities and Providers. Training services are described in WIOA Title 1-B Use of Funds for Employment and Training Activities Section 134.

Youth services, provided as a requirement of the WIOA Title 1-8 Section 129 Use of Funds for Youth Workforce Investment Activities, are allowable activities.

## II. Allowable Costs<sup>1</sup>:

Federal law sets different requirements for different types of organizations. Local Workforce Development Boards (LWDBs) and sub-recipients are required to comply with the federal allowable cost principles that apply to their organization.

Grant funds may only be used for:

- The allowable costs of the grantees, sub-grantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and
- Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or sub-grantee.

### A. Applicable Cost Principles:

There is a set of Federal principles used to determine allowable costs for each kind of organization as follows:

<b>For the cost Incurred by:</b>	<b>Use the principles in:</b>
State, local or Indian tribal government	OMB Circular A-87 (as codified at 2 CFR Part 225).
Private nonprofit organization other than an: (1) institution of higher education, (2) hospital, or (3) organization named in OMB Circular A-122 (as codified at 2 CFR part 230) as not subject to that circular	OMB Circular A-122 (as codified at 2 CFR Part 230).
Educational institutions	OMB Circular A-21 (as codified at 2 CFR Part 220).
For-profit organization other than a hospital and an organization named in OMB Circular A-122 (as codified at 2 CFR part 230) as not subject to that circular	48 CFR Part 31. Contract Cost Principles and Procedures, or uniform cost accounting standards that comply with cost principles acceptable to the Federal agency.

### B. Factors Affecting Whether a Cost is Allowable<sup>2</sup>:

<sup>1</sup> 29 CFR 97.22

<sup>2</sup> 2 CFR 200.403

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:

- Be necessary and reasonable for the performance of the federal award and be allocable thereto under applicable cost principles.
- Conform to any limitations or exclusions set forth in the applicable principles or in the Federal award as to types or amount of cost items.
- 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. 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.
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in 2 CFR Part 200.
- 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. See also 2 CFR 200.306(b).
- Be adequately documented. See also 2 CFR 200.300 through 2 CFR 200.309.

### **III. Reasonability of the Cost<sup>3</sup>:**

Use the following guidelines to assess reasonability of a cost:

- Do I have the capacity to use what I am purchasing? The sub-recipient must provide a narrative on efficient and effective use when requesting WIOA funds and drawdowns from the Kentucky Department of Workforce Development (DWD).
- Did I pay a fair rate?
- Do I have documentation to support a fair rate was paid? Documentation must be submitted.
- If I were asked to defend this purchase, would I be comfortable doing so?

### **IV. Necessary:**

Use the following guidelines to assess cost necessity:

- Is this item or service needed to meet grant goals?
- Is this the minimum amount I need to spend to meet my need?
- Repetition and frequency.
- Costs are similar to that which would be incurred by a reasonable and prudent person.

### **V. Technical Assistance Meetings and Conferences:**

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<sup>3</sup> 2 CFR 200.404

The cost of meetings and conferences (examples include lodging, facilities, food, beverages, materials, and supplies) are allowable when the primary purpose is to receive technical assistance, and participation is necessary and reasonable for successful performance under the federal award. Outreach costs associated with promoting WIOA program services, including Kentucky Career Center location information and participant recruitment at job fairs in the local area, are considered allowable costs. Examples of outreach costs include, but are not limited to: flyers, brochures, banners, and other promotional material.

## **VI. Procurement Restrictions:**

WIOA Title 1-B funds shall only be expended for American-made equipment and programs as required by the Buy American Act and subject to the exceptions contained therein (e.g., value of the procurement is at or below the micro-purchase threshold of \$10,000). Sub-awards or contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal programs or activities are also prohibited. Each LWDB must have property inventory systems that meet the standards required by 2 CFR 200.313(d)(1)(5) for equipment and standards required by 2 CFR 200.311-312 for real property. The system must include all property purchased with WIOA funds.

## **VII. Disallowed Costs:**

All costs associated with an unallowable activity are considered disallowed costs, regardless of their permissibility under other circumstances. Examples of unallowable activities include, but are not limited to:

- Any legal expenses incurred for the prosecution of claims against the government are unallowable. This includes appeals to the Administrative Law Judge of disallowed costs or other claims and civil actions where the Federal government is a defendant<sup>4</sup>.
- The costs of construction or purchase of facilities or buildings or other capital expenditures for improvements to land or buildings, are unallowable for all WIOA Title 1-B programs, except with prior written approval from the U.S. Department of Labor<sup>5</sup>.
- Public service employment, except when authorized under Title I of WIOA.
- Employment-generating activities, investment in revolving loan funds, capitalization of businesses, investment in contact bidding resource centers, economic development activities or similar activities. An exception is made only for those employer outreach and job development activities directly related to participants.
- The wages of incumbent workers during participation in economic development activities provided through the state workforce system.
- Foreign travel and first-class airline tickets.
- Employment or training programs for sectarian activities. This section does not prohibit the provision of services by faith-based organizations, unless those services are sectarian in nature.
- Expenses prohibited under any other federal, state, or local law or regulation.

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<sup>4</sup> 2 CFR 200.435(g)

<sup>5</sup> 20 CFR 683.235

- Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable<sup>6</sup>.
- Costs of promotional items and memorabilia, including models, gifts, and souvenirs are unallowable<sup>7</sup>.

### **VIII. Internal and External Customer Definitions:**

External Customers are participants, employers and/or LWDB members. Internal Customers are employees and sub-recipients.

