

Allowable Costs and Cost Classification Questions and Answers

#1 - Fringe best allocation method

Grant recipients are responsible for developing an allocation methodology to reasonably allocate fringe benefits. 2 CFR 200.405 defines a cost allocation as a cost is allocable to a Federal award or other cost objective if the cost is assignable to that Federal award or other cost objective in accordance with the relative benefit received. Furthermore, the citation outlines the basic requirements for allocation if the cost satisfies any of the following criteria (necessary, reasonable, and allocable):

1. Is incurred specifically for the Federal award;
2. Benefits both the Federal award 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 Federal award in accordance with the cost principles.

The Uniform Guidance has specific requirements when allocating fringe benefits. In both citations, fringe benefits must be allocated based on the relative benefit received to the grant.

- 2 CFR 200.431(c): “[...] The recipient or subrecipient must allocate fringe benefits to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs following the recipient's or subrecipient's accounting practices.”
- 2 CFR 200.431(d): “The recipient or subrecipient may assign fringe benefits to cost objectives by identifying specific benefits to specific individual employees or by allocating them based on entity-wide salaries and wages of the employees receiving the benefits.”

As an example, you could use the direct number of hours an employee works and have it correlate with the amount of funds dedicated for their fringe benefits. For example, if an employee spends 20 hours a week (half their biweekly pay hours) on the YouthBuild project, then half of their fringe benefits can be paid out using YouthBuild grant funds.

#2 I just want to verify what is allowable vs. not allowed.

In order for a cost to be allowable, it must meet the Uniform Guidance's standards for cost principles, found at 2 CFR 200.403. In general, for the cost to be allowable, it must be:

- Necessary and reasonable for the performance of the Federal award and must be allocable to the award under the Uniform Guidance's cost principles.
- Conform with federal law, guidelines, and grant terms, meaning that costs must conform to any limitations or exclusions set forth in the cost principles or in the Federal award documents as to types or amount of cost items.

- Consistent with policies and procedures means that the grant recipient applies its policies and procedures uniformly to both federally-financed and other activities, including non-Federal activities. You should not be treating grant related costs any differently than any other costs incurred at your organization.
- Accorded consistent treatment means that costs must receive the same accounting treatment as similar costs the organization incurred in like circumstances. It also means that a cost booked to one cost objective may not be booked to a different cost objective in a later period when the incurrence of the costs was for similar purposes in both instances.
- Determined and accounted for in accordance with generally accepted accounting principles.
- Cannot also be used to meet cost-sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- Be properly and adequately documented is a critical factor in the allowability of costs. Be incurred during the approved budget period.

In some instances, certain costs will be outright unallowable. These can be found:

- In your grant terms and conditions
- The Uniform Guidance's general provisions for selected items of cost, found at 2 CFR 200.420-476
- YouthBuild program regulations, found at 20 CFR 688
- WIOA administrative provisions, found at 20 CFR 683

3 I would like to learn more about limits on costs per participant (if there is any) for support services

Per the Funding Opportunity Announcement, your grant agreement and Performance Memos, DOL has established a cost per participant range for the YouthBuild program to ensure that grant funds are providing the greatest benefit. It is not a limit on the kinds of support a grantee can offer any individual participant. DOL is using an estimated cost per participant of \$23,000 (not including match funding) to determine the minimum number of participants a grantee must enroll. This means that grant recipients can spend up to \$23,000 per participant but could spend less per participant to enroll more participants. For example, an applicant requesting funding for \$1,500,000 must enroll no fewer than 66 participants, but may enroll more than 66 participants.

#4 What cost are allowed as support services for Participants?

