

# FINANCIAL TRAINING

FOR WEATHERIZATION PROGRAM  
MANAGEMENT

# AGENDA

- **Procurement**
  - **Cost Principles**
  - **Allocation**
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# PROCUREMENT

# OMB UNIFORM GUIDANCE

- Written procurement procedures
  - Written standards of real or apparent conflict of interest
  - Must maintain a contract administration system
  - Must avoid unnecessary or duplicative acquisitions
  - Goal is full and open competition
  - Affirmative steps for small, minority and women owned businesses
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# SUBPART D – PROCUREMENT STANDARDS

- Methods of procurement:
    - 1. Micro-purchase
      - Currently \$3,000 or less
      - Distribute equitably among qualified suppliers
      - No solicitation necessary
    - 2. Small purchase
      - Currently \$150,000 or less
      - Simplified Acquisition Threshold
      - Price or rate quotations from an adequate number of qualified sources
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# SUBPART D – PROCUREMENT STANDARDS

- Methods of procurement:
    - 3. Sealed bid
      - Lowest price
      - Publicly advertised and opened
    - 4. Competitive proposal
      - Publicly advertised and opened
      - Written method for conducting technical evaluation
      - Solicited from an adequate number of qualified sources
      - Most advantageous to the program, price and other factors considered
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# SUBPART D – PROCUREMENT STANDARDS

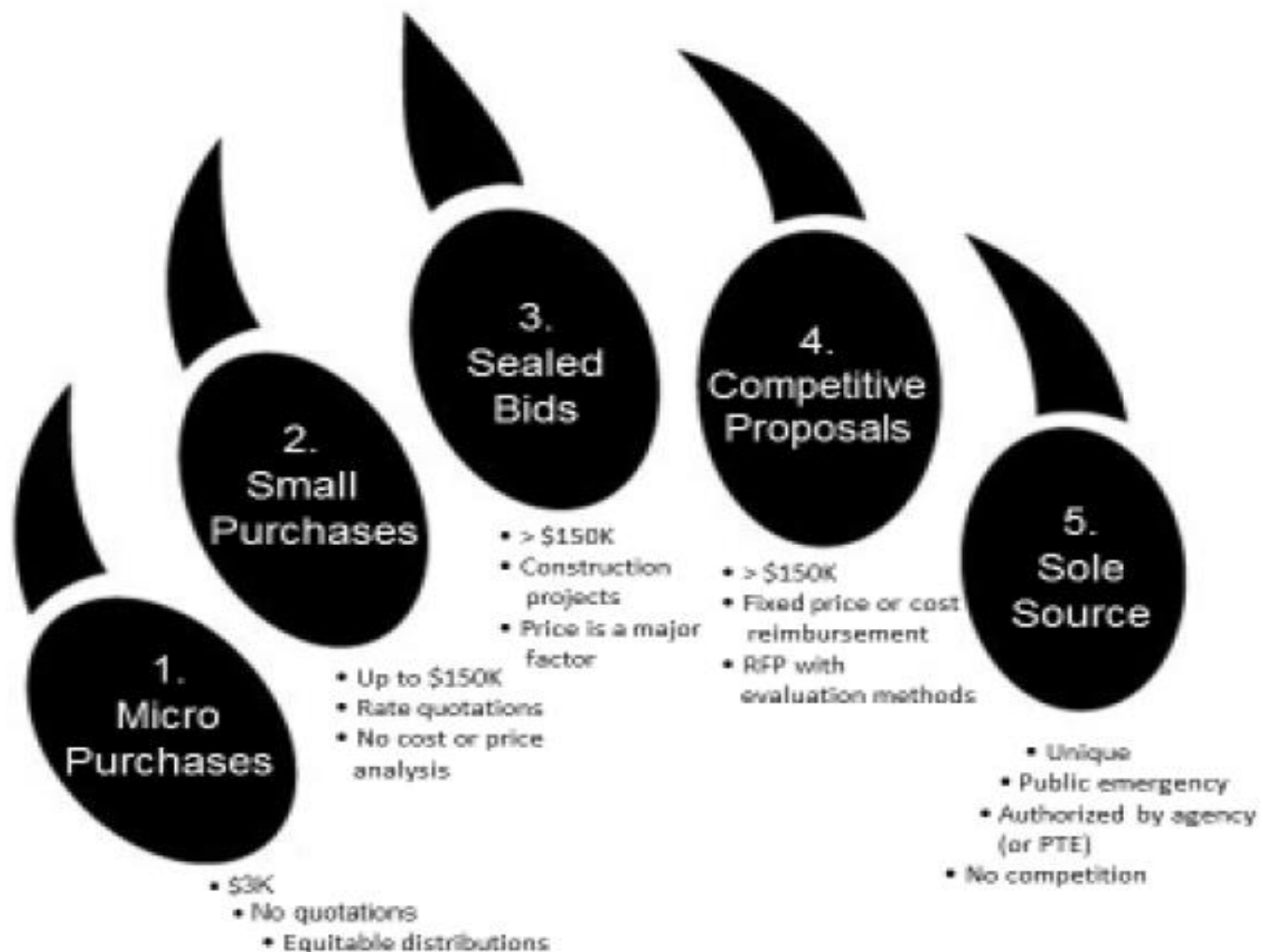
- Methods of procurement:
    - 5. Noncompetitive proposals
      - Single source
      - Emergency requirement
      - Pre-approval
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## Procurement “Claw” (Sections 200.317-326)





