



DEPARTMENT OF
CAREER SERVICES

Workforce Issuance

100 DCS 01.110

☒ Policy ☐ Information

To: MassHire Workforce Board Chairs
MassHire Workforce Board Directors
MassHire Career Center Directors
MassHire Fiscal Officers
MDCS Operations Managers

cc: WIOA State Partners

From: Diane Hurley, Acting Director
MassHire Department of Career Services

Date: February 7, 2025

Subject: **WIOA Stand-In Costs, Cost Sharing and Matching**

Purpose: To notify MassHire Workforce Boards, MassHire Career Center Operators and local workforce partners of guidance pertaining to the use of “stand-in” costs as a method for repaying disallowed costs and to establish acceptable cost sharing and matching costs contributions.

Background: Stand-In Costs are non-Federal costs that may be used to substitute for disallowed costs in audit and monitoring resolution. The application of stand-in costs occurs at the audit or monitoring resolution stage. If an auditee agrees that a questioned cost is unallowable and wishes to propose the use of stand-in costs as substitutes for otherwise unallowable costs, the proposal should be included with the audit or monitoring resolution report or other document by which the auditee provides its comments to the resolution agency. If the auditee is uncertain about the allowability of a questioned cost before receipt of the Initial Determination, the proposal to use stand-in costs may be presented during the Informal Resolution.

Policy: The Commonwealth's Stand-In Costs, Cost Sharing and Matching Policy are specified herein. Any provisions contained in the Workforce Innovation and Opportunity Act, or other applicable laws and regulations shall apply, even if they are not explicitly stated in this policy. Nothing in this policy shall be construed to contradict prevailing laws and requirements in accordance with applicable uniform administrative requirements.

Action

Required: All Operators must incorporate this policy into their operating and accounting procedures.

Effective: Immediately

Inquiries: Please email all questions to PolicyQA@mass.gov. Also, indicate Issuance number and title.

References: 2 CFR 200.29
2 CFR 200.96
2 CFR 200.306
2 CFR 200.307(e)(3)
2 CFR 200.403(f)
2 CFR 200 Subpart E
2 CFR 2900.8
20 CFR 683.300(c)(4)

MASSHIRE DEPARTMENT OF CAREER SERVICES

STAND-IN COSTS, COSTS SHARING OR MATCHING POLICY

Stand-in costs means costs paid from non-Federal sources that a recipient 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 (1) shall have been reported on the FSR by the grantee as uncharged program costs under the same title and in the same program year in which the disallowed costs were incurred, (2) shall have been incurred in compliance with laws, regulations, and contractual provisions governing WIOA, (3) must have been included within the scope of the audit (not necessarily tested but potentially subject to testing) and (4) shall not result in a violation of the applicable cost limitations.

Cost sharing or matching means the portion of project costs not paid

by Federal funds.

Cash is the preferred method of repaying disallowed costs. Cost sharing and matching costs may be used (pursuant to USDOL approval) as stand-in costs in case(s) of certain disallowances of WIOA expenditures. To be considered, the state and Local Workforce Development Area (LWDA) shall maintain records with respect to programs and activities carried out under Title I that identify any costs incurred (such as stand-in costs) that are otherwise allowable except for funding limitations (Section 185 (f)(2)).

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

If the cause of the disallowed costs was fraud, then proposals of stand-in costs to substitute for the disallowed costs will not be considered.

COSTS AND CONTRIBUTIONS ACCEPTABLE (Matching or Cost Sharing)

Matching or cost sharing may be satisfied by either or both of the following:

1. Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by other cash donations from non-Federal third parties.
2. The value of third party in-kind contributions applicable to the period to which cost sharing or matching applies.

Matching costs must meet the same criteria in regard to allowability, reasonableness, necessity, distribution to cost categories, etc. as the WIOA funds for which they are used to match. Matching costs must be reported on the Contractor's Expenditure Report and related backup forms. In addition to the guidance set forth in 2 CFR 200.306 (b), for Federal awards from the Department of Labor, the non-Federal entity accounts for funds used for cost sharing or match within their accounting systems as the funds are expended (2 CFR 2900.8).