Supportive services for all YouthBuild participants, as defined at [20 CFR 688.120](#), include, but are not limited to, the following:

- Linkages to community services
- Assistance with transportation

- Assistance with child care and dependent care
- Referrals to child support
- Assistance with housing
- Needs-related payments
- Assistance with educational testing
- Reasonable accommodations for youth with disabilities
- Referrals to health care
- Assistance with uniforms or other appropriate work attire and work-related tools, including such items as eyeglasses and protective eye gear
- Assistance with books, fees, school supplies, and other necessary items for students enrolled in postsecondary education classes
- Payments and fees for employment and training-related applications, tests, and certifications.

#5 Please give background on allowable costs and cost classification.

Housed within Subpart E – Cost Principles of the Uniform Guidance, are [2 CFR 200.403 Factors Affecting Allowability of Costs](#) and [2 CFR 200.412 Classification of Costs](#).

To determine whether a cost is allowable or not, first apply the necessary, reasonable, and allocable standard. If the cost does not meet this standard, the cost is unallowable.

- You must make sure that the cost serves the purpose of the grant to accomplish **necessary** activities to meet its goals.
- A cost is **reasonable** when the price doesn't exceed what would be incurred by a prudent person under the same circumstances. A "prudent" person uses good judgment and common sense.
- A cost is **allocable** to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

Further, any cost must meet each of the following as outlined in [2 CFR 200.403](#) in order to be considered allowable:

- Conform to any limitations or exclusions set forth in Subpart E of the Uniform Guidance 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 performed by you.
- Be accorded consistent treatment. For example, a cost must 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.
- Not be included as a cost or used to meet cost sharing requirements of any other federally-financed program in either the current or a prior period. See [2 CFR 200.306\(b\)](#).
- Be adequately documented. See [2 CFR 200.300](#) through [200.309](#).

- Administrative closeout costs may be incurred until the due date of the final report(s). If incurred, these costs must be liquidated prior to the due date of the final report(s) and charged to the final budget period of the award unless otherwise specified by the Federal agency. All other costs must be incurred during the approved budget period. At its discretion, the Federal agency is authorized to waive prior written approvals to carry forward unobligated balances to subsequent budget periods.

All costs charged to a DOL-ETA grant must be classified appropriately, and accurate reporting is essential. Misclassifications result in a misrepresentation of the actual costs of managing a Federal program or project. Further, Federal financial reports and statements may not accurately reflect or present the financial position of the grant recipient or the grant.

For ETA-9130 reporting purposes for YB program, costs can be classified as program or administrative. It is important that each cost incurred for the same purpose in like circumstances be treated in a consistent manner to avoid possible double-charging on the Federal award. Due to programmatic expenditure thresholds and the administrative expenditure cap for YouthBuild of 10 percent ([20 CFR 688.520\(a\)](#)), it is essential to classify costs accurately. Further, accurate cost classification under the umbrella of program or administrative costs must be maintained for precise budget management. Proper, consistent cost classification requires a financial management/accounting system and a book of accounts to ensure accurate financial reporting. When costs such as case manager's time, supplies, and office space are listed line-item by line-item in your book of accounts, it allows you to adequately document all expenses, and be able to regularly reconcile all grant-related financial transactions.

For ETA-9130 reporting purposes, program costs may be:

- Related program activities
- Associated with participants and employers
- Personnel and non-personnel costs
- Direct and indirect costs

Administrative costs may be:

- Related to administrative functions
- Not related to the direct provision of workforce services
- Personnel and non-personnel costs
- Direct and indirect costs

The YouthBuild program uses WIOA's definition of administrative that is found in [20 CFR 683.205](#) and [20 CFR 683.215](#).

#6 What are some guidelines on purchasing fast food as a means to facilitate workshop participation?

Please see [TEGL 09-22](#): A frequently asked question is whether food is an allowable cost for youth participants in WIOA. ETA's policy continues to be that on a limited basis and in certain situations, food at a reasonable cost may be provided to youth-serving program participants as a supportive service. Food may be provided to eligible youth when it will assist or enable the participant to participate in allowable youth program activities and to reach his/her employment and training goals, thereby achieving the program's overall performance goals. The use of grant funds for food should be limited to reasonable and necessary purchases that are coordinated, when possible, with other community, state, or federal services that provide food for low-income individuals. Local areas should have written policies and procedures in place for purchasing and distributing food to ensure consistent treatment of these types of expenses. When developing written policies and procedures, please review the Uniform Guidance at 2 CFR 200.403.

