APPENDIX 502

FINANCIAL MANAGEMENT FOR CENTER CONTRACTS

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A. INTRODUCTION

1. Scope.

Appendix 502 contains instructions and requirements for budgeting and reporting the costs of operating Job Corps contract centers. Financial management requirements for federally administered Job Corps CCCs are located in Appendix 509.

This Appendix is not intended to supersede the proposal development requirements prescribed in the standard RFP. However, the cost categories established in this Appendix are being used in the budget formats contained in the standard RFP. The requirements of this Appendix become applicable after award of a center contract and are intended to cover: (i) the reporting of actual costs, (ii) the process for revising the contractually approved budget, and (iii) the process for refining and reconciling the contract budget upon issuance of annual extensions.

2. Purpose.

The procedures and requirements contained in this Appendix are intended to serve as the basis of a financial management system that provides Job Corps program managers at several different levels with important information for managing resources and determining the efficient allocation of funds. The Job Corps center financial management system provides for:

- Periodic, detailed review of actual expenses and, in the case of contract centers, a comparison between planned (budgeted) versus actual expense.
- The reliable identification of variances from budget that may require corrective action.
- The ratification of appropriate adjustments in current year and out-year budgets.
- The compilation of nationwide Job Corps cost data for inclusion in reports to the Congress and the public.

B. SYSTEM OVERVIEW

1. Uniform Cost Categories.

A major feature of the Job Corps center financial management system is the use of uniform cost categories that allow for (i) comparability between centers, and (ii) the compilation of national and regional totals for analytical and public reporting purposes. The cost categories have been defined in a way that will provide information that is immediately relevant to ongoing managerial and oversight functions.

2. Initial Budget Formulation.

For a contract center, the initial budget is formulated during the procurement process through which the contract is awarded. The approved budget for a contract center is reflected in the formal contract document **in summarized form** within the estimated cost clause.

It is a requirement of this Appendix that the summarized budget set forth in the estimated cost clause always be backed up by a current line-item budget that is prepared using the Form 2181, Contract Center Operations Budget. Except for the final year of a center contract, 2181 budgets are normally prepared in sets of two: one providing a line-item budget for the current contract year and another for the next contract year. The initial 2181 budgets that are prepared upon contract award are for the first contract year and the second contract year and should be based on the contractor's proposal. However, the initial budget may incorporate minor revisions as agreed to or required by the regional office.

If a contract is in the first year of a three-year base period, it is also necessary to have an additional 2181 budget in place to cover the 3rd contract year. This is to ensure that 2181's are in place to cover the full initial performance period of the contract.

3. Reporting of Actual Expenses.

Contract centers are required to report actual expenses on a monthly basis. For center financial management and Job Corps monitoring purposes it is important that analysis be performed on data that is as current as possible. Moreover, the availability of monthly cost data allows an analysis of trends that could not be identified through less frequent reporting.

For contract centers, the reports (on multi-page ETA Form 2110, Job Corps Contract Center Financial Report) will display line item data on costs for the current month and cumulative costs incurred to date during the current contract year (year 1, year 2, year 3, etc., whichever is in effect at the time) and cumulative from contract inception.

4. Comparing Actual Versus Planned Costs.

For center operating expense, the cost reports for contract centers require a comparison of actual expenses versus planned expenses. The comparison of actual versus planned expenses at contract centers is in the context of the line item budget that is in place for center operating expenses during the current contract year. Center operators may elect to make these comparisons through either one of two methods.

The first method is for the center operator to break out the budget for the entire current year into an internal month-by-month, line item budget that takes into account the seasonal variations that influence some line items (e.g., fuel and utilities). This internal budget is then used as the basis for entering the amounts of the "planned" line item expenses for the current contract year-to-date.

The second method is to compute the current year expenses that are "planned" through the end of the current month via a simple straight-line proration of the approved budget for the entire current year. The proration of planned expenses is done **on the basis of days rather than months**. This second method, though not as precise as the first, is deemed to be generally adequate for Job Corps financial management purposes.

The method of reporting Planned Expense cannot be changed during a contract year.

5. Displays and Evaluation of Variances

For center operating expense, the cost reports for contract centers will identify budgetary variances by individual cost category on a contract year-to-date basis. A line item variance is simply the difference between planned contract year-to-date cost and the actual contract year-to-date cost.

For individual line items, 01-29, an explanation is required if the variance is 5% or more (plus or minus) of the line item amount budgeted for the entire contract year. However, no explanation is required if the dollar amount of the variance for an individual line item represents less than 0.1% of the total center operations budget (line 30) for the entire contract year. To illustrate: if the contract year budget for a particular line item is $100,000, the first alternative variance threshold is $100,000 x 5.0% = $5,000. If the total Center Operations budget for the contract year is $8,000,000, the second alternative variance threshold is $8,000,000 x 0.1% = $8,000. Since $8,000 is the larger of the two dollar amounts, then $8,000 is used as the variance threshold for the budget line item in question instead of $5,000.

An explanation is further required whenever the current contract year-to-date total Actual Expense for Center Operations exceeds the Planned Total Expense by an amount equating to 1% of the total budget for the current contract year.

Please note that the thresholds for explaining variances are determined as a percentage of the full year's budget amount. This might appear contrary to intuition, which would say that the variances should be viewed in terms of planned expense to date. The purpose of the non-intuitive approach prescribed above is to lessen the narrative reporting burden relative to variances that occur in the early months of the contract year. This permits center operators an opportunity to resolve or reverse variance trends before being officially required to explain them to DOL.

Reported variances may occur for a number of reasons, including: (i) erroneous assumptions in the formulation of the budget, (ii) unforeseen events requiring greater or fewer financial resources than anticipated, (iii) poorly controlled spending, and/or (iv) internal reporting or computational errors. The identification and analysis of variances may lead to a wide range of corrective actions, including:

- Spending constraints to reduce or stabilize overruns.
- Increased spending in areas where adequate resources have not been utilized to provide prescribed services.
- Improvements to internal administrative control systems and the provision of training to appropriate staff.
- Budget revision request to more reasonably distribute financial resources between cost categories.
- Initiation of requests for an increase or decrease in the contract estimated cost to adjust for unforeseen cost or program changes.
- DOL decision not to award a yearly extension, but to re-compete the center contract early.

6. Formal Budget Revisions.

It is generally appropriate to accomplish a formal revision to the 2181 budget only when: (i) there is a need to change the net amount for center operations expense in the estimated cost clause of the contract and the change affects the current contract year; or (ii) a realignment of existing line item amounts is clearly needed to resolve a gross misallocation of costs. However, frequent reshuffling of funds between line items as a means to eliminate reportable variances is not generally considered a useful or legitimate practice.

For contract centers, 2181 budgets and revisions thereto must be approved by the cognizant regional office. Regional offices should refer to current internal Annual Advanced Procurement Plan (AAPP) administration guidelines to identify circumstances where prior national office clearances are needed for bottom line estimated cost changes.

