



Department of Energy
Washington, DC 20585

WEATHERIZATION PROGRAM NOTICE 11-1A
EFFECTIVE DATE: September 1, 2011

SUBJECT: PROGRAM YEAR 2011 WEATHERIZATION GRANT GUIDANCE –
CLARIFICATION OF AVERAGE COST CALCULATIONS

PURPOSE: To issue grant guidance that further defines the allowable cost categories contained in calculating the “average cost per unit” allowable pursuant to 42 USC §6865(c)(1) and to emphasize consistency in applying the financial assistance rules set forth in 10 CFR Part 600 by Grantees and Subgrantees.

SCOPE: The provisions of this guidance apply to Grantees or other entities named in the Notification of Grant Award as the recipient of financial assistance under the Department of Energy (DOE) Weatherization Assistance Program (WAP).

LEGAL AUTHORITY: Title IV, Energy Conservation and Production Act, as amended, authorizes the DOE to administer WAP. All grant awards made under this Program shall comply with applicable laws and regulations including the regulations contained in 10 CFR Part 440 and 10 CFR Part 600.

BACKGROUND: The adjusted average expenditure limit for Program Year (PY) 2011 is \$6,572. This means that the “average cost per unit” (ACPU) for Grantees must be at or below this figure for PY2011 at the end of the project period. In general, the ACPU is determined through a simple calculation - dividing the number of units reported as completed to DOE into the amount of expenditures reported in the Grantees’ “Program Operations” Budget Category on their most recent PY Quarterly Program Report.

In recent months, field audits of Subgrantee fiscal operations have identified inconsistencies in the way the ACPU calculations are performed. It is imperative that each Grantee define what costs are allowable in each Budget Category and how the Subgrantee should account for these costs when determining the ACPU. This consistency translates into a more homogenous calculation of the Grantee-wide ACPU, thus providing reliability in this figure for DOE.

It is important to note that several of the costs incurred by a Subgrantee in normal operations of WAP could qualify in one of several Budget Categories. While there are general accounting principles that determine what is an allowable cost and how it is to be recorded in an accounting system of the Subgrantee, the Budget Category could vary from Grantee to Grantee and among Subgrantees in the same Grantee service area. For example, a vehicle expense could be charged to the Administrative, Grantee Training and Technical Assistance, Leverage Assistance or Program Operations Budget line depending upon the nature of the expense. In only one of these cases (Program Operations), the vehicle cost would be considered a factor in the ACPU calculation.

DOE is requesting that Grantees closely monitor the way Subgrantees define costs within a Budget Category and ensure consistency in defining allowable costs within Budget Categories. This is necessary to better understand how Subgrantees are managing their WAP grants and controlling expenditures.

The various control documents and Budget Category explanations can be found on the WAP Technical Assistance Center (WAPTAC) website at www.waptac.org.

The following text describes the general cost categories. This is not intended to be all inclusive but provide general direction for standardizing the calculation of the ACPU. Further explanation can be found in WPN11-01 Grant Guidance for 2011, the WAP Application Package (2005) and 10 CFR Part 600 – DOE Financial Assistance Rules – all available on WAPTAC at www.waptac.org.

Administrative Categories (These costs are generally outside of the ACPU)

Pursuant to 42 USC 6865(a)(1) and 10 CFR 440.18(e) not more than 10 percent of any grant made to a State may be used by the Grantee and Subgrantee for administrative purposes. Not more than 5 percent of grant funds (total allocation for a Program year, including carry-over funds and other non-DOE funds that are a part of the grant) may be used by a Grantee for administrative purposes (including subgrants to other state entities), with the remainder to be made available to Subgrantees.

A Grantee may provide in its annual plan for recipients of less than \$350,000 to use up to an additional 5 percent of such grants for administration if the Grantee has determined that such recipient requires the additional amount to implement effectively the administrative requirements established by DOE. 42 USC 6865(a)(1) and 10 CFR 440.18(e) Grantees shall develop criteria to be used for allowing the eligible Subgrantees to use up to an additional 5 percent of their subgrants for administrative purposes. The criteria must be submitted with the annual file.

