

# MERCED COUNTY WORKFORCE DEVELOPMENT BOARD

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## POLICY BULLETIN

MCWDB PB # 07-25	Date of Release: June 26, 2025
To:	All Merced County Workforce Development Board Staff and Service Providers
From:	Erick Serrato, Merced County Workforce Development Board
Effective Date:	June 26, 2025
Subject:	Allowable Costs and Cost Classification
Responsible Official:	MCWDB Fiscal Manager

### **PURPOSE:**

The purpose of this policy is to establish clear guidance for the Merced County Workforce Development Board (MCWDB) and its subrecipients on the classification, allocation, and allowability of costs under the Workforce Innovation and Opportunity Act (WIOA). This ensures the responsible use of public funds in compliance with Uniform Guidance (2 CFR Part 200), WIOA regulations, and any applicable state or local requirements.

### **BACKGROUND:**

The Workforce Innovation and Opportunity Act (WIOA) is a landmark federal legislation designed to enhance and streamline workforce development systems across the United States. Enacted in 2014, WIOA aims to strengthen the nation's public workforce system and help individuals, particularly those with significant barriers to employment, gain access to high-quality jobs and careers. To ensure the responsible use of public funds, WIOA includes strict guidelines for allowable costs and cost classification.

Section 184 of WIOA mandates that each state, local area, and service provider receiving funds must adhere to the uniform administrative requirements applicable to their entity type. These requirements are established by the Office of Management and Budget (OMB) through circulars and codified in federal regulations, specifically 2 CFR Part 200 (Uniform Guidance) and 2 CFR Part 2900 (U.S. Department of Labor Exceptions). Compliance ensures transparency, accountability, and the effective use of WIOA resources in achieving program goals.

### **POLICY:**

The Merced County Workforce Development Board (MCWDB) and sub-recipients, including service providers that receive funds under WIOA Title I shall comply with Uniform Guidance. This includes general principles and guidance on selected items of cost. However, if more restrictive guidelines exist from the State of California or County of Merced, they take precedence.

The Employment Development Department (EDD) has compiled a high-level matrix listing various cost items referenced in Uniform Guidance Sections 2 CFR Part 200 200.420 through 200.475 (2 CFR Part 200). The columns in the matrix contain various entity types, specific CFR sections, and DOL Exceptions sections (if applicable). The matrix also provides a quick reference guide indicating whether a cost item is allowable or not. WIOA subrecipients can use the matrix as an initial tool, rather than the final authority, to determine whether a cost is allowable or not.

In general, to be an allowable charge to WIOA, a cost must meet the following criteria:

- Be necessary and reasonable for the performance of the award.
- Be allocable to the award.
- Conform to any limitations or exclusions set forth in the award.
- Be consistent with policies and procedures that apply uniformly to both federally funded and non-federally funded activities of the organization.
- Receive consistent treatment across different programs and cost objectives.
- Be determined in accordance with generally accepted accounting principles (GAAP).
- Not be used to meet cost sharing or matching requirements of any other federally financed program without

- prior approval from the state.
- Be adequately documented with records retained in accordance with federal and state recorded retention policies.

Expenditure of WIOA funds is only allowable for those activities permitted by the WIOA statute or federal regulations. Required and permissible program activities for Adult and Dislocated Workers can be found in WIOA Sections 134(c) and (d), respectively. Similarly, allowable program activities for the Youth program can be found in WIOA Section 129.

### **Allowable Costs**

All expenditures under WIOA programs must be allowable, reasonable, allocable, and necessary for the proper and efficient performance and administration of the program. Costs must be properly classified as either program or administrative in accordance with federal guidelines. Administrative costs must not exceed 10% of total WIOA expenditures, per 20 CFR 683.205. If more restrictive guidelines are issued by the State of California or the County of Merced, they will take precedence.

Costs may be allocated to the WIOA program if the cost is assignable to the Federal award (program) or other cost objective with the relative benefit received. This standard is met if the cost satisfies any of the following criteria:

1. Is incurred specifically for the program.
2. Benefits both the program and other work of the recipient or subrecipient and can be distributed in proportions that may be approximated using reasonable methods; or
3. Is necessary to the overall operation of the recipient or subrecipient and is assignable in part to the program in accordance with cost principles for the Federal award.
4. Costs may be either direct or indirect. When determining if a cost is direct or indirect, it must be treated the same way across all funding sources. Indirect costs must be proportionally allocated using a reasonable method. Proper records must be maintained to justify cost classification and allocation.
  - a. Direct costs are those specifically identified with a particular WIOA program, activity, or cost objective and may include personnel costs; participant costs; supplies and materials; and equipment.
  - b. Indirect costs are shared costs that cannot be directly assigned to a specific WIOA program but support multiple activities. These may include administrative salaries; office space and utilities; and general office supplies.

### **Reasonable Costs**

Costs incurred for WIOA programs must be reasonable, defined as costs that do not exceed what a prudent person would incur under similar circumstances. Factors to consider include:

1. Whether the cost is ordinary and necessary for the service provider's operations.
2. Constraints imposed by laws and sound business practices.
3. Market prices for comparable goods or services.
4. The prudence of individuals making expenditure decisions.
5. Significant deviations from organizational practices that could unjustifiably inflate costs.

Any credits accruing or received by a recipient or subrecipient relating to allowable costs for the Federal Award must be applied as a cost reduction or cash refund, as appropriate. Examples of such transactions may include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charge.

WIOA and Uniform Guidance (2 CFR Part 200) places limitations and caps on certain costs. This may include but is not limited to administrative costs, salary caps and indirect costs. The recipient or subrecipient must ensure all costs allocated to the Federal award comply with any cost limitations imposed by the law and regulations.

### **Prohibited Costs and Activities**

Under WIOA Section 194(6) and related regulations, the following costs and activities are strictly unallowable:

- Public service employment, except for disaster relief employment as outlined (WIOA Sec.173(d)).
- Direct or indirect involvement in marijuana industry in accordance with Uniform Guidance §200.331 and the Controlled Substances Act (21 U.S.C. §812).
- Relocation costs result in job loss at the original location (20 CFR §683.260).
- Sectarian activities (20 CFR § 683.255).
- Foreign travel (20 CFR § 200.475).
- Political or lobbying activities (WIOA Section 195(6)).
- Duplication of existing services already available in the local area (20 CFR § 200.318(d)).
- Wages paid to incumbent workers as part of economic development or business relocation activities (20 CFR § 683.260).
- Union organizing activities (20 CFR § 200.455).
- Construction or purchase of buildings or facilities (20 CFR§ 683.235).
- Non-discrimination and equal opportunity violations (20 CFR § 200.300)

## REFERENCES

EDD WSIN 16-16

WIOA (Public Law 113-128)

2 CFR Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards)

2 CFR Part 2900 (U.S. Department of Labor Exceptions)

20 CFR Parts 676–688 (WIOA Final Rule)