7. Next-Year and Base-Year Three Estimates

As mentioned in section 2 above, 2181 budgets are normally prepared in sets of two: one providing a line-item budget for the current contract year and another for the next contract year. Most center operations contracts are initially awarded with a 2-year base period. In this case, the initial 2181 budgets that are prepared upon contract award are for the first contract year and the second contract year. Except for the final year of the contract, this pattern is maintained throughout the life cycle of the contract. For example, when the contract enters its second year, the required pair of 2181 budgets will cover the second year of the contract (which will be the "current year") and the third contract year (which will then be considered as the "next year").

If a contract is initially awarded with a 3-year base period, it will also be necessary for the contractor to maintain a "base year 3" budget, but only during the first contract year. After the first contract year has been completed, the contract returns to the normal pattern, in which the requirement is only for the maintenance of "current year" and "next year" 2181's. This is discussed more fully in the later section that provides detailed requirements for 2181 Contract Center Operations Budgets.

Whenever the current year budget is being revised, it is also necessary to: (1) identify any adjustments that are of an ongoing nature (such as those that might involve permanently deleting or adding slots; (2) accurately calculate the impact of such changes on the next contract year, and (3) revise the 2181 budget for the next year accordingly (also the base-year three budget if one is being maintained.).

Maintaining an updated "next-year" cost estimate in this manner will provide for a smoother transition from one contract year to another and will help avoid budget related issues from developing between DOL and the contractor. The current AAPP Estimated Cost Profile, which DOL makes available to the contractor, will facilitate the preparation of "next year" budgets. Under normal conditions regional offices are expected to keep center contracts in agreement with the AAPP Estimated Cost Profile. Questions or concerns about dollar amounts that are contained in AAPP Estimated Cost Profiles may be referred to Job Corps National Office financial staff.

8. Integration of Financial Management Systems.

The requirements and procedures of this Appendix have been designed in way that is intended to ensure or promote consistency of data across different aspects of center financial management: DOL/Job Corps allocation of funds for center contracts; contractual documents concerning cost and funding; detailed operational budgeting; monthly cost reporting; and contractor vouchering for payments.

a. Job Corps Fund Allocation System (JFAS).

JFAS is a web-based in-house IT application that is used by DOL/Job Corps to control the allocation of funds to center operations contracts and other contracts and activities that are to deliver and support the delivery of services to Job Corps students. It is DOL policy to share various types of JFAS reports and documents with center contractors. The JFAS reports and data sheets that are available to contractors include: the Estimated Cost Profile, the Fiscal Plan, the FOP Allocations Report, the CTST Worksheet, the Contract Footprint Report, and the Payments Transaction Report. These reports will help contractors to prepare and plan for future modifications that are scheduled for their contracts (including modifications for incremental contract funding) and also to facilitate the identification of discrepancies and pending issues that require follow-up action.

Pending the development of an IT application that will provide contractors with direct access to their respective JFAS reports and documents, Job Corps Regional Offices are required to provide contractors with copies of these reports (which are normally available in PDF format) on a timely basis upon request. Please note, however, that DOL does not share one contractor's reports with any other contractor. If a Job Corps Regional Office is not able to fulfill its responsibility in this area, a contractor may instead request the DOL Job Corps National Office to supply copies of its JFAS reports and documents.

b. Contract Award and Maintenance.

Contract award and modification documents are currently maintained and executed in ink-signed hard-copy form. These documents contain information about agreed-to contract costs and DOL/Job Corps funding that is available for payment to the contractor. Many items of information in these hard-copy documents must be abstracted and entered into the Job Corps FMS.

c. Job Corps Financial Management System (FMS).

Center contractors fulfill most of their financial reporting and operational budgeting responsibilities using the Job Corps FMS, which is a web-based IT application administered by the Job Corps Data Center (JCDC). The FMS is used to prepare and submit 2110 cost reports, 2110S monthly staff vacancy and separation reports, and 2181 budgets, The FMS is also used to enter key elements of financial data that are abstracted from contract documents and from Job Corps contract vouchers. Data entry procedures can be found on the JCDC website and in training and orientation materials that have been published by JCDC. The FMS is a secure IT system, with access being controlled by user names and passwords.

d. Vouchering.

The great majority of center contractors receive payment from DOL on the basis of hard-copy vouchers and back-up sheets that are submitted to DOL/Job Corps on a semi-monthly schedule. (A small number of governmental and non-profit contractors are eligible to be paid via electronic draw-downs.) Some data items from vouchers must be abstracted and entered into the Job Corps FMS.

C. COST CATEGORY DEFINITIONS

1. Overall Structure of Categories.

The major cost categories that are used on center cost reports and budgets are structured as described below. Detailed definitions and descriptions are provided in a later section:

Center Operations Expense

This major expense group includes 29 different line item categories, which are separately displayed on page 2 of the 2110 cost reports and on the 2181 line-item budgets. These reports and budgets also display center operating expense totals. In DOL contracts for center operations, the budgetary clauses do not generally display the 29 line item categories of center operating expense but typically display the center operating expense total, along with the display of sensitive subcategories of expense, such as contractor fee and indirect administrative expense.

Center Capital Expenses

This group consists of the following four cost categories:

- Construction/Facility Rehab

  Note: Starting in 1988, Congress has appropriated Job Corps funds in two separate accounts: (i) OPERATING FUNDS and (ii) CRA FUNDS (facility construction, rehabilitation and acquisition). DOL ensures separate tracking of these funds by requiring that all CRA FUNDS be reported in the **Construction/Facility Rehab** expense category. Moreover, that expense category is used exclusively for CRA FUNDS. As a consequence, all other expense categories fall under the appropriation for OPERATING FUNDS.

- Equipment/Furniture;
- GSA Vehicle Rental
- Career Technical Skills Training (CTST) Materials.

These above four categories are displayed individually on 2110 cost reports and in the estimated cost and funds available clauses of center contracts.

Student Transport/Meal Allowance Expense

This cost category refers to Job Corps-paid expenses for inter-city transportation of new enrollees and students, including the payment of travel-related meal allowances to new enrollees and students. This expense category is not in common use under center operations contracts, but is available when needed.

Outreach/Admissions Expense

This cost category applies when the center contract expressly includes an estimated cost amount for the provision of activities for the outreach and admission of new students. When a center contract contains an estimated cost amount for Outreach/Admissions, supplementary 2181s and 2110s must be prepared.

Career Transition Services Expense

This cost category applies when the center contract expressly includes an estimated cost amount for the provision of career transition services to graduates and former enrollees. When a center contract contains an estimated cost amount for Career Transition, supplementary 2181s and 2110s must be prepared.

Other Expense Categories Not Pre-Printed on the Forms

Blank lines are provided in the reporting formats for writing in other categories that might be expressly included in the estimated cost and funds available clauses of a center operations contract -- such as special funding for program support functions.

2. Subcontract Expense.

The costs of subcontracts issued by center operators are classified differently depending on the characteristics of the subcontract. For purposes of Job Corps cost classification, subcontracts fall into two different and mutually exclusive categories: Staffing Subcontract; and Non-Staffing Subcontract. Following are definitions and criteria for determining the category that applies to a particular subcontract, along with the cost allocation policies that apply to that category.

a. Staffing Subcontract.

