

# South Central Workforce Development Board (SCWDB)



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## **POLICY: COST ALLOCATION AND COST LIMITATIONS POLICY**

**EFFECTIVE DATE: MARCH 12, 2026**

**POLICY NUMBER: 2026-01**  
*(Supersedes Policy 2018-29)*

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## **SUBJECT: COST ALLOCATION AND COST LIMITATIONS**

### **I. PURPOSE:**

This policy establishes cost allocation principles, administrative cost limitations, fiscal management standards, and internal control requirements governing the use of:

- Federal funds (including but not limited to WIOA, USDOL discretionary grants, NDWG, etc.)
- State funds (Commonwealth of Kentucky appropriations, Education & Labor Cabinet grants, etc.)
- Local funds (county, city, and locally generated revenues)
- Private or philanthropic funds
- Program income

This policy ensures all funds administered by the South Central Workforce Development Board (SCWDB) are:

- Properly allocated
- Allowable under their respective funding authority
- Accurately documented
- Managed in compliance with applicable federal, state, and local laws and regulations

### **II. AUTHORITY**

This policy is issued pursuant to:

#### Federal Authority

- Workforce Innovation and Opportunity Act (WIOA)
- 20 CFR Parts 681 and 683
- 2 CFR Part 200 (Uniform Guidance), as amended and currently in effect
- Applicable USDOL grant terms and conditions

#### State Authority

- Kentucky Education and Labor Cabinet policies
- Kentucky Office of Employment and Training (OET) WIOA and fiscal guidance
- State grant agreements and appropriations language

#### Local Authority

- Interlocal Agreement
- Board-adopted fiscal policies
- Applicable local government requirements

Where multiple funding authorities apply, the most restrictive applicable requirement shall govern.

### **III. POLICY STATEMENT**

SCWDB administers multiple funding streams simultaneously. Accordingly:

1. Costs must be charged to the benefiting funding source.
2. No funding source shall subsidize another.
3. All costs must meet the allowability standards of the specific funding authority.
4. Administrative cost caps unique to specific funding sources shall be strictly observed.
5. Cross-fund allocation must be supported by documented methodology.

### **IV. GENERAL COST PRINCIPLES (ALL FUNDING SOURCES)**

All costs charged to any SCWDB-administered funding source must comply with:

- 2 CFR §200.403 (Allowability)
- 2 CFR §200.404 (Reasonableness)
- 2 CFR §200.405 (Allocability)
- 2 CFR §200.302 (Financial management)
- 2 CFR §200.303 (Internal controls)

A cost is allocable to a particular funding source if the goods or services involved are chargeable or assignable in proportion to the relative benefits received.

### **V. FUND-SPECIFIC COST LIMITATIONS**

#### **A. WIOA Administrative Cost Limitation**

In accordance with WIOA Sections 128(b)(4) and 133(b), and 20 CFR §683.205:

- Not more than 10 percent of the total allocation for Youth, Adult, and Dislocated Worker programs may be expended on administrative costs.

Youth funds must meet the 75 percent minimum program expenditure requirement under 20 CFR §681.410.

#### **B. Other Federal Grants**

Administrative cost limitations for other federal grants shall follow:

- The specific Notice of Award (NOA)
- Grant terms and conditions
- Federal statute authorizing the program

Where a grant specifies a different administrative limitation, that limitation shall apply.

#### **C. State and Local Funds**

State and local funds shall follow:

- Terms of the grant agreement or appropriation
- Kentucky Education and Labor Cabinet requirements
- Local fiscal agent requirements, if applicable

If no administrative limitation is specified, costs must still comply with 2 CFR Part 200 if federal funds are involved in the cost pool.

### **VI. MULTIPLE FUNDING SOURCE ALLOCATION**

## **A. Cross-Funding Allocation Principle**

When an expenditure benefits multiple funding sources:

- Costs shall be allocated proportionally
- Allocation shall be based on documented, reasonable methodology
- The methodology shall be consistently applied

Examples of allocation bases may include:

- Documented time and effort
- Participant counts
- Direct cost ratios
- Square footage
- Usage rates

## **B. Braided Funding**

When services are supported by multiple funding sources for a single participant or initiative:

- Costs must be clearly delineated by funding source
- Double charging is strictly prohibited
- Funding eligibility rules must be met independently

## **C. Supplement, Not Supplant**

Where applicable, federal funds shall supplement and not supplant state or local funds, in accordance with authorizing statute.

## **VII. DIRECT AND INDIRECT COST STRUCTURE**

### **A. Direct Cost Allocation**

SCWDB utilizes a primarily direct cost allocation model. Direct costs include:

- Personnel compensation
- Fringe benefits
- Supplies
- Contracts
- Travel
- Equipment

All personnel costs must comply with 2 CFR §200.430.

### **B. Shared or Indirect Costs**

Where shared costs exist (e.g., utilities, office space, shared systems):

SCWDB may:

1. Allocate directly using a documented cost allocation plan; or
2. Establish a cost pool consistent with 2 CFR §200.405(c); or
3. Utilize an approved indirect cost rate if adopted in the future.

Documentation supporting the allocation methodology must be maintained.

### **VIII. SALARIES AND TIME DISTRIBUTION**

Personnel costs charged to multiple funding sources must:

- Be supported by auditable time records
- Reflect actual activities performed
- Be certified by supervisory personnel
- Be allocated proportionally

Leave costs shall be distributed consistent with salary allocation.

### **IX. PROCUREMENT (ALL FUNDING SOURCES)**

All procurements shall comply with:

- 2 CFR §§200.317–327 (for federally funded expenditures)
- State procurement requirements (when applicable)
- SCWDB Procurement Policy

In blended funding situations, federal procurement standards shall apply if any portion of the cost is federally funded.

### **X. INTERNAL CONTROLS FOR MULTI-FUND ENVIRONMENT**

SCWDB shall maintain internal controls sufficient to:

- Prevent cross-subsidization between funding sources
- Detect improper cost transfers
- Ensure administrative cost caps are not exceeded
- Reconcile expenditures by funding source monthly

Internal controls shall comply with:

- 2 CFR §200.303
- GAO Green Book standards

### **XI. MONITORING AND FISCAL OVERSIGHT**

SCWDB shall conduct fiscal oversight to ensure:

- Compliance with funding-specific cost limitations
- Proper allocation across funding streams
- Accurate financial reporting
- Timely corrective action for identified issues

Monitoring shall align with:

- 20 CFR §683.410 and §683.420
- Kentucky OET monitoring requirements

- Grant-specific monitoring provisions

## **XII. TRANSFER OF FUNDS (WIOA ONLY)**

In accordance with WIOA Section 133:

- Up to 100 percent of funds may be transferred between Adult and Dislocated Worker programs within the same program year.
- Youth funds may not be transferred.
- Transfers must be documented and justified.
- State approval shall be obtained where required.

## **XIII. RECORD RETENTION**

Records for all funding sources shall be retained in accordance with:

- 2 CFR §200.334–337
- 20 CFR §683.200(d)
- State retention requirements

Where multiple retention requirements apply, the longest applicable retention period shall govern.

## **XIV. CONFLICT RESOLUTION BETWEEN FUNDING REQUIREMENTS**

If two funding sources impose different requirements:

- The more restrictive requirement shall apply.
- Legal counsel or state guidance may be consulted for clarification.

## **XV. EFFECTIVE DATE**

This policy becomes effective upon approval by the SCWDB Board of Directors and Governance Committee.

Approved by SCWDB Board: Treva J. Shirley Date: 3-12-2026

Approved by Governance Committee: josh anderson Date: 3-10-2026