## Procurement “Claw” (Section 200.320)



# PROCURING CONTRACTORS

- Service Contracts/Price Lists
    - Increases efficiency
    - One large RFP with multiple options
    - Ensure it complies with state regulations
    - Reference Davis-Bacon
    - Evaluate more than just price
    - Use a point weighting that makes sense
    - Provide scoring matrix
    - Publicly solicit and publicly open
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# PROCURING CONTRACTORS

- Multi-Year contracts
    - Ensure compliance with state requirements
    - “One year, with X year optional extensions”
    - Must have procedure to evaluate performance of contractor
    - How much can cost escalate, per year?
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# CONTRACT PROVISIONS

- Administrative, contractual or legal remedies where contractors violate or breach contract terms and provide for sanctions/penalties (for contracts greater than simplified acquisition threshold, currently set at \$150,000)
  - Contracts greater than \$10,000 must address termination for cause and for convenience by recipient or subrecipient
  - Equal Employment Opportunity – ALL contracts
  - Davis-Bacon Act – Construction contracts > \$2,000
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# CONTRACT PROVISIONS

- Contract Work Hours and Safety Standards Act – Construction contracts greater than \$100,000
  - Rights to Inventions Made Under a Contract or Agreement
  - Clean Air Act – Contracts/subgrants > \$150,000
  - Standards on energy efficiency
  - Debarment and Suspension – contract > \$25,000
  - Byrd Anti-Lobbying Amendment – grants and subawards > \$100,000
-

# COST PRINCIPLES

# UNIFORM GUIDANCE

- States must follow state law
  - Financial management system must provide:
    - Identification, in its accounts, of all Federal awards received and expended (CFDA title & number, etc.)
    - Accurate, current and complete disclosure of financial results for each award
    - Source and application of funds
    - Effective control over all funds, property and other assets (safeguarding of assets)
    - Comparison of expenditures with budget
    - Written procedures on payments
    - Written procedures for determining allowability of costs
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# UNIFORM GUIDANCE

- Total Federal Cost = Allowable Direct + Allocable Indirect – Credits
  - Elements of costs
    - Be necessary and reasonable
    - Conform to any limitations
    - Be consistent with policies and procedures to other activities of organization
    - Be accorded consistent treatment
    - Be determined in accordance with GAAP
    - Not included as cost of another award
    - Be adequately documented
-



# UNIFORM GUIDANCE

- **Compensation – Personal Services**
    - Reasonable – consistent with that paid for similar work
    - Consistent – must follow organization-wide policies/practices
    - PAR's not required
      - Punishment for not following - PARs
    - Focus = system, not specific requirements
      - Internal controls are the key
-

# UNIFORM GUIDANCE

- **Compensation – Personal Services**

- Standards for Documentation of Personnel Expenses

- Must be based on records that accurately reflect the work performed
      - » Must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated
      - » Must be incorporated into the official record of the entity
      - » **Reasonably reflect the total activity for which the employee is compensated, not more than 100%**
      - » Support the distribution of the employee's salary or wages among specific activities or cost objectives
      - » Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes
    - If all the above are met, nothing additional is required!