This category applies to any subcontract that provides one or more staff persons who are employed at the center on a full-time basis or any subcontract that provides a number of part-time staff persons who are employed at the center and whose scheduled hours of work at the center collectively represent one or more full-time positions (FTP's). The cost allocation policies that apply to subcontracts in this category are as follows:

- Subcontractor Personnel Expense. The cost of compensation (salaries/wages and benefits) which the subcontractor pays to its staff who work at the center shall be allocated to the appropriate functional or programmatic line item as a personnel expense (e.g., Line 01 Academic Personnel, Line 03 Career Technical Training Personnel, and so forth).

- Other Direct Subcontractor Expense. The direct costs of the subcontractor that are for non-personnel items shall be reported in the appropriate functional or programmatic line item as an "Other" cost (e.g., Line 02

Other Academic Expense, Line 04 Other Career Technical Training Expense, and so forth).

- Subcontractor Indirect Expense (Overhead/G&A). The subcontractor's overhead and G&A expense shall be reported on Line 16 – Other Administrative Expense. Do NOT report these costs on Line 17 – which is used exclusively to report the prime contractor's Overhead/G&A expense.

- Subcontractor Fee. If the terms of the prime contract expressly designate the subcontract as a MAJOR STAFFING SUBCONTRACT and require that the subcontractor fee be paid from a fee pool that is shared with the prime contractor, then subcontractor fee expense shall be reported on Lines 28 and 29, combined with fees that are received by the prime contractor. If the terms of the prime contract DO NOT require such fee pooling for the subcontract in question, then subcontractor fee shall be allocated to the appropriate functional or programmatic line item as a non-personnel cost (e.g., Line 02 Other Academic Expense, Line 04 Other Career Technical Training Expense, and so forth).

In some cases, expenses might not be currently detailed on the subcontractor's invoice because the service is being provided at a fixed price or fixed unit price (e.g., meals served, billable labor hours). In these types of cases, adequate detail can usually be obtained from the subcontractor's proposal as a means to formulate the required break out of total expense into the line items identified above. If detail is not provided in the proposal, then supplementary information should be obtained from the subcontractor.

b. Non-Staffing Subcontract.

This category applies to any subcontract that does not qualify as a Staffing Subcontract. In addition to subcontracts that are solely for the procurement of supplies, equipment, commodities, and so forth, the Non-Staffing category also typically applies to:

- Subcontracts for facility repairs or renovations.
- Subcontracts for intermittent services such as trash collection and pest control.
- Subcontracts with individual medical practitioners who work less than full-time at the center.

The costs of a Non-Staffing subcontract will normally be allocated to a single budget line item -- for example, the entire costs of a trash collection subcontract would be assigned to Line 19-Other Facility Maintenance Expense.

3. Personnel Expenses.

This term is used in this Appendix to refer to all salaries, wages, and all other associated personnel compensation costs borne by the employer such as performance bonuses, earned leave upon termination, retirement contributions, social security taxes, life insurance premiums, health insurance premiums, worker's compensation insurance, etc. All direct employees of the center operator as well as employees of Staffing Subcontractors (as defined in the preceding section) are to be included.

If a particular staff position involves work in more than one area such as part-time in academics and part time in career technical training, or if a secretary position is split between two departments, the cost must be broken out between the appropriate line items. The basis for the allocation must be documented in a **salary allocation plan** which briefly explains the rationale for the allocation. The allocation plan must be available for review by DOL auditors. If the duties of the position are substantially changed, the salary allocation plan should be reviewed and amended as appropriate. Salary allocation plans should be reviewed annually as a routine matter to assure that they remain valid.

With regard to managerial positions (which may loosely be defined as those that involve supervision of supervisors), those which oversee three or more different departments or programmatic functions should normally be treated as executive positions whose costs should be allocated to Line 15 – Administrative Personnel. However, this guidance is not a hard and fast rule; and circumstances may exist that justify the formulation of a salary allocation plan for this type of position.

With regard to front-line supervisors who function as team leaders who supervise or coach diverse groups of practitioners that might consist of academic instructors, career technical training instructors, counselors, and so forth, it is recommended that salary allocation plans be formulated which break out the personnel costs into as many line items as are appropriate.

> **Note: Personnel costs for center employees while they participate in corporate center reviews of other centers will be charged to indirect administrative expense since they are performing corporate functions.**

4. Treatment of Money Received.

a. Reimbursements

When money is received by a center it is most often a reimbursement of cost. Such reimbursements are recorded as reductions (credits) in the appropriate expense accounts in order to reflect true center operating expenses. Examples follow:

- Food sales to staff and visitors are credited as a reduction to center food costs.

- Reimbursements by GSA for vehicle maintenance and fuel are credited as a reduction to center vehicle operating costs.
- Reimbursements of fuel costs from tenants are credited as a reduction of center fuel costs.
- Reimbursement for Workforce Investment Act (WIA) or other buy-ins are credited as a reduction to center academic and/or career technical training costs.
- Prompt payment discounts, cash rebates and refunds are credited as a savings to the account to which the product or service was originally charged.

b. Net Income

In some cases, money received by the center cannot be credited as a reduction to a specific expense account. These situations are generally limited to items where: there is little or no initial expense to the center; the expense category cannot be identified; or there is a "for profit" operation. When these situations occur, the money received will be classified as net income within the administrative operating expense account (Line 16 – Other Administrative Expense), which will have the effect of reporting a net decrease in the center's administrative costs. Conversely, if negative income is reported as a result of a prior-period correction or expenses exceeding receipts, then the result will be a reported increase in center administrative expenses.

Following are examples of situations where net income might properly be reported:

- Vending and video game machines not for student use.
- For profit operations, such as a lithography shop or snack bar for the public. Include both income and expense in the income account. Only net income is reported.
- Lodging. Employee housing net rental income is reported. Income and all expense of maintaining the housing are included in this account. Only net income is reported.

The following are examples of sources of cash receipts which are **not** considered as income since the receipts should accrue to the Student Welfare Fund. These transactions are not relevant to and should be kept outside the center's Job Corps financial management system.

- Vending machines for student use.
- Pay telephone income, unless a plan is approved by the regional office to treat funds differently.
- Proceeds from a student-related concession.

5. Cost Category Definitions

Following are definitions for the cost categories that are used in the 2110 center cost reports and in the 2181 line-item center budgets. The categories are discussed in the same order as they appear on the 2110 report. Also note that the lists of example expense items that are provided for each cost category are not considered exhaustive or all-inclusive. For expense items that are not specifically identified in the lists of examples, contractors may use their own good judgment to determine which cost categories apply; or they may refer the question to the Job Corps national office for guidance.

a. 2110 Page 2 – Center Operations Expense Line Item Subcategories:

Line 01-Academic Personnel Expense. Includes the cost of all personnel whose primary duties are in academic programs, including positions such as those listed below:

Managers
Education and Training Manager
Academic Manager

Academic Instructors
Reading Instructor
Math Instructor
GED Instructor
Driver Education Instructor
ESL Instructor
Communications Instructor
Wellness/Safety Instructor
Academic Instructor Substitutes

Support Staff
Academic Testing Coordinator
ACT Coordinator
Career Development Specialist
Sec/Clerical assigned to support academic staff.