### **IX. Contributions, Donations, and Purchasing Event Tickets:**

Public funds cannot be used to sponsor third-party events (such as a Chamber of Commerce event). Sponsorship costs of contributions and donations (including, but not limited to, cash, property, and services) from the non-federal entity to other entities are unallowable<sup>9</sup>. Furthermore, sponsoring events such as purchasing/sponsoring table or paying to have entity's name placed on event material would be considered a donation.

When making determinations on the number of staff to send to events/functions, as well as determining if the fees/costs associated with attendance are appropriate or allowable, management should abide by the necessary and reasonable standards as outlined in the 'Necessary' section of this policy as well as consider whether purchasing tickets to an event would be considered an entertainment cost per 2 C.F.R. 200.438. For example, purchasing tickets to a Chamber of Commerce event would not be considered an entertainment cost.

### **X. Employment-Generating Activities<sup>10</sup>:**

WIOA Title I funds must not be spent on employment-generating activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, economic development activities, or similar activities, unless they are directly related to training for eligible individuals. For purposes of this prohibition, employer outreach and job development activities are directly related to training for eligible individuals.

Employer outreach and job development activities may include, but are not limited to:

- Contacts with potential employers for the purpose of placement of WIOA participants;
- Participation in business associations (such as Chambers of Commerce), joint labor management committees, labor associations, and resource centers; or
- WIOA staff participation on economic development boards and commissions, and work with economic development agencies to provide information about WIOA programs.

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<sup>6</sup> 2 CFR 200.438

<sup>7</sup> 2 CFR 200.421(e)

<sup>9</sup> 2 CFR 200.434(a)

<sup>10</sup> 20 CFR 683.245

When participating in employer outreach activities, management must ensure that the participation is:

- Necessary and reasonable;
- Directly related to placing eligible individuals in training;
- Directly related to placing WIOA participants into employment; and
- Furthering the delivery of WIOA services.

In addition, management must ensure that any funds spent on employer outreach activities meet allowable costs standards.

## **XI. Food and Beverages:**

The cost of food and beverages will not be considered an allowable cost unless the cost serves a public purpose. Alcoholic beverages are disallowed under any circumstances<sup>11</sup>.

### **A. Food and Beverages Provided During Conferences<sup>12</sup>:**

Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals if the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award<sup>13</sup>.

Agencies sponsoring a conference may provide light refreshments to agency employees attending an official conference. Light refreshments for morning, afternoon, or evening breaks are defined to include, but are not limited to, coffee, tea, milk, juice, soft drinks, donuts, bagels, fruit, pretzels, cookies, chips or muffins.

### **B. Expenses During Travel<sup>14</sup>:**

Furthermore, costs incurred by employees and officers for travel — to include subsistence and incidental expenses — are considered reasonable and allowable to the extent such costs do not exceed charges normally allowed by the non-federal entity. Costs for meals during travel are allowable so long as they are reasonable and consistent with the non-federal entity's established travel policy.

### **C. Working Lunches:**

The cost of a “working lunch,” with external customers and other colleagues, is considered reasonable and necessary when there is adequate documentation for the necessity of having a

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<sup>11</sup> 2 CFR 200.423

<sup>12</sup> 41 CFR 301-74.7

<sup>13</sup> 2 CFR 200.404

<sup>14</sup> 2 CFR 200.475(b)

meeting during a meal time instead of during normal business hours. This validating documentation should specify:

- Which employment, training, and administration-related subjects (e.g., technical assistance components) were discussed;
- Include a list of participants; and
- Dated, itemized meal cost receipts.

#### **D. Examples:**

Below are four (4) examples to help differentiate allowable food and beverage costs for external or internal customers:

##### **Example One:**

A meeting with twenty (20) employers, ten (10) state and/or local administrative staff members, and/or local sub-grantee staff is convened to offer technical information to the employers. The employers are external customers in this scenario.

Food costs are allowable because the meeting is convened to benefit an external customer, the employers.

##### **Example Two:**

There is a meeting during regular business hours (not lunch hours) where five (5) WIOA partner staff are discussing, debating, and planning activities with ten (10) state administrative staff members in attendance. In this case the state administrative staff members, which are internal customers, are the majority of the attendees. Purchase of food with WIOA funds is not allowable in this scenario.

Food costs are unallowable because state administrative staff is considered to be the attendees.

##### **Example Three:**

State administrative staff and/or local sub-grantee staff are giving technical assistance to service delivery staff and providing lunch is reasonable and necessary due to heavy traffic that would hinder productivity. This is an example of an allowable cost.

Food costs are allowable so long as they are reasonable and necessary, which is true due to the burden of time that traffic and logistics would impose productivity (e.g., during a conference).

##### **Example Four:**

WIOA funds may not be utilized on expenses associated with social gatherings, including holiday gatherings, even if there is a “technical assistance” component at the gathering. The atmosphere of a gathering (renting a facility, buffets, etc.) is not within the confines of

necessary and reasonable if the technical assistance time is much less than the social or networking time.

Reasonable costs per person must be in accordance with the per diem rate allowed by the State.

Each LWDB and each grant recipient shall make readily accessible reports concerning its operations and expenditures<sup>15</sup>.

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**REFERENCES:** 2 CFR 200.403; 2 CFR 200.404; 2 CFR 200.434(a); 2 CFR 200.435(g); 2 CFR 200.438; 2 CFR 200.475(b); 20 CFR 683.235; 20 CFR 683.710; 41 CFR 301-74.11; 29 CFR 97.22; Buy American Act of 1933; 20 CFR 683.290(b); 20 CFR 683.250; WIOA Section 107; WIOA Section 129(c)(2); WIOA Section 134(c)(3)

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<sup>15</sup> WIOA Section 185(c)(1)