# UNIFORM GUIDANCE

## ► ***Compensation – Fringe Benefits***

- Costs of leaves, employee insurances, pensions
  - Must be reasonable and required by law, entity-employee agreement or an established policy
  - Determined in accordance with generally accepted accounting principles
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# ADMINISTRATIVE COST LIMITS

- Grantee and sub-grantee administration expenses can be no more than 10% of total new funds awarded *10 CFR 440.18(e)*
    - Grantee – no more than 5% of total
    - Sub-grantee – at least 5% of total
      - Special rule if sub-grantee's award is <\$350,000, then an additional 5% of the sub-grantee's award may be for administration
    - Tribes may take full 10%
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# T & T A

- Maximum amount to be budgeted is included with annual DOE allocation program notice
  - Allowable costs [10 CFR 440](#)
    - Costs incurred in the training and technical assistance for any Grantee or Sub-grantee (including monitoring)
    - Providing information concerning conservation practices (client education)
    - Evaluation of program outcomes
    - Participation, travel, logistics of training activities and events
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# PROGRAM OPERATIONS

- Direct costs necessary to effect the weatherization of an eligible dwelling unit, but not included in material costs
    - Almost always part of ACPU
    - May fit into more than one category
      - Grantee determines which category
      - Consistency is key
    - If not directly related to one unit, can be allocated to units completed during the period
-

# PROGRAM OPERATIONS

- Examples of Program Operations costs:
    - Materials
    - Transportation of materials, crews and supplies
    - Maintenance and operations of vehicles and tools
    - Purchase/lease of tools & equipment
    - Employment of personnel (wages and fringes)
    - Space rental for storage
    - Sub-contractors
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# OPTIONAL CATEGORIES

- Health & Safety
  - Vehicles and Equipment
  - Liability Insurance
  - Leveraging
  - Financial Audit
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# PROGRAM INCOME

- Program Income
    - Income generated through program activity
    - Nonprofit may retain
    - Considered non-Federal match
    - No obligation to Federal government for program income earned after end of the project period
    - Use of program income
      - Deduction
      - Addition, *when authorized*
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# COST ALLOCATION

# COST ALLOCATION

- **What is “Cost Allocation”?**
    - Cost Allocation is a Process to Determine the “Total Cost” of a “Cost Objective”
      - Cost Objective is a particular award, contract, grant, project, service or other activity of an organization for which cost data is desired
    - Achieved By Distributing or Apportioning Costs to a Benefiting “Cost Objective” ...
    - Using Statistical Data or Metrics that Measure the Usage of a Service or the Relative Benefit Received
-

# COST ALLOCATION

## **Total Costs = Direct + Indirect**

- Direct costs = identified with a **final cost objective**
  - Indirect costs = incurred for common or joint objectives
    - *Cannot* be identified with a final cost objective
  - Joint costs = benefits more than one program, but not all programs
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# COST ALLOCATION

## Basic Principle/Goal

The principles are designed to provide that the Federal Government bear its *fair share* of costs except where restricted or prohibited by law.