Line 02-Other Academic Expense. This category consists of all non-personnel expenses that are immediately related to a center's academic programs, including the types of expense listed below.

Academic Materials and Supplies. Includes the cost of materials and supplies (i.e., books, workbooks, testing materials) used in conducting academic programs for students. This will also include the cost of expendable items for exclusive use in the classrooms such as: drapes, wall hangings, bulletin boards, computer software, films and filmstrips.

Not included are general purpose items such as paper, pencils, paper clips, rubber bands, erasers, etc., which are reported on Line 16-Other Administration Expense.

Academic Services. Includes the cost of contractual services for student academics, including repair and maintenance of academic equipment.

Academic Tuition. Includes the cost of tuition for off-center academic instruction. If the tuition is prepaid, please see later discussions of accrual and vouchering of prepaid items.

Academic Rentals. Includes the cost of facilities and equipment (but not motor vehicles) rented for student academic programs. Rental of Driver's Education vehicles will be charged here.

Other. Other expenses that should be assigned to the academic operating expense category but which do not match any of the above examples.

Line 03-Career Technical Training (CTT) Personnel Expense. Includes the cost of all personnel whose primary duties are in the career technical training programs (previously referred to as vocational training) including positions such as those listed below:

Managers
Education and Training Manager
CTT Program Manager

Instructors
CTT Instructors
CTT Instructor Substitutes
Career Exploration Instructor

Support Staff
CTST Coordinator
Work-based Learning Coordinator
CTT Testing Coordinator
Sec/Clerical assigned to support t CTT staff.

Line 04-Other Career Technical Training (CTT) Expense. This category consists of all non-personnel expenses that are immediately related to a center's career technical training programs, including the types of expense listed below.

CTT Materials and Supplies. Includes the cost of all materials and supplies (i.e., books, workbooks, testing materials) used in conducting CTT programs for students. This will also include the cost of expendable items for exclusive use in the classrooms such as: drapes, wall hangings, bulletin boards, computer software, films and filmstrips.

Not included are general purpose items such as paper, pencils, paper clips, rubber bands, erasers, etc., which are reported on Line 16-Other Administration Expense.

CTT Services. Includes the cost of contractual services acquired for student career technical training including repair and maintenance of CTT equipment.

CTT Tuition. Includes the cost of tuition for off-center career technical instruction. If the tuition is prepaid, please see later discussions of accrual and vouchering of prepaid items.

CTT Rentals. Includes the cost of facilities and equipment (but not motor vehicles) rented for career technical training.

Other. Includes other expenses that should be assigned to the CTT operating expense category but which do not match any of the above examples.

Line 05-Career Success Personnel Expense. Includes the cost of all personnel whose primary duties are in the career success programs, including positions such as those listed below.

Managers
Director of Residential Living
Director of Counseling
Residential Living Manager
Recreation Manager

Counselors
Counselor (includes AWOL retrieval)
Counselor Aide
Center Standards Officer

Residential Advisors
Residential Advisors and Aides
Group Leaders and Aides

Coordinators
Career Preparation Leader
Diversity Coordinator
Student Government/Leader/SWF Advisor
Student Safety Advisor/Coordinator*

Recreation Staff
Recreation Specialist/Coordinator
Arts/Crafts Instructor/Coordinator

Support Staff
Sec/clerical assigned to above areas.

*Refers to activities for instilling "safety consciousness/awareness" in students. Does not relate to security personnel costs, which are assigned instead to Line 20-Security Personnel Expense.

Line 06-Other Career Success Expense. This category consists of all non-personnel expenses that are immediately related to a center's career success program, including the types of expense, listed below.

Career Success Materials and Supplies. Includes the cost of supplies and materials used in the counseling program, the dormitory supervision program and any other career success program. Also includes the cost of student incentive programs, including any that focus on academic or career technical training achievement.

Not included are general purpose items such as paper, pencils, paper clips, rubber bands, erasers, etc., which are reported on Line 16-Other Administration Expense. Also not included are driver education costs that are reported as an academic expense (Line 01 or 02).

Career Success Services. Includes the cost of contractual services acquired to implement career success programs and activities.

Career Success Rentals. Includes the cost of facilities and equipment rented to carry out career success activities. This will not include motor vehicle rental or GSA charges.

Morale-Recreation-Welfare Materials and Supplies. Includes the cost of supplies and materials used in the morale-recreation-welfare program.

Morale-Recreation-Welfare Services. Includes the cost of contractual services acquired to implement the morale-recreation-welfare program. Includes repair and maintenance of recreational equipment.

Morale-Recreation-Welfare Rentals. Includes the cost of facilities and equipment rented to carry out morale-recreation-welfare activities. This will not include motor vehicle rental or GSA charges.

Other. Includes other expenses that should be assigned to the career success operating expense category but which do not match any of the above examples.

Line 07- Food. Includes the cost of food purchased for the center's dining hall and the cost of purchased meals that are served to students. This category includes:

Dining Hall Food. Includes the cost of food issued for the dining halls and related direct freight charges. This account must include the cost of food provided or purchased in connection with subcontracted food service. Subcontracted labor and other non-food costs incurred are not charged to this account, but will be charged to Line 09-Support Services Personnel Expense, Line 10-Other Support Service Expense, or other appropriate line items as defined in Section C.3. Receipts from sale of meals to staff and visitors are credited as a reduction to expense.

Purchased Meals. Includes the cost of meals purchased for students while engaged in off-site activities such as academic, career technical training, and recreational trips.

Line 08-Clothing. Includes the cost of clothing and cash clothing allowances furnished to students, including:

Issue Clothing. Issue of personal clothing and ditty bags.

Cash Clothing Allowance. Cost of cash clothing allowances as discussed in PRH Section 6.5, R2, a-b.

Career Technical Training Clothing. Cost of student special clothing such as work clothes, career technical training uniforms and protective clothing as discussed in PRH Section 6.5, R1, a-c.

Recreation Clothing. Cost of student recreational clothing.

Line 09-Support Services Personnel Expense. Includes the cost of all personnel, whose primary duties are in the area of support services, including positions such as those listed below.

Managers
Dining Hall Manager
Child Care Manager
Laundry Manager
Vehicle Fleet Manager

Food Service
Cooks
Dining Hall Workers

Childcare Workers
Childcare Teacher
Childcare Specialist
Childcare Aide/Teacher Aide

Note: It is usually the case that childcare workers at Job Corps centers are employed by local agencies at no cost to Job Corps.

Laundry Service
Laundry Operator

Drivers
All Drivers employed at center.

Incidental Outreach, Admissions and Career Transition Services Staff.
Any part-time or intermittent OA/CTS staff when OA or CTS is not included as a specific, separate line item in the center estimated cost clause.

Other Support Staff
Sec/Clerical assigned to above areas

Line 10-Other Support Services Expense. Includes the non-personnel/non-food operating expenses associated with the provision of room and board to Job Corps students, including the types of expense listed below.