Additionally, please see your Federal Project Officer on the allowability of specific costs. You want to make sure your FPO is aware of these costs. The general guidelines for purchasing food of any kind are the same for any costs to the grant. Grant costs must adhere to the requirements set forth in Subpart E - Cost Principles of the Uniform Guidance. This subpart outlines that any cost charged to the grant must be both necessary, reasonable, and allocable in order to be allowable as shown in 2 CFR 200.403, 2 CFR 200.404 and 2 CFR 200.405.

For a cost to be necessary, it must serve the purpose of the grant and accomplish necessary activities to meet its goals.

To determine if a cost is necessary, ask yourself the following questions:

- What programmatic purpose does purchasing this food serve? Can participants purchase food on their own?
- How is purchasing food necessary for the performance of the award to meet the goals of the grant?
- Does purchasing this food align with the objectives of the program?

Does it align with the minimum amount needed to meet the needs of the grant? If not, do you need to adjust your estimates? In order for a cost to be reasonable it must be the same price as like items in the area, pass the "prudent person" test, be allowable by your own written policies and procedures, and be recognized as ordinary and necessary for your organization to efficiently and effectively meet the performance goals of the Federal award. When determining whether a cost is reasonable, ask the following questions:

- Am I paying more in order to provide a convenience for the attendees? Is the fast-food I want to purchase similar in price to other fast-food chains in the immediate area?
- Is purchasing fast-food to increase workshop participation a sound business practice, and does it comply with applicable laws, YouthBuild regulations, and my grant terms and conditions?
- Could I defend the purpose and cost of the fast-food to auditors and to DOL-ETA?
- Does my grant, program, or project benefit from purchasing fast-food for the attendees' participation?

- Are there benefits to both the Federal award and other work by purchasing this fast-food and, if so, can they be distributed based on proportionate share?

7 Will the DOGE classification request impact the timing of funds being delivered to our account?

Yes. Due to the time needed to review each justification request, this process may take over 48 hours, so expect your funds to be available within 2-3 business days. It is important that you are timely with your drawdown requests and plan accordingly.

#8 If our agency owns the building that the program operates in, can we use the space as match?

Yes, you can use an agency-owned building as match/ cost-sharing as an in-kind contribution. The use of an agency owned building for allowable grant activity would be considered an in-kind contribution towards your match requirements. An in-kind contribution is non-cash good or services that were originally paid for and/or are coming from a non-Federal source and are contributed by the grant recipient, a subrecipient, or a third-party to defray the costs of allowable grant activities.

However, match funds and in-kind contributions must meet the following criteria found at 2 CFR 200.306(b):

- Be verifiable in your records;
- Are not included as contributions for any other Federal award;
- Are necessary and reasonable for achieving the objectives of the Federal award;
- Are allowable under Subpart E of the Uniform Guidance;
- Are not paid by the Federal Government under another Federal award;
- Are provided for in the approved budget;
- Conform to other applicable provisions in 2 CFR 200.306.

Second, the match valuation must be done only on the portion of the building that will be used by the grant; meaning that if your agency receives other Federal funds, only the portion used for YB purposes can be recognized as match on the ETA-9130. Any of the utilities or other costs associated with the building would have to be allocated appropriately amongst the other entities/programs using the building in accordance with the relative benefit received by each entity/program.

Third, when valuing any type of in-kind match (such as your agency-owned building), the valuation must be based on the fair market value at the time of donation. Land cannot be included in this valuation, only the value of the building itself.

Note that you cannot charge a depreciation expense to the grant and also have it count toward a match requirement; the resource can only be one or the other.