- To Be Claimed Under Federal Awards, Costs Must Be:
    - Allowable
    - Reasonable
    - Allocable
-

# UNIFORM GUIDANCE

- Indirect (F & A) Costs
    - Indirect costs are those incurred for a common or joint purpose benefitting more than one cost objective
    - May be necessary to establish a number of pools of indirect costs
    - “Major” nonprofit organizations (receive more \$10 million in direct Federal funding) must have at least 2 categories:
      - Facilities – depreciation, interest, operation & maintenance
      - Administration – director’s office, accounting, personnel
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# UNIFORM GUIDANCE

- Negotiated Indirect (F & A) Costs
    - Negotiated rates must be accepted by all Federal agencies
    - Any entity that has *never received* a negotiated indirect cost rate may elect a de minimis indirect cost rate of 10% of modified total direct costs (MTDC)
      - May be utilized *indefinitely*
      - If chosen, this methodology once elected must be used consistently for all Federal awards until such time as it chooses to negotiate for a rate
      - ***Modified Total Direct Costs (MTDC)*** – All direct wages, fringe benefits, materials and supplies, services, travel and subawards and subcontracts up the first \$25,000 of each. MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarship, and participant support costs
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# INDIRECT COST RECOVERY OPTIONS

- Cost Allocation
    - Direct costs are charged to specific grants
    - Indirect costs are pooled then allocated to benefitting grants
  - Negotiated Indirect Cost Rate
    - Direct costs are charged to specific grants
    - Each grant receives the approved indirect cost rate
    - Indirect costs are coded to one fund
  - DeMinimus Indirect Cost Rate
    - Same as above, but rate = 10% of MTDC
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# TYPES OF NEGOTIATED INDIRECT COST RATES

- Predetermined

- not subject to adjustment

- Fixed Rate

- a predetermined rate, but the difference between actual and estimate carries forward as an adjustment

- Provisional

- temporary indirect rate used during the year until a final rate is established at year end
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# INDIRECT COST RECOVERY OPTIONS



Cost Allocation

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# INDIRECT COST RECOVERY OPTIONS



Cost  
Allocation

De  
Minimus

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# INDIRECT COST RECOVERY OPTIONS



Cost  
Allocation

De  
Minimus

Negotiated  
Rate

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# COST ALLOCATION

- **Indirect costs:**
    - FACILITIES
      - Depreciation on buildings
      - Interest on debt
      - Operations and maintenance
    - ADMINISTRATION
      - Director's office
      - Accounting
      - Personnel
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# COST ALLOCATION

- **Methods of Indirect Cost Allocation**

- **Direct**

- Each cost is a direct charge to program(s)

- **Simplified**

- Used when programs benefit from indirects to the same degree
    - Indirects allocated on a single base (i.e. direct wages)
    - More than \$10 M in Fed \$ - two categories
      - Facilities
      - Administration

- **Multiple Allocation**

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# COST ALLOCATION – DEVELOP THE PLAN

## MULTIPLE ALLOCATION METHOD

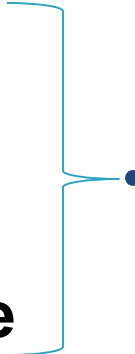
- STEP 1 – Identification of ‘pools’ (costs with like characteristics)
    - Depreciation
    - Interest
    - Operation and maintenance expenses
    - General administrative:
      - Planning and Executive
      - Human Resources
      - Finance and Accounting
      - Information Technology
-



# **COST ALLOCATION – DEVELOP THE PLAN**

## **MULTIPLE ALLOCATION METHOD**

### **STEP 2 – Determine allocation bases**

- **Depreciation/Use**
  - **Interest**
  - **Operations/Maintenance**
  - **General Administrative**
- 
- Square footage, number of rooms, FTE employees
  - Total direct costs, total direct labor hours

# COST ALLOCATION – DEVELOP THE PLAN

## MULTIPLE ALLOCATION METHOD

Fringe Benefits	Direct Labor Charges
Cost Allocation – Develop the Plan	
Multiple Allocation Method	
Human Resource Department	Number of Employees per program
Telephone Expense	Number of Employees per program
Finance Department	Number of Transactions
Information Technology	Number of Employees per program
Facilities	Square Footage per program
Planning and Evaluation	Direct Labor Charges

# **COST ALLOCATION – DEVELOP THE PLAN**

## **MULTIPLE ALLOCATION METHOD**

- **STEP 3 – Determine the order of allocation**
    - Depreciation
    - Interest
    - Operation and Maintenance
    - General Administration
  
    - Closed once allocated
    - Order matters
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# **COST ALLOCATION – DEVELOP THE PLAN**