The WAP statute and regulations do not define the Administrative Cost Categories. Any expenditure incurred by Grantee or Subgrantee in carrying out their duties for this Program – other than direct costs to weatherize dwelling units - may be charged as Administrative Costs. It should be realized, however, that certain costs in this Program, by exclusion from other categories, can only be administrative. Grantee Administration and Subgrantee Administration

is considered to be unique to each organization. The organization should define their administrative cost consistent with the generally accepted accounting practices and procedures within each organization. Indirect costs can be considered a part of Grantee Administration and will be considered allowable. The rate/amount allowable does not invalidate the Program Budget Category limits. Examples of allowable administrative costs include:

- Telephone costs, including long distance charges, incurred by the Weatherization Program;
- Salary and fringe benefits of the weatherization coordinator when not carrying out the functions allowable under Program Operations;
- Salaries and fringe benefits of clerks/secretaries, inventory clerks, fiscal and other administrative staff;
- Administrative costs not covered under defined categories, for example: space, copying and consumables.

Beginning with the 1985 Annual Grant Guidance, DOE identified instances where certain administrative functions could be charged to the Program Operations Category because of the nature of the expense as it related to the Program (i.e., client intake, recordkeeping, Program Manager, etc.). DOE encouraged Grantees to allow their Subgrantees to use this flexibility where it was appropriate. Unfortunately, this flexibility has not been uniformly adopted by the Grantees or their Subgrantees. The Grantee must establish uniform guidance to identify which funds may or may not be charged as Administrative Costs.

DOE notes under an audit conducted in accordance with OMB circular A-133, the flexibility provided under WAP may appear as discrepancies in the accounting of certain Program operations costs that traditionally would be treated as administrative costs. DOE will attempt to address these potential concerns through future training venues. DOE will also provide additional guidance through Program notices and access to best practices through the WAPTAC website.

Training and Technical Assistance (These costs are always outside of the ACPU)

Training and Technical Assistance (T&TA) activities are intended to maintain or increase the efficiency, quality and effectiveness of the Weatherization Program at all levels. Such activities should be designed to maximize energy savings, minimize production costs, improve Program management and crew/contractor “quality of work,” and/or reduce the potential for waste, fraud, abuse and mismanagement. The Subgrantees should be the primary recipients of T&TA activities, although Grantee requirements for monitoring, training support and providing assistance must also be maintained. T&TA funds may also be used to train private contractors at the Subgrantee level participating in the Program when it is provided for in the contractual agreement between the Subgrantee and the private contractor and allowed in the Grantee’s approved State Plan. Costs associated with client education, evaluation of Program outcomes, and attendance at training events are also allowable T&TA expenses.

Materials (These costs are considered part of the Program Operations category and are contained in the ACPU when the materials are installed as an energy efficiency measure on an eligible dwelling unit).

Includes only expenditures for materials listed in 10 CFR 400 Appendix A and materials purchased for incidental repairs as defined in 10 CFR 440.3. Materials may be counted as expenditure in one of two ways:

- At time of purchase for intended weatherization activity; or
- Treated as a non-cash asset until applied to a dwelling unit and then counted as a material expenditure (both direct hire and contractor installed) on a completed unit.

Program Operations (previously labeled Program Support Less Labor) (These costs are to be included in the ACPU when the funded activity results in energy efficiency measures installed on an eligible dwelling unit).

As per 10 CFR 440.19, costs incurred for Program Operations are generally defined as the direct costs necessary to effect the weatherization of an eligible dwelling unit but not included in the material costs. While some of these categories could be charged as allowable administrative or T&TA costs – depending on the nature of the expense – they are almost always part of the ACPU calculation. Where there are costs that could be charged to other Budget Categories, it is the determination of the Grantee which category should be used. DOE expects that the Grantee will require consistency among its Subgrantees when identifying a cost category other than Program Operations for these specific charges. Many of these costs cannot be directly related to a specific dwelling unit – like vehicle and equipment maintenance or purchases of tools and equipment. When incurred, these total costs are amortized over the number of dwelling units completed during the contract period. For example, the cost of a blower door (\$4,500) could be amortized over the 150 homes completed during a contract period, resulting in a \$30 increase in the ACPU for the homes completed in that time frame. The following are examples of routine Program Operations costs:

- The cost of purchase and delivery of weatherization materials (as identified in the Materials section above);
- Labor costs, in accordance with §440.19;
- Transportation of weatherization materials, tools, equipment, and work crews to a storage site and to the site of weatherization work;
- Maintenance, operation, and insurance of vehicles used to transport weatherization materials;
- Maintenance of tools and equipment;
- The cost of purchasing vehicles, except that any purchase of vehicles must be referred to DOE for prior approval in every instance;
- Employment of on-site supervisory personnel;
- Storage of weatherization materials, tools, and equipment;

- The cost of incidental repairs if such repairs are necessary to make the installation of weatherization materials effective; and
- The cost of carrying out low-cost/no-cost weatherization activities in accordance with §440.20.