#9 Our culinary program is a new track offered to our participants. The food required for the program would be allowable, correct?

Yes, purchasing food for a participant culinary program would be allowable, as these costs would be considered training costs for occupational skills training program, which is one of the eligible activities that may be funded under the YB program at 20 CFR 688.32. Therefore, the purchase of food would be for training purposes. For a cost to be allowable, it must meet the Uniform Guidance's standards for cost principles, found at 2 CFR 200.403. In general, for the cost to be allowable, it must be:

- Necessary and reasonable for the performance of the Federal award and must be allocable to the award under the Uniform Guidance's cost principles.
- Conform with federal law, guidelines, and grant terms, meaning that costs must conform to any limitations or exclusions set forth in the cost principles or in the Federal award documents as to types or amount of cost items.
- Consistent with policies and procedures means that the grant recipient applies its policies and procedures uniformly to both federally-financed and other activities, including non-Federal activities. You should not be treating grant related costs any differently than any other costs incurred at your organization.
- Accorded consistent treatment means that costs must receive the same accounting treatment as similar costs the organization incurred in like circumstances. It also means that a cost booked to one cost objective may not be booked to a different cost objective in a later period when the incurrence of the costs was for similar purposes in both instances.
- Determined and accounted for in accordance with generally accepted accounting principles.
- Cannot also be used to meet cost-sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- Be properly and adequately documented is a critical factor in the allowability of costs.
- Be incurred during the approved budget period.

Please contact your FPO first and let them know the circumstances around the purchasing of food for your culinary track, to ensure that these costs are allowable to the grant.

#10 What participant costs are allowable (stipends, incentives, transportation, uniforms, tools)? Are cash incentives, such as gift cards allowable—and if so, under what limits? Can participant stipends be tied to attendance, milestones, or performance?

YouthBuild program regulations at 20 CFR 688.560 list specific participant costs that are allowable. They include:

- a) The costs of payments to participants engaged in eligible work-related YouthBuild activities;

- b) The costs of payments provided to participants engaged in non-work-related YouthBuild activities;
- c) The costs of needs-based payments;
- d) The costs of supportive services; and
- e) The costs of providing additional benefits to participants or individuals who have exited the program and are receiving follow-up services, which may include:
 - a. Tuition assistance for obtaining college education credits;
 - b. Scholarships to a registered apprenticeship or technical education program; and
 - c. Employer- or Government-sponsored health programs.

The types of costs listed above must meet the cost principles found in Subpart E of 2 CFR part 200. This includes the factors of allowability, reasonableness, and allocability. Grant recipients must also maintain supporting documentation for costs charged to the YouthBuild grant.

The question above mentions both “incentives” and “stipends”, and we wanted to clarify the difference. Stipends are defined as “payment for participation in activities such as occupation skills training and classroom activities (such as high school equivalency preparation, work readiness, or employability skill training” and is given to participants. Stipends are associated with participant involvement, whereas incentives are usually tied to performance.

Incentives are defined as “compensation for participants permitted for recognition and achievement directly tied to training activities and work experience” and can be given to YouthBuild participants, according to 20 CFR 688.570. Furthermore, per 20 CFR 681.640, incentives must:

- Be tied to the goals of the specific program
- Outline in writing before the commencement of the programs that may provide incentive payments
- Align with the local program’s organizational policies
- Are in accordance with 2 CFR 200, part E

When reasonable and prudent, and when clear written policies and procedures are in place, non-entertainment related gift cards *may* be an option. These are considered a cash equivalent and should be treated as if they were cash. Just like cash management, the expectation is that grant recipients will have internal controls and safeguards over the management of the gift cards such as keeping an inventory log, identifying and training appropriate personnel when it’s appropriate to distribute gift cards, etc. Gift cards should be used as an incentive (with an established incentive policy in place) and not as a substitute to wages and stipends. Finally, there must be measures in place if there is excessive purchasing of gift cards as these funds (not the gift cards) must be returned to ETA during the closeout of the grant. It’s encouraged to exercise restraints in purchasing gift cards as incentives to avoid Closeout issues.

