



Employ Milwaukee Administrative Memo				
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**TO:** Employ Milwaukee YouthBuild Program Staff and Service Providers

**FROM:** Elizabeth Tyson-Jankowski, Contracts & Fiscal Compliance Manager

**RE:** YouthBuild Allowable Costs Policy

**PURPOSE:** This memorandum communicates funding restrictions and proper procedures for determining cost allowability for the Employ Milwaukee-administered YouthBuild Program.

**REFERENCES:**

- 29 USC 3101, Workforce Innovation and Opportunity Act (WIOA)
- [2 CFR Part 200](#)
- [2 CFR Part 2900](#)
- [US DOL FOA-ETA-18-04, Funding Opportunity Advancement for YouthBuild](#)

**BACKGROUND**

The Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require, in 2 CFR §200.302(b)(7), that the financial management system of each non-Federal entity must provide for “written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award.”

**ANALYSIS**

The United States Department of Labor (US DOL) has advised Employ Milwaukee of its interpretation of the above citation to mean that all YouthBuild Grantees/Providers will have both written procedures for determining allowability of costs per Subpart E - Cost Principles AND have specific written guidance with relation to each Federal Award.

**POLICY**

Employ Milwaukee issues this directive to comply with DOL’s expectation regarding determinations of allowability of costs for the YouthBuild Program. The following restrictions apply to all costs of the YouthBuild grant as applied by Employ Milwaukee staff and grant-funded YouthBuild providers:

Project costs must be necessary and reasonable and in accordance with federal guidelines. Determinations of allowable costs will be made in accordance with the Cost Principles, now found in the Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), codified at 2 CFR Part 200 and 2 CFR Part 2900 (Uniform Guidance-DOL supplement). Disallowed costs, defined in 2 CFR §200.31, are those charges to a grant that the grantor agency or its representative determines not to be allowed in accordance with applicable Federal statutes, regulations or terms or conditions of the federal grant.

Providers must have written procedures that provide assurance that staff are aware of cost allowability principles, understand what is considered both necessary and reasonable in relation to the grant, and able to determine allowability of costs in accordance with 2 CFR 200 Subpart E – Cost Principles.

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For YouthBuild, the Funding Restrictions outlined in US DOL FOA-ETA 18-04 serve as a supplement to each provider's written procedures. These restrictions are excerpted from the FOA below.

**E. FUNDING RESTRICTIONS**

All proposed project costs must be necessary and reasonable and in accordance with Federal guidelines. Determinations of allowable costs will be made in accordance with the Cost Principles, now found in the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), codified at 2 CFR Part 200 and at 2 CFR Part 2900 (Uniform Guidance- DOL specific). Disallowed costs are those charges to a grant that the grantor agency or its representative determines not to be allowed in accordance with the Cost Principles or other conditions contained in the grant. Applicants, whether successful or not, will not be entitled to reimbursement of pre-award costs.

**1. Indirect Costs**

As specified in the Uniform Guidance Cost Principles, indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. An indirect cost rate is required when an organization operates under more than one grant or other activity, whether Federally-assisted or not. You have two options to claim reimbursement of indirect costs.

Option 1: You may use a NICRA or Cost Allocation Plan (CAP) supplied by the Federal Cognizant Agency. If you do not have a NICRA/CAP or have a pending NICRA/CAP, and in either case choose to include estimated indirect costs in your budget, at the time of award the Grant Officer will release funds in the amount of 10% of salaries and wages to support indirect costs. Within 90 days of award, you are required to submit an acceptable indirect cost proposal or CAP to your Federal Cognizant Agency to obtain a provisional indirect cost rate. (See Section IV.B.4. for more information on NICRA submission requirements.)

Option 2: Any organization that has never received a negotiated indirect cost rate, with the exceptions noted at 2 CFR 200.414(f) in the Cost Principles, may elect to charge a de minimis rate of 10% of modified total direct costs (see 2 CFR 200.68 for definition) which may be used indefinitely. If you choose this option, this methodology must be used consistently for all Federal awards until such time as you choose to negotiate for an indirect cost rate, which you may apply to do at any time. (See 2 CFR 200.414(f) for more information on use of the de minimis rate.) For WIOA grants, all costs charged as a result of the de minimis rate will be counted towards the administrative cost limitation specified below.