Liability Insurance (These costs may or may not be contained in the ACPU)

Liability insurance refers to the general contractor, or other policies that provide protection in case of personal injury or property damage resulting from the weatherization services. The cost of liability insurance is part of the ACPU when the Grantee provides no allowance for the cost as a separate Budget Category in the Grantee State Plan. Liability insurance is also part of the ACPU when private contractors purchase policies as part of their service delivery requirements and pass that cost through to the material and labor rates charged to install energy efficiency measures. If the Grantee has a set-aside for Liability Insurance in their State Plan, the Subgrantees can purchase policies and not include the expense as part of their ACPU. This provision was established to cover general agency liability insurance and not vehicle or vehicle liability insurance.

Leverage Assistance (These costs are always outside of the ACPU)

DOE Program regulations permit Grantees to take a percentage of their grant (including Petroleum Violation Escrow funds used under the Weatherization Program, and T&TA funds) to undertake leveraging activities which may supplement the Program or be used to run a parallel Program (regardless of who initiates the action). Leveraging activities include paying for agency staff or hiring consultant staff to explore and develop partnerships with utility companies and other entities that will generate non-Federal resources for Weatherization. Other allowable activities include: holding leveraging meetings; preparing technical materials/briefs; or facilitating voluntary match funds from a non-Federal source.

Financial Audits (These costs are always outside of the ACPU)

Financial audit costs are allowable in proportion to the WAP funds within a Subgrantee. These costs are allowable as an Administrative expense or as a separate Budget Category in the State Plan. In the past, the cost of these audits was charged to the already over-burdened administrative cost Category and sometimes resulted in less than adequate, quality financial audits. Grantees are encouraged to provide relief through the creation of a Financial Audit Budget Category, thus allowing these charges to be covered when Subgrantees meet the threshold contained in A-133.

OMB Circular A-133, revised June 30, 2003, must be consulted for thresholds, etc. Grantees should refer to Section IV.3 of the current Application Instructions and Forms Package attached to WPN 06-3 located on the WAPTAC site (www.waptac.org) and/or contact their Contracting

Officer at the National Energy Technology Laboratory (NETL) for further guidance or clarification.

WEBSITE INFORMATION: To assist the Weatherization Network in obtaining the most up to date information on Programmatic/policy issues, technical issues, and evaluation studies, please reference the following websites:

Energy Efficiency and Renewable Energy:
<http://www.eere.energy.gov/weatherization>;

Weatherization Assistance Program Technical Assistance Center:
<http://www.waptac.org>;

Weatherization *Plus*:
<http://weatherizationplus.org>;

Oak Ridge National Laboratory:
<http://weatherization.ornl.gov>; and

Project Management Center:
<https://www.eere-pmc.energy.gov/>.

Grantees are strongly encouraged to visit these websites often to keep abreast of the latest information and new techniques in Weatherization. Grantees should also continue to work with their respective DOE Project Officers at the Project Management Center (PMC).

CONCLUSION: It remains critically important that Weatherization Assistance Program funds be expended in a cost-effective manner in the year in which they were appropriated and fully expended within the grant project period. It is also critical that DOE and the Grantees are fully aware of how the ACPU is calculated in each Subgrantee and for the nation. This Program Year will see a marked increase in the ACPU because of the rise in the federal limit as established in the Recovery Act. Knowing what is contained in this calculation and being able to describe that methodology to DOE management, Congress and other stakeholders has never been more crucial.

The Weatherization Assistance Program continues to make progress in a number of areas. The performance of the Program is still being scrutinized and the Department of Energy appreciates your many contributions that continue to make Weatherization Work!



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