For more information about allowable forms of payment to YouthBuild and WIOA Youth participants, check out our tip sheet on [Allowable Financial Benefits for Participants](#).

#11 For verification, if we fall into the 10% rule for budget modifications, we do not need pre-approval?

Written prior approval from a Grant Officer is not required to make any changes within a specific cost category on the SF-424A unless the change results in a cumulative transfer among direct cost categories exceeding 10% of total budget. The Uniform Guidance at [2 CFR 200.308\(i\)\(2\)](#) lays out this requirement by saying that DOL-ETA, "... may only restrict the transfer of funds among direct cost categories, programs, functions, and activities when the cumulative amount of a transfer exceeds or is expected to exceed 10 percent of the total budget as last approved by DOL-ETA." Note that the requirement states it is "exceeds or is expected to exceed 10 percent." Therefore, it is vital to talk to your FPO immediately if a single line is expected to exceed 10 percent of the total budgeted amount. It is further important to note that a budget realignment is required if the **CUMULATIVE** shifts of more than 10% of the total budget since the last DOL-ETA approved budget. The shift between the line items is taken cumulatively meaning that if equipment was increased by 6% in Q1, and then another 4% in the following quarter, a grant amendment would be required to as soon as the 4% increase happens since the budget line item has shifted by 10% since the last DOL-ETA approved budget.

#12 Are cap and gown costs for cohort graduation an allowable expense? I would assume no as these are not necessary.

Any costs must adhere to the requirements set forth in Subpart E - Cost Principles of the Uniform Guidance. This subpart outlines that any cost charged to the grant must be both necessary, reasonable, and allocable in order to be allowable as shown in 2 CFR 200.403, 2 CFR 200.404 and 2 CFR 200.405.

For a cost to be necessary, it must serve the purpose of the grant and accomplish necessary activities to meet its goals. To determine if a cost is necessary, ask yourself the following questions:

- What programmatic purpose does purchasing a cap and gown serve? Can participants purchase the cap and gown on their own?
- How is purchasing caps and gowns necessary for the performance of the award to meet the goals of the grant?
- Does purchasing these caps and gowns align with the objectives of the program?

Does it align with the minimum amount needed to meet the needs of the grant? If not, do you need to adjust your estimates? In order for a cost to be reasonable it must be the same price as like items in the area, pass the “prudent person” test, be allowable by your own written policies and procedures, and be recognized as ordinary and necessary for your organization to efficiently and effectively meet the performance goals of the Federal award. When determining whether a cost is reasonable, ask the following questions:

- Am I paying more in order to provide a convenience for the attendees? Are the cap and gowns I want to purchase similar in price to similar caps and gowns in the immediate area?
- Does purchasing caps and gowns make for sound business practice, and does it comply with applicable laws, YouthBuild regulations, and my grant terms and conditions?
- Could I defend the purpose and cost of the caps and gowns to auditors and to DOL-ETA?
- Does my grant, program, or project benefit from purchasing caps and gowns for the cohort’s graduation?
- Are there benefits to both the Federal award and other work by purchasing these caps and gowns and, if so, can they be distributed based on proportionate share?

Resources

Uniform Guidance: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>

DOL's Exceptions to the Uniform Guidance: <https://www.ecfr.gov/current/title-2/subtitle-B/chapter-XXIX/part-2900>

YouthBuild Regulations: <https://www.ecfr.gov/current/title-20/chapter-V/part-688>

Grant Application and Management Community Page on WFGPS:
<https://grantsapplicationandmanagement.workforcegps.org/?RefBy=communities>

Office of Grants Management's internet page: <https://www.dol.gov/agencies/eta/grants>
<https://www.dol.gov/agencies/eta/advisories/tegl-09-22>