

POLICY

Date: September 3, 2025

Number: CWDB25-03

State-Funded Program: Allowable Costs & Prior Written Approval

Summary

This policy provides guidance and established procedures on cost principles, focusing on allowable costs and prior written approval for the California Workforce Development Board's (CWDB) state-funded grants and programs. It applies to all recipients and subrecipients of CWDB-awarded state-funded grants.

In the use of state-awarded grant funds, all recipients and subrecipients are bound by applicable state laws and regulations, as well as the terms and conditions of the Grant Agreement. Recipients and subrecipients of state-funded grants are also responsible for the sound, consistent, and lawful administration of the funds they receive. This entails developing and implementing appropriate accountancy, organizational, and management structures in order to adhere to all state laws and regulations, this policy, and all CWDB State-Funded Program policies.

Definitions

CWDB follows Uniform Guidance in defining the terms below:

Cost

An expenditure charged, or to be charged to the grant funds, in the course of carrying out the Grant Agreement.

Grant Agreement/Award

Collection of agreements and exhibits executed by CWDB and grantee memorializing an award of state funds and the duties and obligations of accepting state funds.

Direct Costs

Costs that are specifically related to a grant objective or that can be easily assigned to grant objectives with a high degree of accuracy. Refer to the CWDB policy on [Indirect Costs](#) for guidance on how to categorize grant costs.

Fiscal Agent

The awarded entity that enters into an agreement with the State of California to be the recipient (grantee) of grant funds from the CWDB and carries out the state award.

Grant Program

The activities the Fiscal Agent is carrying out with this CWDB state-funded grant, as described in the grant application and grant agreement.

Indirect Costs

Costs incurred for a common or joint purpose and benefitting more than one grant or purpose and are not readily assignable to the grant objectives specifically funded [i.e., the grant activities]. Refer to the CWDB policy on [Indirect Costs](#) for guidance on how to categorize grant costs.

Necessary Cost

Cost that meets an important Grant Program objective and addresses an existing need.

Prudent Person

One who demonstrates care and concern for the future, anticipates and weighs the consequences of decisions, and acts carefully after considering available information and guidance.

Subaward or Subgrant

An award provided by a pass-through entity (Fiscal Agent) to a subrecipient so that the subrecipient can carry out part of a state award received by the pass-through entity. It does not include payments to a contractor or to an individual who is a state program beneficiary. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Subrecipient or Subgrantee

A non-federal entity that receives a subaward or subgrant from a pass-through entity (Fiscal Agent) to carry out part of a state program, but does not include an individual who is a beneficiary of such program. A subrecipient or subgrantee may also be a recipient of other state awards directly from the state awarding agency.

Cost Principles

To properly assign a cost to be paid for by a state-funded grant award, the cost must be documented and demonstrated to meet the Cost Principles – which state that all costs must be allowable, allocable, and reasonable to the Grant Award for the efficient performance and administration of the Grant Program. Fiscal Agents must retain and provide documentation of all expenditures when requested by the CWDB for the purpose of monitoring and auditing the use of state funds.

Allowable Costs

All costs assignable to a state-funded grant must be allowable under the particular circumstances of the Grant Agreement and its objective(s). To be allowable, a cost must:

- Be necessary and reasonable (see definition of “Reasonable Cost” above) to fulfill the objective(s) of the Grant Program, AND
- Conform to any limitations or exclusions set forth in the Grant Agreement or these Costs Principles, AND
- Be afforded the same treatment as other costs and resources in the recipient’s or subrecipient’s care, AND
- Align with generally accepted accounting principles (GAAP), AND
- Be adequately documented so it can be reviewed if requested by the CWDB.

Allocable Costs

A cost is allocable to a state-funded grant if it can be accurately and proportionally assigned to the grant objectives. A cost is allocable if any of the following apply:

- It is incurred specifically to accomplish the objective(s) of the Grant Program OR
- The cost supports the objectives(s) of the Grant Program and other work, and you can distribute the cost in proportion with reasonable methods OR
- The cost is necessary to your overall operation and can be properly assigned in part to the Grant Program.

Reasonable Costs

A cost is reasonable if it does not exceed the amount a prudent person would pay under the same circumstances. In determining whether a cost is reasonable, you must consider:

- Would the cost be generally recognized as ordinary and necessary for the purpose and efficient performance of the Grant Program?
- Does the cost raise any potential legal or conflict of interest issues?
- Is the price of the cost comparable to prices of similar costs in the geographic region?
- Does the particular cost represent a deviation from your standard cost-incurring practices?

Documentation

Recipients and subrecipients must retain supporting documentation for all costs associated with a prior approval request. The documentation must establish that the expenditure meets the following criteria:

- Satisfies the cost principles (it is necessary and reasonable for proper and efficient performance and administration of the grant).
- Is allocable to the grant based upon the benefits received.
- Is authorized or not prohibited under state or local laws and regulations.

- Conforms to any limitations or exclusions of cost item types or amounts, as set forth in the [Federal Grant Uniform Guidance](#), state law, Grant Agreement, or other governing regulations.
- Is consistent with applicable policies, regulations, and procedures.

Monitor and Audit

After grant approval, the CWDB may monitor and audit Fiscal Agents/Awardees in accordance with existing policies, procedures, and requirements governing the funding source and grant program. The Fiscal Agent/Awardee is expected to respond to all CWDB communications and information requests and provide reasonable and timely access to records and staff.

Common Examples of Allowable Costs

Below is an inexhaustive list of examples of allowable costs (reminder: every cost must also be reasonable, necessary, and allocable) to the specific Grant Agreement.