**2. Administrative Costs**

Under this FOA, an entity that receives a grant to carry out a project or program may not use more than 10 percent of the amount of the grant to pay administrative costs associated with the program or project. Administrative costs are for the performance of administrative functions in carrying out activities under Title I of WIOA that are not related to the direct provision of workforce investment services (including services to participants and employers). Such costs include both personnel and non-personnel costs and both direct and indirect costs. Administrative costs do not need to be identified separately from program costs on the SF-424A Budget Information Form. However, they must be tracked through the recipient's accounting system. To claim any administrative costs that are also indirect costs, the applicant must obtain an Indirect Cost Rate

Agreement from its Federal Cognizant Agency or be eligible to use the 10 percent de minimis rate, as specified above.

### **3. Salary and Bonus Limitations**

None of the funds appropriated under the heading “Employment and Training” in the appropriation statute(s) may be used by a recipient or subrecipient of such funds to pay the salary and bonuses of an individual, either as direct costs or indirect costs, at a rate in excess of Executive Level II. This limitation does not apply to contractors providing goods and services as defined in the Audit Requirements of the OMB Uniform Guidance (see 2 CFR 200 Subpart F). Where States are recipients of such funds, States may establish a lower limit for salaries and bonuses of those receiving salaries and bonuses from subrecipients of such funds, taking into account factors including the relative cost-of-living in the State, the compensation levels for comparable State or local government employees, and the size of the organizations that administer Federal programs involved including Employment and Training Administration programs. See Public Law 113-235, Division G, Title I, Section 105, and Training and Employment Guidance Letter number 05-06 for further clarification: [https://wdr.doleta.gov/directives/corr\\_doc.cfm?DOCN=2262](https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2262).

### **4. Intellectual Property Rights**

Pursuant to 2 CFR 2900.13, to ensure that the Federal investment of DOL funds has as broad an impact as possible and to encourage innovation in the development of new learning materials, the grantee will be required to license to the public all work created with the support of the grant under a Creative Commons Attribution 4.0 (CC BY) license.

Note: Employ Milwaukee has deemed the restrictions under #4, which are further described in the FOA, to be not applicable to this policy.

### **5. WIOA Infrastructure**

All one-stop partner programs including all programs funded under title I of WIOA are required to contribute to the infrastructure costs and certain additional costs of the one-stop delivery system in proportion to their use and relative benefits received as required in 20 CFR 678.700 and 678.760. The sharing and allocation of infrastructure costs between one-stop partners is governed by WIOA Sec. 121(h), WIOA’s implementing regulations, and the Federal Cost Principles contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR part 200 (Uniform Guidance).

The Federal Cost Principles state that a partner’s contribution is an allowable, reasonable, necessary, and allocable cost to the program and is consistent with other legal requirements. A list of the required one-stop partner programs is available at 20 CFR 678.400.

### **6. Use of Grant Funds for Participant Wages**

Under Sec. 171(c)(2) of WIOA (Pub. L. 113-128), grantees may use funds to provide need-based payments, stipends, wages, or benefits to help enable program participants to participate in the program. Need-based payments, stipends, wages, and benefits provided under YouthBuild grants must accord with the policies and procedures of the grantee organization. Wages can compensate youth at the same rates (including periodic increases) as similar trainees or employees in the construction fields, and rates must accord with all applicable laws. Stipends can provide a weekly living allowance to those participating in the program, designed to help with transportation, living expenses, day care, etc. Per Section 181(a)(2) of WIOA, payments to participants in the YouthBuild

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program do not count as income for the purposes of determining eligibility for and the amount of income transfer and in-kind aid provided to participants through any Federal or Federally-assisted program, except as provided under the Social Security Act. Need-based payments refer to additional payments (beyond regular stipends for program participation) that are based on defined needs that enable youth to participate in the program.

Under 20 CFR 688.320(a)(7)(ii), to provide need-based payments, the grantee must have a written policy in place, which defines: 1) eligibility; 2) the amounts; and 3) the required documentation and criteria for payments. This policy must be applied consistently to all program participants.

Please note that there are legal and financial obligations activated by paying participants wages or stipends. DOL encourages applicants to seek legal and/or accounting counsel before setting up or changing the funding system at your program for YouthBuild participants to ensure compliance with IRS and DOL requirements, and to help participants determine their income tax liability.

### **REQUIRED ACTION**

All providers must immediately distribute this guidance to all staff with responsibility in relation to the YouthBuild program. Further, all providers must ensure that they have the proper written procedures for staff to determine allowability of cost within their Fiscal Policies & Procedures documentation.

**CONTACT:** Elizabeth Tyson-Jankowski, Contracts & Fiscal Compliance Manager  
414-270-1759  
[Elizabeth.Jankowski@EmployMilwaukee.org](mailto:Elizabeth.Jankowski@EmployMilwaukee.org)

**ATTACHMENT(S):** None