Dormitory Linens and Supplies. Includes the costs of initial issue and replacement of all expendable items purchased for use in the dormitories such as:

- sheets, blankets and bedspreads
- pillows and pillow cases
- mattresses and mattress covers
- dorm curtains and drapes
- laundry supplies for students
- bulletin boards
- throw rugs
- pictures and wall hangings
- irons and ironing boards

Not included are cleaning supplies for dormitories. This expense will be charged to line 19- Other Facilities Maintenance Expense- Materials and Supplies.

Commercial Laundry and Linen Service. Includes the cost of linens and uniforms supplied by a subcontractor as well as the cost of laundry service for center-owned linens and uniforms, including those used in the medical facility.

Kitchen and Dining Hall Supplies. Includes the cost of non-food supplies and materials required in the operation of the kitchen and dining halls, including chemical and cleaning agents used for maintaining the kitchen, the initial and replacement cost of linens, mess uniforms, dishes, and utensils.

Subcontracted Food Service. Includes the cost of all services other than the cost of food and personnel in a subcontracted operation.

> Note: The cost of food in a subcontracted operation will be reported on Line 07-Food. The cost of personnel and fringe benefits in a subcontracted operation will be reported on Line 09-Support Services Personnel Expense.

Kitchen and Dining Hall Non-Food Services. Includes the cost of services rendered in connection with the operation of the kitchen and dining hall such as equipment maintenance, etc.

Child Care Expense. **These costs will usually be reimbursed to the center. These reimbursements should be credited to Line 10.**

- Materials and Supplies. The cost of all supplies, materials, toys, games, diapers, laundry supplies, etc., purchased for the childcare operation. **Not included** are general purpose items such as paper, pencils, paper clips, rubber bands, erasers, etc., which are reported on Line 16-Other Administration Expense.

- Pre-Packaged/Catered Food. Includes cost of pre-packaged baby food, snacks and other meals purchased specifically for the children. Does not include meals prepared by the center dining hall.

- Childcare Services. Includes the cost of contractual services acquired for the childcare program, including repair and maintenance of child care furniture and equipment.

- Childcare Rentals. Includes the cost of facilities and equipment (but not motor vehicles) rented for the childcare program.

On-Center Laundry Supplies. Includes the cost of supplies and consumables needed to operate any on-center laundry facilities. Does not include laundry supplies furnished directly to students.

On-Center Laundry Facility Services. Includes the cost of contractual services acquired for equipment maintenance and repairs.

Student Local Transportation. Includes the cost of local public transportation such as bus passes or tokens for students and for children attending child care between home and the center, and expense to and from academic and career technical training sites.

Student Lodging Expense. Includes the cost of student lodging expense while on center sponsored trips, (i.e., academic, career technical training, recreation) and the costs of temporary local lodging due to center dormitory problems that require temporary off-center housing. Staff lodging expense will be charged to Line 27-Staff Travel and Training.

Incidental Outreach, Admissions and Career Transition Services Expense. Includes the cost of any incidental OA/CTS expense not included as a separate line item in the center estimated cost clause and considered part of the center operating expense.

Other. Includes other expenses that should be assigned to the support service operating expense category but which do not match any of the above examples.

Line 11-Medical/Dental Personnel Expense. Includes the cost of personnel whose primary duties are in the area of health program services, including positions such as those listed below.

Managers
Medical Service Director
Health Services Administrator

Medical Professionals
Doctors of Medicine
Doctors of Osteopathy
Optometrist

Mental Health Professionals
Psychiatrist
Psychologist
Social Worker
Substance Abuse Counselor

Dental Professionals
Dentist
Oral Surgeon
Orthodontist
Endodontist
Periodontists

Allied Medical Workers
Physician's Assistant
Nurse Practitioner
Medical Assistant
Registered Nurse
Licensed Practical Nurse
Licensed Vocational Nurse
Nurse Assistant

Laboratory Technician
Reproductive Health Coordinator*
Trainee Employee Assistance Program (TEAP) Coordinator*

*If the Reproductive Health or TEAP coordinator also serves as a counselor, the cost should be prorated between Social Skills Training and Medical salaries.

Allied Dental Workers
Dental Hygienist
Dental Assistant
Dental Technician

Support Staff
Sec/Clerical assigned to above areas

Line 12-Other Medical/Dental Expense. This category consists of all non-personnel expenses that are immediately related to a center's health services programs, including the types of expense listed below.

Medical and Mental Health Fees. Includes fees charged by non-salaried health providers including physicians (doctors of medicine, doctors of osteopathy), psychiatrists, psychologists, optometrists and social workers, excluding dentists, for "as needed" health services performed regardless where the services were rendered. This includes x-rays and other laboratory services included in the providers' bills. This also includes charges based on a "by procedure rate."

Note: This will not include charges from subcontracted providers who bill at an hourly rate. The entire amount will be charged to Line 11-Medical/Dental Personnel Expense.

Medical Support. Includes cost of medical services rendered by other than the providers listed above, such as:

- Hospitals
- Medical laboratory and x-ray services when billed separately.
- Ambulance and mortuary costs
- Environmental health inspections and services.

Dentist Fees. Includes fees charged by non-salaried dentists (including oral surgeons, orthodontists, endodontists and periodontists) for "as needed" dental services performed regardless where the services were rendered. This includes x-rays and other laboratory services provided by a dentist and included in the bill.

Note:This will not include charges from subcontracted providers, which will instead be charged to Line 11-Medical/Dental Personnel Expense.

Dental Support. Includes cost of dental services rendered by other than the providers listed above, such as:

- Clinics or other institutions
- Dental laboratory and x-ray services when billed by separately

Medical Supplies and Pharmaceuticals. Includes the cost of all medical and dental supplies and pharmaceuticals (e.g., bandages, dental material, disposable syringes, medicines, drugs, eyeglasses, etc.), regardless of source.

Other. Includes other expenses that should be assigned to the medical/dental operating expense category but which do not match any of the above examples.

Line 13-Career Preparation and Career Transition Readiness Services. Includes the cost of personnel whose primary duties are in the area of career preparation (CP) and career transition readiness (CTR) services, including positions such as those listed below:

Managers
CP and/or CTR Director or Manager
CP Instructor
CP Coordinator / Specialist
CTR Coordinator / Specialist

Support Staff
Sec/Clerical assigned to above areas

Line 14-Other CP/CTR Expense. This category consists of all non-personnel expenses that are immediately related to CP/CTR services that are available for students who have children, including the types of expenses listed below.

CP/CTR Materials and Supplies. Includes the cost of all materials and supplies (i.e., books, workbooks, testing materials) used in conducting CP/CTR programs for students. This will also include the cost of expendable items for exclusive use in the classrooms such as: drapes, wall hangings, bulletin boards, computer software, films and filmstrips.

Not included are general purpose items such as paper, pencils, paper clips, rubber bands, erasers, etc., which are reported on Line 16-Other Administration Expense.

CP/CTR Services. Includes the cost of contractual services acquired for student CP/CTR services including repair and maintenance of CP/CTR equipment.

CP/CTR Tuition. Includes the cost of tuition for off-center CP/CTR instruction. If the tuition is prepaid, please see later discussions of accrual and vouchering of prepaid items.