- Necessary materials and supplies
 - Office supplies
 - Printing costs
 - Personal protective equipment
 - Rental equipment
- Operations Costs
 - Wages and Salaries
 - Transportation and travel
 - Telecommunications, including computing devices
 - Conferences and workshops
 - Lease Payments
- Membership costs
 - Business, technical, or professional organizations
 - Civic or community organizations
- Professional Services
 - Legal, accountancy, security
- Supportive Services
 - Participant supports such as transportation, childcare, needs-related payment, etc., are necessary to enable the individual to successfully participate in training, be placed in, or retain employment.
- Stipends
 - Fixed payments paid to program participants for participation in a training or other workforce activity that requires a substantial or regularly scheduled time commitment.

- Stipends are a form of financial support paid to a participant to help cover the costs associated with living expenses, travel, and materials needed to be successful in training or other workforce activities.
- Incentive Payments
 - Payments paid to program participants for recognition and achievement directly tied to work experience, education, training, employment, or other program activities.
- Staff Travel
 - In-state travel costs incurred by the awarded entity, direct staff, and subrecipients in support of program activities. Costs must align with existing State Rates*.
- Technical Assistance Conferences
 - The cost of meetings and conferences where the primary purpose is to provide technical assistance and is necessary and reasonable for successful performance under the grant. Costs must align with existing State Rates*.
- Outreach costs
 - Costs for materials (e.g., flyers, brochures, banners, and other promotional material) associated with promoting Grant Program services.
- Food and Beverage
 - Allowed when the cost serves a programmatic purpose (e.g., allows participants to participate in a day-long training). Costs must align with existing State Rates*. Alcohol is never an allowable cost.

Unallowable, Disallowed, and Limitations on Costs

Unallowable Costs

- Lobbying Activities (including contributions and donations)
- Political Activities
- Alcoholic Beverages
- Entertainment and Prizes
- Amusement and social activities without specific and direct programmatic purposes
- Purchase of Vehicles, Buildings, or Land

Disallowed Costs

Charges to a state-funded award that the CWDB or pass-through entity determines to be unallowable in accordance with applicable state statutes, regulations, or the Grant Agreement. Fiscal Agents are encouraged to contact CWDB if they are unsure about specific costs.

- Factors for Disallowed Costs:

- Inadequate justification provided (see Prior Written Approval below)
- Failure to follow internal, state, or federal policies
- Failure to comply with applicable federal law or regulations

Limitations on Allowance of Costs

Statutory requirements may limit the allowability of costs. Any costs that exceed the maximum amount allowed by statute may not be charged to the state-funded award. Only the amount allowable by statute may be charged to the state-funded award.

- A single cost allocated to the Grant Program may not be split and charged to both this Grant Agreement and another source of grant funding.
- Awardees are encouraged to supplement funding for their programming. However, supplanting (using grant funds to replace other funds designated for the same purpose) is not allowed.
- Charging the same costs to two grants or supplanting funding is grounds for de-obligation of funding.

Prior Written Approval

When Fiscal Agents need to incur a cost not in the original budget, Fiscal Agents may seek prior written approval of the cost from the CWDB. Prior written approval is an internal CWDB contract management tool used to gather information from the Fiscal Agent about program costs that are unique or out of the ordinary. The process involves the Fiscal Agent completing a Prior Approval Form that provides justification for how proposed expenses support the award and align with cost principles (are reasonable, necessary, and allocable.)

Generally, Prior Written Approval must be obtained before the CWDB and Fiscal Agent establish the Grant Agreement. However, either party can request Prior Written Approval when modifications to the existing contract occur, including the addition of newly proposed program expenses. The Fiscal Agents must submit the Prior Written Approval Request Form along with supporting documentation at least 30 days before the requested action.

The CWDB will provide Fiscal Agents with a determination within 30 days of receiving the Prior Written Approval Request. Once approved, Prior Written Approval may be revoked or rescinded at any time during the grant term if the CWDB determines the Fiscal Agent/Awardee is not in compliance with program requirements and state and federal guidelines.

Common Prior Written Approval Forms

Please contact the CWDB for commonly used cost approval forms:

- *Use of Funding Approval*: Complete when proposed costs are non-traditional or more details are needed *regarding* how expenses support the Grant Program.
- *Purchase Justification Approval*: Complete for any equipment purchases over \$2,500 listed in the budget. This pertains to individual unit purchases over the threshold as well as purchase orders.
- *Child Care Justification Approval*: Complete to verify that childcare costs meet cost principles, outlining the Fiscal Agents' intended payment policy.
- [Salary and Bonus Justification Policy](#): Complete to corroborate the reasonableness of staff salaries as related to programmatic roles and responsibilities.

Documentation

While the CWDB does not require proof of payment to be submitted with invoices (e.g., receipts), the Fiscal Agent and anyone receiving grant funds must maintain receipts and records for all expenses for monitoring and auditing purposes. Documentation must demonstrate the allowability and reasonability of each cost as outlined in the Funding Solicitation and Request for Application, and as approved in the budget exhibits of the Grant Agreement.

Fundamental Rules

All costs must meet the Cost Principles for state awards. All costs must be:

- Allowable under the Grant.
- Allocable to the Grant.
- Reasonable under the terms of the Grant.
- All expenditure documentation must be collected and retained.
- Be aware of cost prohibitions, as well as any restrictions or limitations based on the Grant Agreement or applicable local, state, or federal laws.
- Fiscal Agents should seek Prior Written Approval when they are unsure about the allowability of a particular cost.

References

- [EDD WSD Directive WSD16-16](#)
- [Federal Award Uniform Guidance](#)

Action

Bring this policy to the attention of all relevant parties interested in or receiving CWDB state funds.

Inquiries

If you have any questions, contact the CWDB Program Analyst/Manager through the assigned grant program email address.

California Workforce Development Board