



# LOS ANGELES COUNTY WORKFORCE INVESTMENT ACT DIRECTIVE

**Number:** WIACD-09-06  
**Date:** October 1, 2009

**Subject:** Stand-In Costs  
**Effective Date:** Immediately

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**TO:** All Workforce Investment Act Contractors

**SUBJECT:** Stand-In Costs

## **REFERENCES:**

- Workforce Investment Act, Section 18 (f)(2)
- Title 20 Code of Federal Regulations (CFR) 677.300(a)(2)
- United States Department of Labor Technical Assistance Guide, One-Stop Financial Management, Chapter II-12
- Los Angeles County CSS Directive CD-09-02, "Compliance Resolution Procedures"
- Employment Development Directive WIAD05-17

## **BACKGROUND**

The United States Department of Labor (DOL) Technical Assistance Guide, One-Stop Financial Management, Chapter II-12, provides specific guidance regarding what constitutes stand-in costs for resolution of disallowed costs under the Workforce Investment Act (WIA).

## **PURPOSE**

The purpose of this directive is to provide specific guidance regarding the definition of stand-in costs, its use, and reporting requirements using the revised Request for Cash documents issued to you under directive WIA/ARRA Directive ADM09-04.

## **DEFINITION**

Stand-in costs are costs paid from **non-federal** sources that a contractor proposes to substitute for federal costs that have been disallowed as a result of an audit or other review. In order to be considered as valid substitutions, the costs:

- Shall have been reported to the awarding agency as uncharged program costs under the same grant and in the same program year in which the disallowed costs were incurred;

- Shall have been incurred in compliance with laws, regulations, and contractual provisions governing WIA; and
- Shall not result in a violation of applicable cost limitations, where applicable.

## **POLICY AND PROCEDURES**

Stand-in may be substituted for disallowed costs when they meet the following criteria:

To be considered, proposed stand-in costs shall have been actually incurred allowable grant costs that have not been charged to the WIA program, included within the scope of the audit, and accounted for in the auditee's financial system required by 29 CFR Part 97 or 95 as appropriate. Cash match (i.e., expenditures of the organization used as match) in excess of the required match may also be considered for use as stand-in costs.

To be accepted, stand-in costs must come from the same year as the costs that they are proposed to replace, and they must not cause a violation of the administrative or other cost limitations. Each of the separate criteria for consideration of proposed stand-in costs is discussed below:

**Criterion: Must be allowable costs that were actually incurred for the benefit of the WIA-funded program and paid by a non-federal fund source.** For example, the dollar value of in-kind donations cannot be recognized as stand-in costs. Also, inasmuch as costs must be net-of-credits/discounts under the governing cost principles, the dollar value of discounts cannot be considered as an allowable grant cost.

**Criterion: Must have been included within the scope of the organization's single audit (not necessarily tested but potentially subject to testing).** The costs must be recorded and included in the financial statements presented by the agency to the auditor for auditing. Failure to include unbilled costs disqualifies the costs for stand-in consideration.

**Criterion: Must have been accounted for in the auditee's financial system.** The unbilled expense must be recorded and documented in the administrative entity's books of accounts. It cannot be presented as a separate consideration outside the entity's accounting system.

**Caution:** Stand-in costs cannot be created using circumstances or conditions that appear to be legitimate liabilities if no actual costs are incurred by any entity.

For example, the local school district provides free space for a WIA-funded program in a building that has been fully depreciated. The only facility-related costs the school district

actually pays are for general maintenance. A liability created by the school district related to rental expenses that were never paid is not a legitimate stand-in cost. The only legitimate stand-in cost available, assuming all recording and reporting requirements have been satisfied, is an allocable share of the general maintenance cost based on square footage occupied, or another allocation method that would be more equitable.

Certain costs, including in-kind contributions, are not considered unpaid WIA program liabilities, but rather as in-kind match; therefore, they cannot be used as stand-in costs because they cannot be charged to the federal grant. Examples of other costs that are *not* stand-in costs include:

- Uncompensated overtime;
- Unbilled premises costs associated with fully depreciated publicly owned buildings;
- Allocated costs derived from an improper allocation methodology;
- Discounts, refunds, rebates; and
- Any State share of the cost of State or community college tuition.

Two other caveats should be mentioned:

- Allowable stand-in costs may be used to trade or substitute for disallowed costs under certain conditions. The source of stand-in, however, is intended to be limited to the same entity that incurred the disallowed costs. Thus, stand-in costs from other related organizations may not be applied to resolve disallowed costs. The costs must be on the books of account of the entity with the original disallowance of costs.
- If the cause of the disallowed costs was fraud, then Community and Senior Services (CSS) will not consider proposals of stand-in to substitute for such costs.

If a WIA contractor agrees that the costs in question are unallowable or decides not to contest the finding and wishes to propose the use of stand-in costs as substitutes for otherwise unallowable costs, the proposal shall be included with its response to the resolution report or other document by which the WIA contractor provides its comments to the County. If the contractor is uncertain about the allowability of the questioned cost before receipt of an Initial Determination, the proposal to use stand-in costs may be presented during the informal resolution period.

## **Accounting and Reporting**

All WIA contractors shall maintain records sufficient to document any costs that are proposed for stand-in and shall report those costs on the Stand-In line item on the **"Request for Cash"** form (see WIA/ARRA Directive ADM09-04) on a quarterly basis. The County will not consider any cost as a stand-in cost that has not been previously reported in the period in which it was incurred. At the point that an agency wants to "stand-in" costs due to disallowed or questioned costs identified through monitoring, audit or other type of review, the agency must then put in a formal request to CSS requesting to "stand-in" costs. The formal request must include explanation as to the purpose of the request, amount of the stand-in, why the stand-in is needed, and the documentation to support the stand-in costs for CSS auditing purposes (including a copy of the Request for Cash for the quarter end where the stand-in was reported to CSS originally). CSS staff will then make a determination as to whether the stand-in costs will be accepted as resolution for the disallowed/questioned costs.

## **ACTION**

All WIA subrecipients shall follow this policy. This policy will remain in effect from the date of issue until such time that a revision is required.

## **INQUIRIES**

Please address any inquiries to Jackie Lynn Sakane, Contracts Compliance Division, at (213) 739-7321 or via e-mail at [jsakane@css.lacounty.gov](mailto:jsakane@css.lacounty.gov).



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