CP/CTR Rentals. Includes the cost of facilities and equipment (but not motor vehicles) rented for CP/CTR services.

Other. Includes other expenses that should be assigned to the CP/CTR operating expense category but which do not match any of the above examples.

Line 15-Administrative Personnel Expense. Includes the cost of personnel, whose primary duties are in the area of overall center management and administrative services and support, including positions such as those listed below.

Executive Leadership
Center Director
Deputy Director
Training Director

Administration Operations
Administration Manager or Director
Administrative Assistant
Personnel Manager/Specialist
EEO Coordinator
Business/Community Liaison
Finance Manager/Staff
Procurement Manager/Staff
Student Accountability Officer
Student Records and Payroll Staff
Transportation Clerk
Legal Services Clerk
Scheduling Clerk
ADP Specialist/Programmer

Supply Operations
Property Manager
Property Specialist
Warehouse Staff
Supply Clerk
Clothing Clerk

Support Staff
Sec/Clerical assigned to assist above personnel
Sec/Clerical not classifiable in other categories
PBX Operator

<u>Line 16-Other Administrative Expense</u>. This category consists of all non-personnel expenses that are immediately related to administrative support functions at the center, including the types of expenses listed below.

<u>Office Materials and Supplies</u>. Includes the cost of general office supplies used throughout the center such as: paper, pencils, paper clips, rubber bands, and ink cartridges.

Note: Charge special items used in the academic and career technical programs such as drafting supplies, sketching pads, special forms, etc., to those activities in the appropriate accounts reported on Line 02-Other Academic Expense or Line 04-Other Career Technical Training Expense.

<u>Office Services</u>. Includes the cost of contractual services required for center administration, such as the cost of subcontracted duplicating and printing services.

<u>Office Equipment Rentals</u>. Includes the rental cost of photocopying and data processing equipment.

<u>Office Equipment Maintenance</u>. Includes cost for maintenance and repair of office equipment. Costs incurred under lease purchase agreements are considered rental costs.

<u>Legal Services</u>. Includes the cost of legal services acquired for the center. The cost of legal services on behalf of students will be paid by the Job Corps regional offices if public defenders are not available, when proper documentation is supplied and approved by the Regional Director. Legal expenses relating to personnel matters or actions brought by employees against the contractor are indirect administrative expenses unless the contractor's approved cost accounting standards provide for classifying these expenses as a direct cost to contracts. The charging of these costs to a Federal contract is still subject to the allowability standards set forth in applicable cost standards.

<u>Accounting Services</u>. Includes the cost of subcontracted accounting services acquired for the center and corporate charges for service or equipment **where corporate accounting, practices, and the indirect cost agreement, require an allocation to direct cost and the allocation of costs is in agreement with the business management proposal submitted for operation of the center.** Since there is no specific contract requirement, center audits performed by Public Accounting firms are not allowable costs. A corporate audit which as part of its "tests" audits a portion of a specific contract is considered to be an indirect administrative expense.

<u>Consultant Costs</u>. Includes the fees charged by outside consultants and their related travel and per diem expenses. A consultant is one who analyzes, gives advice or helps determine how functions should be performed. Written approval

from the Contracting Officer must be obtained before a consultant is hired, regardless of contract type (hourly or fixed price). The title "consultant" does not necessarily indicate that the cost of retaining such an expert should be reported on this line. Mental health consultants are part of the medical function and are not chargeable here, but should be charged to either Line 11-Medical/Dental Personnel or Line 12-Other Medical/Dental Expense. Staff trainers are often called "consultants," but they are the performers of the function and are rightfully chargeable to Line 27-Staff Travel and Training.

Net Income. This includes monetary receipts that cannot be credited as reductions to other budget line items. See discussion that appears earlier in this Appendix.

Subcontract Overhead/G&A Expense. This includes subcontractor overhead and G&A expense as discussed in Section C.2 above.

Other/Miscellaneous Administrative Expense. Includes the cost of miscellaneous supplies and services required in the operation of the center such as the following:

- Consumable supplies such as paper towels, toilet tissue, soap, etc.
- Packing, handling, and shipping cost to transfer excess property to or from a holding facility
- Shipment of separated student belongings
- Community relations expense
- Miscellaneous equipment repairs not chargeable elsewhere
- Any miscellaneous administrative expenses outside the definitions of office supplies and services
- Gross receipts tax payments. See following discussion on Sales Tax assessments
- Penalties and interest charges resulting from Sales Tax assessments. See following discussion on Sales Tax assessments

Expenses not to be included are:

- Incoming freight charges should not be lumped indiscriminately into the administrative expense category. Where possible these charges should be prorated to the individual items received (inventory or capital). When it is not practical to charge this cost to the individual items covered by the freight charges, because of the late receipt of the invoice or the large number of items covered, the cost should be prorated and directly charged to the appropriate expense categories.

- Sales tax assessments should not be lumped indiscriminately into the administrative expense category. When the center is forced to pay sales tax assessments, the cost should be prorated to the various affected categories based on the total cost of purchases for the assessment period.

Since taxes will be paid "under protest," records must be maintained detailing all payments. Penalties and interest charges will be charged to Miscellaneous Administrative Expense.

- Phase-out costs should not be lumped indiscriminately into the administrative expense category, but should be distributed to the appropriate cost categories. Severance pay and accrued vacation pay are to be charged to the categories of personnel costs where the affected individuals' salaries were charged.

Line 17-Indirect Administrative Expense. This line includes the cost of the contractor's general and administrative expenses at the rate specified in the center contract or the current approved rate, whichever is lower. Indirect Administrative Expenses related to Outreach/Admissions or Career Transition Services, if separate items in the contract, will be charged respectively to those cost categories as appropriate. When the contract contains an indirect cost ceiling clause, the total amount charged may not exceed the ceiling rate. Indirect administrative expense should be accrued for amounts earned on other accruals (unvouchered accounts payable) and be reported as unvouchered reimbursable expense on page 4.

Note Concerning Indirect Cost Base: It is DOL's preference that the base that is used to compute indirect costs consist NOT of total direct cost (TDC) but instead be comprised of a narrower base that is limited to center operations expense net of indirect cost and fee. This is to avoid indirect costs amounts that are skewed due to the tendency for "cost spikes or lumpiness" in pass-through allocations and expenditures for "capital" items such as construction/rehab projects and furniture/equipment purchases. Contractors are expected to use this narrower base in the indirect cost proposals that they submit to their cognizant agency, whenever possible (cognizant agency is most often DOL). Exceptions will be allowed if it is not feasible for a contractor to utilize this narrower base due to the demands of its parent company or establishment of a TDC base in an indirect cost agreement that has already been finalized with a cognizant agency other than DOL.

Line 18-Facilities Maintenance Personnel Expense. Includes the cost of personnel assigned to center maintenance functions, including positions such as those listed below.

Managers
Maintenance Manager
Maintenance Supervisor

Maintenance Workers
Maintenance Engineer
Maintenance Mechanic
Maintenance Helper
Groundskeeper

Janitorial Staff

<u>Support Staff</u>
Sec/Clerical assigned to the maintenance section

<u>Line 19-Other Facilities Maintenance Expense</u>. This category consists of all non-personnel expenses that are immediately related to maintenance of center facilities, including the types of expenses listed below.