QUALIFICATIONS AND EXCEPTIONS

1. Costs borne by other Federal grant agreements. Except as provided by Federal statute, cost sharing or matching may not be met by costs

borne by another Federal grant. This prohibition does not apply to income earned by a grantee or subgrantee from a contract awarded under another Federal grant.

2. Cost or contributions counted towards other Federal cost-sharing requirements. Neither costs nor the values of third party in-kind contributions may count towards satisfying cost sharing or matching of a grant agreement if they have been or will be counted towards satisfying a cost sharing or matching requirement of another Federal grant agreement, a Federal procurement contract, or any other award of Federal funds (2 CFR 200.403 (b)(2)).

3. Costs financed by program income. Costs financed by program income shall not count towards satisfying a cost sharing or matching requirement unless they have prior approval of the Federal awarding agency. The official policy regarding program income is presented in MassWorkforce Issuance #100 DCS 01.104, Program Income Under WIOA.

4. Services or property financed by program income earned by subrecipients. Subrecipients under a grant may earn program income from the activities carried out under the WIOA agreement in addition to the amounts earned from the party awarding the WIOA grant agreement. No costs of services or property supported by this program income may count toward satisfying cost sharing or matching unless prior approval has been obtained from the Federal awarding agency that expressly permits this kind of income to be used for cost sharing or matching.

5. Records. Costs and third party in-kind contributions counting towards satisfying cost sharing or matching must be verifiable from the records of grantees and subgrantees or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived.

6. Special standards for third party in-kind contributions.

- i) Third party in-kind contributions count towards satisfying cost sharing or matching only where, if the party receiving the contributions were to pay for them, the payments would be allowable costs.
- ii) Some third party in-kind contributions are goods and services that, if the grantee, subgrantee, or contractor receiving the

contribution had to pay for them, the payments would have been an indirect cost. Cost sharing or matching credit for such contributions shall be given only if the grantee, subgrantee, or contractor has established, along with its regular indirect cost rate, a special rate for allocating to individual projects or programs the value of the contributions and has received prior approval from the Federal awarding agency.

- iii) A third party in-kind contribution to a fixed price contract may count towards satisfying cost sharing or matching only if it results in:
 - a) An increase in the services or property provided under the contract (without additional cost to the grantee or subgrantee); or
 - b) A cost savings to the grantee or subgrantee.

- iv) The values placed on third party in-kind contributions for cost sharing or matching purposes will conform to the rules in the succeeding sections of this part. If a third party

in-kind contribution is a type not treated in those sections, the value placed upon it shall be fair and reasonable.

VALUATION OF DONATED SERVICES

1. Volunteer services. Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Unpaid services provided to a grantee, subgrantee or a subrecipient by individuals will be valued at rates consistent with those ordinarily paid for similar work in the grantee's or subgrantee's organization. If the grantee or subgrantee does not have employees performing similar work, the rates will be consistent with those ordinarily paid by other employers for similar work in the same labor market. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.

To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allowability of regular personnel costs.

2. Employees of other organizations. When an employer other than a grantee, subgrantee, or cost-type contractor furnishes free of charge the services of an employee in the employee's normal line of work,

these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at either the third-party organization's approved indirect cost rate or the subrecipient's indirect cost rate. If the services provided are different than the employee's normal line of work, paragraph (1) of this section applies.

VALUATION OF THIRD PARTY DONATED SUPPLIES AND LOANED EQUIPMENT OR SPACE

1. If a third party donates supplies, the contribution will be valued at the market value of the supplies at the time of donation.
2. If a third party donates the use of equipment or space in a building but retains title:
 - i) the value of donated equipment must not exceed the fair market value of equipment of the same age and condition at the time of donation; and
 - ii) the value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.

