



**Subject: Allowable Costs and Prior Approval Policy**  
**Policy No: 2015-49**  
**Effective Date: 5/30/17**  
**Revised: 4/30/19**

**Purpose:**

To establish guidelines to ensure that all costs charged to Federal and/or State funded grants are allowable, reasonable, allocable, and are conducted in accordance with grant terms and conditions.

Costs are allowable when they are permitted, reasonable, and necessary to fulfill the functions of a given Federal program. Expenditures of Workforce Innovation and Opportunity Act (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 State Policy #5260, Revision 2: Allowable Cost and Prior Approval Requirements. Costs should be sufficiently documented, with authorized and supporting records.

The guidelines for determining reasonableness of costs should meet the following general criteria.

1. A cost is reasonable if, in its nature and 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.
2. The cost is a type generally recognized as ordinary and necessary for the operation of the Benton-Franklin Workforce Development Council (BFWDC) to perform the activities of an award.
3. The cost is within market prices for comparable goods or services for the geographic area.
4. The cost does not deviate from established practice and policy which would unjustly increase costs to a specific award.

The guidelines for determining allocable costs should meet the following general criteria.

1. A cost is allocable to an award or other cost objective if the goods or services involved are chargeable or assignable to that award or cost objective in accordance with the relative benefits received. This standard is met if the cost:
  - a. Is incurred specifically for the award;

- b. Benefits both the award and other work and can be distributed in proportions that may be approximated using reasonable methods; and
  - c. Is necessary to the overall operation of BFWDC and is assignable in part to the award in accordance with these principles.
2. All activities which benefit from the indirect cost by BFWDC will allocate the costs, based on an approved cost allocation method.
3. Any cost allocable to an award under these principles may not be charged to other awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms of conditions of the Federal awards, or for other reasons.
4. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If cost proportions cannot be directly determined than the costs may be allocated to benefitted projects based on an approved cost allocation plan.

Prior written approval is needed from the Employment Security Department for all single item equipment and capital improvement purchases that cost \$5,000 or more if using WIOA funds. Capital expenditures using other funds are allowable as direct costs with prior written approval from the awarding federal agency or pass-through entity. Other items of cost may be allowable with prior written approval from the cognizant agency for indirect cost or direct federal costs that would otherwise be difficult to determine.

**References:**

ESD Policy 5260, Revision 2