<u>Materials and Supplies</u>. Includes the cost of materials and supplies required for routine maintenance and repair of center physical facilities including sidewalks, fences, grounds, roads, and any equipment affixed to a structure as an integral component. Also includes the cost of general cleaning and janitorial supplies and any special work clothes or items of personal safety equipment (e.g., goggles) purchased for use by maintenance staff.

<u>Contracted Services</u>. Includes the cost of contracted services required for routine maintenance of center facilities (e.g., painting) and systems (e.g., servicing of fire alarm systems and fire extinguishers), but not including any contracts that are classifiable as construction and rehab projects. Also includes contracts for trash pick-up and pest control.

<u>Equipment Rental</u>. Includes the cost of equipment rented, or being acquired on a lease purchase agreement, in connection with maintenance and repair of center facilities, excluding motor vehicles.

<u>Equipment Operation, Maintenance and Repair</u>. Includes the costs of operating, maintaining, and repairing motorized and mobile equipment (e.g., power mowers, tractors, portable generators, etc.) Include equipment owned by other agencies (i.e., GSA) leased on a mileage or use basis.

> **Note: Report operation, maintenance, and repair cost of other motorized equipment chargeable to work projects on Line 35-Career Technical Skills Training**.

<u>Other</u>. Includes other expenses that should be assigned to the maintenance operating expense category but which do not match any of the above examples.

<u>Line 20-Security Personnel Expense</u>. Includes the cost of all personnel assigned to the security function, including positions such as those listed below.

<u>Manager</u>
Security Manager
Security Supervisor

<u>Security Staff</u>

Security Officers
Guards

Support Staff
Sec/Clerical assigned to security section

Line 21-Other Security Expense. This category consists of all non-personnel expenses that are immediately related to the provision of a guard force or security force at the center, including the types of expenses listed below.

Supplies and services. The cost of supplies and services required for the performance of this function, such as the center-furnished uniforms and the laundering of these items.

Subcontracted security services. The cost of all subcontracted security costs other than those classifiable as personnel expense. An example would be augmentation of normal security forces in connection with a special event or emergency.

Equipment Rental. The cost of equipment rented, or being acquired on a lease purchase agreement, in connection with the security function.

Other. Includes other expenses that should be assigned to the security operating expense category but which do not match any of the above examples.

Line 22-Communications. Includes cost for communications services, including the types of expense listed below.

Local Telephone Service. Includes the cost of local telephone service -- basic monthly service, equipment lease costs, any message unit charges, access charges and taxes.

Cell Phones and Pagers. Includes the cost of cell phone and pager service.

Long Distance Calls. The cost of long distance calls at contract centers, placed through the federal telephone system (FTS) will **not be charged to the center**, but will be charged to DOL. The long distance costs that should be reported on this line will be for incoming collect long distance calls and the costs of long distance calls that, for any reason, cannot be placed through FTS.

Telephone Service Charges and Communications Equipment Rental Charges. Includes the cost of service for telephone equipment changes, repairs, the installation of additional telephones and related equipment, and the cost of FAX and other communications equipment rental and maintenance.

In-Center Communications System. Includes the cost of operating and maintaining radio, closed circuit television, and other in-center communication systems.

Postage. The cost of USPS postage and/or expedited services such as Federal Express and postage meter rental and maintenance.

Other Communications Costs. Any communications costs that do not match any of the above examples.

Line 23-Utilities and Fuel. Includes cost utilities and fuel consumed by the center, such as the types of expenses listed below.

- Natural Gas
- Electricity
- Coal
- Heating oil
- Propane
- Water
- Sewage
- Cable TV
- Other (as determined by the center)

Note 1: Supplies of heating oil and propane should not be expensed as purchased, but maintained as inventory.

Note 2: Fuel for vehicles is not reported here, but on Line 26-Motor Vehicle Operating Expense.

Line 24-Facility Lease Expense. Includes costs for leasing center facilities where the center operator/contractor is the lessee or where the government is the lessee, but funds have been placed on the center operating contract and payment is made by the contractor. Also record in this account any separate property taxes and insurance premiums, payment of which is made to the lessor, by the terms of the facility lease.

Note: Equipment lease costs are not to be recorded in this account.

Line 25-Insurance. Includes cost of authorized or required liability insurance that is carried by the center operator, including:

- Automobile Insurance (liability and property damage)
- Employee Liability Insurance
- Other Required Insurance

Note: On the 2110 cost report, if insurance is prepaid the entire amount is vouchered, but the amount for future months is not expensed since the cost

applies to a future period. The amount of prepaid insurance is shown as a negative Unvouchered Accounts Payable. Expense is reduced by the amount of prepaid insurance and this amount is reported as a negative Unvouchered Accounts Payable. Each succeeding month, the portion of prepaid insurance applicable to the period is expensed and the negative Unvouchered Accounts Payable reduced by a like amount. If insurance is billed at a later date, the cost for the unbilled months must be accrued.

Line 26-Motor Vehicles Operating Expense. Includes:

GSA Mileage as shown on the GSA Detailed Billing Register

Commercial Vehicle Rental

Operation, Maintenance and Repair of Center Owned Vehicles

The following types of vehicle rentals are not reported here, but elsewhere as indicated:

- Operation, maintenance and repair cost of construction equipment for CTST projects. These costs will be charged to Line 35 CTST.
- Rental of vehicles of staff while on travel assignments is charged to Line 27-Staff Travel and Training.
- GSA monthly charges and charges for damage to vehicles will be reported on page 3, GSA Vehicles Rental.
- Commercial rentals of driver education vehicles are charged to Line 02-Other Academic Expense.

Line 27-Staff Travel and Training.

Includes the cost of staff travel, per diem and miscellaneous expenses in connection with work assignments that involve travel away from the center and the costs of providing technical or professional training to center staff. Please note that Job Corps center operating contracts normally contain clauses that require contractor travel costs to be within the parameters and limits of Federal Travel Regulations. The types of expenses to be included are listed below.

Training Related Travel. Includes center staff transportation, per diem cost and miscellaneous expenses for training purposes. This account is used whether training is provided by the center, the center operator, the DOL, regional office, or the DOL national office. Cost includes travel in privately owned vehicles, commercial transportation, leased vehicles, meals, lodging, and incidental expenses. If training or technical assistance is provided by center staff to another center, all travel expenses will be charged to the center receiving the training or assistance and expensed to that center's staff travel and training account unless the contractor's proposal or Indirect Cost agreement provided for the cost to be charged to the contractor's indirect cost pool.

Non-Training Related Travel. Includes the cost of center staff for transportation, per diem and miscellaneous expenses for work assignments other than those related to staff training.

> **Note: All travel expense incurred by center staff for participation in corporate center reviews will be charged to indirect administrative expense since they are performing corporate functions as required in the contract. Costs incurred by center staff for providing technical assistance to other centers will be charged as discussed above.**

Change of Station Costs. Includes relocation costs associated with the transfer of personnel to the center, including movement of household goods, house-hunting expenses, real estate fees, transportation of employee and family, allowance for temporary quarters (per diem) and other incidental expenses associated with a change of duty station.