## **MULTIPLE ALLOCATION METHOD**

- **STEP 4 – Prepare Cost Allocation Plan**
    - Must be in writing
    - Define the expenses – What's direct v. indirect
    - Define the pools AND the allocation methods
  - **STEP 5 – Do a test run**
  - **STEP 6 – Get it approved**
    - Executive Director
    - Board
    - Auditors
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# COST ALLOCATION – WORK THE PLAN

- A. Determine the *unallowable* costs:
    - Alcohol
    - Bad Debts
    - Advertising
    - Contingencies
    - Certain Legal Costs
    - Penalties/Fines
    - Donations/Contributions
    - Foreign Travel
    - Entertainment Costs
    - Fund raising
    - Lobbying
    - Social Club Costs
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# COST ALLOCATION – WORK THE PLAN

- B. Charge the ***direct*** costs:
    - Capital expenditures
    - Goods and services
      - *Final Cost Objective*
  - C. Pool the ***indirect*** charges
    - Salaries/Wages
    - Fringe Benefits
    - Indirect Pools
-

# COST ALLOCATION – WORK THE PLAN

- D. Allocate Direct Wages

	CSBG	WX	LIHEAP	Corporate	Leaves	Admin.	TOTAL
Jane Smith	40	0	0	0	0	0	40
Larry Adams	0	15	15	5	3	2	40
Mary T. Moore	<u>0</u>	<u>7</u>	<u>10</u>	<u>10</u>	<u>3</u>	<u>10</u>	<u>40</u>
<b>TOTAL</b>	<b>40</b>	<b>22</b>	<b>25</b>	<b>15</b>	<b>6</b>	<b>12</b>	<b>120</b>
	33%	18%	21%	13%	5%	10%	100%

# COST ALLOCATION – WORK THE PLAN

- E. Allocate fringe benefits pool.
  - F. Allocate other pools.
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# COST ALLOCATION

## EXAMPLE COMMUNITY ACTION AGENCY

	PROGRAMS			Corporate	INDIRECT POOLS	
	A	B	C		Facilities	Admin.
Salaries and Wages	\$ 400,000	\$ 200,000	\$ 100,000	\$ 50,000	\$ 25,000	\$ 750,000
Fringe Benefits	120,000	60,000	30,000	15,000	7,500	225,000
Supplies	10,000	8,000	5,000	20,000	2,500	15,000
Communications	5,000	12,000	5,000	15,000	-	10,000
Direct Client Services	65,000	20,000	10,000	-	-	-
Sub-Total	\$ 600,000	\$ 300,000	\$ 150,000	\$ 100,000	\$ 35,000	\$ 1,000,000

# COST ALLOCATION

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Sub-Total	\$ 600,000	\$ 300,000	\$ 150,000	\$ 100,000	\$ 35,000	\$ 1,000,000
Allocate Facilities Pool	9,767	4,884	2,442	1,628	(35,000)	16,279
					<u>\$ -</u>	

Total Facilities cost = \$35,000 / Base Total of \$2,150,000 = 1.628%

# COST ALLOCATION

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Allocate Facilities Pool	9,767	4,884	2,442	1,628	(35,000)	16,279
Sub-Total	\$ 609,767	\$ 304,884	\$ 152,442	\$ 101,628	\$ -	\$ 1,016,279
Allocate Admin Pool	530,233	265,116	132,558	88,372		(1,016,279)
FINAL PROGRAM COST	<u>\$ 1,140,000</u>	<u>\$ 570,000</u>	<u>\$ 285,000</u>	<u>\$ 190,000</u>		<u>\$ (0)</u>

Total Administrative cost = \$1,016,279 / Base  
Total of \$1,168,721 = 86.957%

# POINT OF CLARIFICATION

- Cost allocation is an accounting principle
    - Almost always applicable
    - Allocation among activities and funding sources
  - Indirect Cost Rate
    - Mechanism to approximate indirect costs as a percentage of direct costs
    - Not all funding sources will accept
    - Must be approved
  - Indirect costs do not equate to Administrative costs
-