VALUATION OF THIRD PARTY DONATED EQUIPMENT, BUILDINGS, AND LAND

If a third party donates equipment, buildings, or land, and title passes to a grantee or subgrantee, the treatment of the donated property will depend upon the purpose of the grant or subgrant, as follows:

1. Awards for capital expenditures. If the purpose of the grant or subgrant is to assist the grantee or subgrantee in the acquisition of property, the market value of that property at the time of donation may be counted as cost sharing or matching.
2. Other awards. If assisting in the acquisition of property is not the purpose of the grant or subgrant, paragraphs (2) (i) and (ii) of this section apply:
 - i) If approval is obtained from MDCS, the market value at the time of donation of the donated equipment or buildings and the fair rental rate of the donated land may be counted as cost sharing or matching. In the case of a subgrant, the terms of the grant agreement may require that the approval be obtained from

MDCS as well as the grantee. In all cases, the approval may be given only if a purchase of the equipment or rental of the land would be approved as an allowable direct cost. If any part of the donated property was acquired with Federal funds, only the non-federal share of the property may be counted as cost-sharing or matching.

- ii) If approval is not obtained under paragraph (2) (i) of this section, no amount may be counted for donated land; and only depreciation may be counted for donated equipment and buildings. The depreciation allowance for this property is not treated as third party in-kind contributions. Instead, they are treated as costs incurred by the grantee or subgrantee. They are computed and allocated (usually as indirect costs) in accordance with the cost principles (specified in 2 CFR 200 Subpart E) in the same way as depreciation for purchased equipment and buildings. The amount of depreciation for donated equipment and buildings is based on the property's market value at the time it was donated.

VALUATION OF GRANTEE, SUBGRANTEE, OR SUBRECIPIENT DONATED REAL PROPERTY FOR CONSTRUCTION / ACQUISITION

If a grantee, subgrantee, or subrecipient donates real property for a construction or facilities acquisition project, the current market value of that property may be counted as cost sharing or matching. If any part of the donated property was acquired with Federal funds, only the non-federal share of the property may be counted as cost sharing or matching.

APPRAISAL OF REAL PROPERTY

In some cases (as discussed above in Valuation of Third Party Donated Supplies and Loaned Equipment or Space; Valuation of Third Party Donated Equipment, Buildings, and Land; and Valuation of Grantee, Subgrantee, or Subrecipient Donated Real Property for Construction/Acquisition), it will be necessary to establish the market value of land or a building or the fair rental rate of land or of space in a building. In these cases, value of donated land and buildings must not exceed its fair market value at the time of donation as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the grantee. This requirement will also be imposed by the grantee on subgrantees. Should it be determined that

the matching cost values submitted by the LWDA exceed the actual cost incurred, or if the LWDA's documentation does not substantiate all or any part of said cost values, the deficiency will be adjusted by increasing the matching costs to the required level, by a corresponding reduction of the WIOA grant amount, or by the LWDA's refund to MDCS in non-WIOA dollars in the amount of the deficiency.

APPRAISAL OF EQUIPMENT

In some cases (as discussed in Valuation of Third Party Donated Supplies and Loaned Equipment or Space; Valuation of Third Party Donated Equipment, Buildings, and Land; and Valuation of Grantee, Subgrantee, or Subrecipient Donated Real Property for Construction/Acquisition), it may be necessary to establish the market value of equipment. In these cases, the market value should be determined by an independent appraiser knowledgeable in the particular equipment to be appraised. An example of an independent appraisal may include, but is not limited to, appraisals by a dealer in the type of equipment being appraised. For automobiles, trucks, vans, etc., the "Blue Book" value may be used for the market value. Documentation to support the appraisal should be maintained as part of the accounting records. Should it be determined that the matching cost values submitted by the LWDA exceed the actual cost incurred, or if the LWDA's documentation does not substantiate all or any part of said cost values, the deficiency will be adjusted by increasing the matching costs to the required level, by a corresponding reduction of the WIOA grant amount, or by the LWDA's refund to MDCS in non-WIOA dollars in the amount of the deficiency.