

**Department of Workforce Development
Division of Workforce Solutions**

Financial Policy

Applies to: Child Support Directors
County Department of Human Services Directors
County Department of Social Services Directors
Tribal Chairpersons
W-2 Agency Directors
Workforce Development Boards
All DWS Contract and Grant Agencies

Issue Date: 12/20/2004

Topic: Real Property

PURPOSE

This Financial Policy sets forth policy dealing with the charging of costs for real property under Division of Workforce Solutions (DWS) contracts and grants.

POLICY

Land and Buildings

OMB Circulars A-21, A-87 and A-122 permit the purchase of real property (excluding land) to be charged to contracts and grants via use allowances or depreciation with the approval of DWS. The federal regulations do not allow land purchases to be charged to contracts/grants.

However, DWS does not consider the purchase of buildings by providers to be necessary to the operation of its contracts/grants. Therefore, depreciation and use allowances will not be approved by DWS for building purchases. Instead, DWS will allow rent for space used in buildings owned by the provider to be charged to the contracts/grants. The rent must not exceed the actual costs for the space used.

This approach avoids the complications of DWS involvement in the purchase (other than approval of rent) and disposition of land and buildings.

Rent for provider-owned buildings must be allocated to all programs that benefit from the use of the property. Appropriate cost allocation plans and allowable cost policies must be applied.

Improvements

Purchases of land improvements and building improvements costing \$5,000 or more that will be charged in full or part to DWS contracts/grants will be treated as equipment purchases. As such, the policies and procedures contained in the Financial Policy titled "Equipment" must be followed. Improvements costing less than \$5,000 may be expensed when incurred.

Charges for use allowances or depreciation must be supported by adequate property records. The annual depreciation or use allowance is subject to these limitations:

- Depreciation shall be based on the acquisition cost of the property. The straight-line method shall be used over the useful life of the asset.
- Annual use allowances for improvements shall not exceed 2% of the acquisition cost.

- The cost of improvements that uses DWS administered funds must be allocated to all programs that benefit from the use of the property. Appropriate cost allocation plans and allowable cost policies must be applied.

Real Property Ownership and Maintenance

The ownership of real property remains with the provider. The provider is responsible for the installation, maintenance and security of the property charged to DWS contracts/grants. The provider is responsible for arranging and paying for all regular service and emergency repairs necessary to keep the property in good working order.

DEFINITIONS

Acquisition Cost – The net price plus the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is purchased.

Depreciation – A means of allocating the cost of real property to the time periods benefiting from its use. Depreciation methods include straight line (costs are equally spread over each period covered by the asset's useful life) and accelerated (costs are higher in early periods and lower in later periods of the asset's life). Note that only the straight-line method is to be used for DWS contracts/grants.

Real Property – Land, land improvements, buildings and building improvements costing \$5,000 or more.

Use Allowances - A means of allocating the cost of real property to the time periods benefiting from its use based on actual usage.

QUESTIONS

Contact Mark Macke, (608 266-5309 or email mark.macke@dwd.state.wi.us) or Jim Foelker, (608 266-3623 or email james.foelker@dwd.state.wi.us) in the DWS Grants & Contracts Section.