# COSTS

	Program or Administrative	Direct or Indirect
1. Weatherization Materials		
2. Weatherization Supplies		
3. Maintenance & Repair		
4. Equipment Purchase		
5. Permits & Fees		
6. Space Rental for storage		
7. Sub-contractor charges		
8. Wx Program Salaries/Wages		
9. Fringe Benefits		
10. Financial Audit		
11. Organization Accountant		
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12. Agency Director	Administrative	Indirect
13. Office Rent	Administrative	Indirect

# BLENDING OF FUNDING SOURCES

- Potential sources of funds to do the same work
    - DOE
    - LIHEAP
    - Utility funds
    - Corporate resources (i.e. donations)
  - First pool the Weatherization work, as above
  - Then 'break out' the various funding sources
    - Usually done on basis of completed units
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# BLENDING OF FUNDING SOURCES

STATE OF HAPPINESS					
ALLOCATION OF COSTS				Budgeted	Actual
				Units to be	Units
<u>Funding Sources:</u>				Completed	Completed
DOE	\$ 750,000			110	112
LIHEAP	250,000			37	39
Utility	100,000			15	12
TOTAL	<u>\$1,100,000</u>			<u>162</u>	<u>163</u>
Total costs for the year = \$1,075,000					
<u>Costs, per Source:</u>					
DOE	\$ 738,650	(112 / 163 * \$1,075,000)			
LIHEAP	257,209	(39 / 163 * \$1,075,000)			
Utility	79,141	(12 / 163 * \$1,075,000)			
TOTAL	<u>\$1,075,000</u>				

# COST ALLOCATION RESOURCES

- Sample Cost Allocation Plans
    - <https://www.tdhca.state.tx.us/community-affairs/csbg/docs/151021-Sample-CAP.pdf>
    - [www2.ed.gov/about/offices/list/ope/trio/allocation-plan.pdf](http://www2.ed.gov/about/offices/list/ope/trio/allocation-plan.pdf)
    - [www.danecountyhumanservices.org/pdf/Sample\\_Org\\_Cost\\_Allocation\\_Plan.pdf](http://www.danecountyhumanservices.org/pdf/Sample_Org_Cost_Allocation_Plan.pdf)
    - [http://www.michigan.gov/documents/mde/Model\\_Cost\\_Allocation\\_Plan\\_357993\\_7.pdf](http://www.michigan.gov/documents/mde/Model_Cost_Allocation_Plan_357993_7.pdf)
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# RESOURCES

- Indirect Cost Rate Proposal
    - <http://www.muni.org/Departments/budget/indirectCost/2014%20Indirect%20Cost%20Proposals/HS%20ICP%202014.pdf>
    - <http://www.epa.gov/ogd/recipient/sample1.htm>
    - <https://rates.psc.gov/fms/dca/shortform1.pdf>
    - [https://rates.psc.gov/fms/dca/np\\_exall2.html](https://rates.psc.gov/fms/dca/np_exall2.html)
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# RESOURCES

- Uniform Guidance
    - [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)
  - 10 CFR 440
    - [http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr;sid=23fe3d3cfcc461955f6c730af864c7c7;rgn=div5;view=text;node=10%3A3.0.1.4.24;idno=10;cc=ecfr#se10.3.440\\_118](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr;sid=23fe3d3cfcc461955f6c730af864c7c7;rgn=div5;view=text;node=10%3A3.0.1.4.24;idno=10;cc=ecfr#se10.3.440_118)
  - Department of Energy Financial Management Tool Kit
    - <http://waptac.org/Training-Tools/Financial-Management-Tool-Kit.aspx>
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# RESOURCES

- DOE Website
    - <http://energy.gov/eere/wipo/weatherization-assistance-program>
  - Weatherization Financial Toolkit – 2 CFR 200 Regulations and Procurement Procedures
    - <http://energy.gov/eere/wipo/downloads/wap-memorandum-015-weatherization-financial-toolkit-2-cfr-200-regulations-and>
  - Weatherization Assistance Program Technical Assistance Center
    - <http://www.waptac.org/>
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*The End*