Staff Training and Tuition. Includes the cost of tuition and fees for staff training that the center has determined is beneficial for the center and is job-related. Reimbursement to staff under an employer education policy will be charged as an employee benefit to the appropriate category of personnel expense. Also includes the cost of materials and services such as trainers, rental of facilities and equipment, supplies, printing and duplicating, and contractual support.

Lines 28 and 29-Contractor's Base and Incentive Fees. If any of the below guidance on the treatment of fee is in conflict with the particular terms of a center contract, the contractual terms shall prevail. The below guidance is intended to describe the standard vouchering and reporting practices for the fee arrangement that is now in use for center operations contracts, which provides for both base fees and incentive fees. Line 28 is used to report the cost of Base Fees earned per contractual terms. Line 29 is used to report the cost of provisional and earned Incentive Fees. Fee earned for Outreach / Admissions or Career Transition Services, separately stated in the contract, will be reported as OA or CTS expense, as appropriate.

Line 28-Base Fee. For each contract year, the cost of a contractor’s Base Fee will be an equal monthly proration of the Base Fee stated or reflected in the contract for that contract year. If the contractor’s fee consists solely of Fixed Fee, then fee cost should be reported on Line 28 only, and the monthly costs should be calculated in the same manner as for Base Fee.

Line 29-Incentive Fee. The cost of a contractor’s Incentive Fee is determined as follows:

Cost prior to final determination of amount earned. The exact amount of incentive fee that is earned for performance achievements during a contract year cannot be determined until 2 to 4 months after completion of the contract year. In order to mitigate cash flow hardships that would otherwise result from such a long lag-time, contractors are generally permitted to voucher provisionally for incentive fee during the performance of a contract year. The provisional monthly costs and billings of Incentive Fee prior to determination of final amount earned will therefore be an equal proration of the contractually stipulated incentive fee amount **for average performance**.

Cost adjustment/reconciliation upon final determination of amount earned. When the contractor is notified as to the exact amount of incentive fee that has been earned for performance during a recently completed contract year, the notification will specify by what amount the earned incentive fee is above or below the amount of the provisional payments that were made to the contractor. DOL staff are expected to complete the reconciliation of provisional fee to final amount earned and notify the contractor within three months after the completed contract year. The difference between provisional incentive fee payments and final amount earned will be treated as an adjustment to cost and billings in the succeeding contract year and reflected appropriately as such on the next available cost report and invoice that is submitted by the contractor. However, if performance of the contract has been fully completed, the adjustment to cost and billings will be reported and treated as post-termination activity.

Following is an example of expensing Base Fee, Provisional Incentive Fee, and Final Post-Contract Year Incentive Fee adjustment. In this example, the contract has been newly awarded and the Fee amounts stipulated for the first contract year (which is exactly one calendar year in duration) are as shown below. The same amounts are also stipulated for the second contract year (which is also exactly one calendar year in duration).

Base Fee	$225,000
Provisional Incentive Fee	$75,000
Total	$300,000

- In the first contract year, the monthly costs equals $300,000 divided by 12 months, yielding a monthly expense of $25,000. Total fee costs and billings in year 1 are $300,000, consisting of $225,000 base fee and $75,000 of provisional incentive fee.

- In the first two months of the second contract year, the monthly fee costs and billings continue at $25,000. However, in the third month, the contractor is officially notified, via contract modification, that its final incentive fee earned based on achievements in the first contract year is $85,000. The notification specifies that the final amount earned is $10,000 above the provisional amount billed and that the contractor should include the $10,000 fee increase on its very next voucher and should reflect the $10,000 of additional fee expense on line 29 of its very next cost report.

This adjustment process also includes a revised 2181 center operating budget, increasing the line 29 incentive fee amount by $10,000 for the current (second) contract year. The incentive fee expense reported in the third month of the second contract year would therefore be $35,000, or $10,000 above the provisional level of $25,000. Thereafter, monthly fee expense and billings would return to the provisional level of $25,000 for the duration of the second contract year.

- Note concerning liquidated damages. Liquidated damages assessments affect fee. Please refer to the later section that addresses liquidated damages.

Line 30-Net Center Operating Expense. Line 30 is used to display the total of center operating costs, Lines 01 through 29 above.

Note to Regions: Center operating expense equates to cost code A-Center Operations Expense in the internal DOL AAPP/FOP financial management system.

b. 2110 Page 3 - Special Subcategories of Center Operations Expense:

Lines 1a , 1b, 1c - Center Operations .

These lines provide a highly summarized representation of the center operations expense detail provided on page 2. The center operations expense totals on Page 2, Line 30 are broken out into two subcategories that are commonly used in the estimated cost clauses of center operations contracts. These subcategories consist of:

Line 1a, Center Operations-Reimbursable: This subcategory incorporates center operations line items 01 through 27, which comprise the reimbursable expenses within the Center Operations category.

Line 1b, Center Operations-Fee: This subcategory consists of center operations line items 28 and 29, which comprise contractor fee payments that are included within the Center Operations category.

Line 1c, Total Center Operations. This line item displays the sum of amounts on Lines 1a and 1b. These amounts will also be the same as those displayed on Page 2, Line 30.

c. 2110 Page 3 - Capital Expense Categories:

Line 2- Construction/Facility Rehabilitation.

This line is limited to funds that are provided from the Job Corps CRA (Facility Construction, Rehabilitation and Acquisition) appropriation. Moreover, all CRA funds that are made available to a center contract must be reported in this expense category.

Includes expenses for constructing or making long-lasting physical improvements to structures, utilities (e.g., heating and plumbing), roads and grounds, as well as the purchase and installation of major pieces of equipment, during a rehabilitation or construction project, that are permanently attached to structures such as air conditioners, walk in freezers and refrigerators, ovens and stoves, cafeteria dishwashers and wall to wall carpeting. Also included within the meaning of this term are the costs of architectural and engineering services (design) that are required for such construction or improvements and have been approved as part of the project. Purchase or lease of equipment and the cost of special motor vehicles required for completion of projects will also be charged here.

At contract centers, construction and rehabilitation work is to be performed only on the basis of: (i) identified projects for which specific construction/rehab funding has been approved for the contract; and (ii) emergency repairs that are authorized per guidelines contained in PRH Chapter 5, Part 10. Separate records should be maintained on the individual construction/rehab projects that have been approved in the center contract.

The construction and rehabilitation account **does not include**:

- Career Technical Skills Training Activities, funded as CTST projects, wherein Job Corps students receive hands-on training by participating in construction projects or other projects that result in physical improvements to center facilities.

- Equipment other than the major items of the type described above.

- Facility leases.

- Architectural and engineering management support services, including procurement support, facilities surveys, site surveys or facility utilization studies when performed under a national office contract.

- Management support services for the acquisition or leasing of facilities.

  Note to Regions: This expense category equates to B1-Cnst/Rehab in the internal DOL AAPP/FOP financial management system.

Line 3- Equipment/Furniture.

Includes costs for purchase of NON-EXPENDABLE PERSONAL PROPERTY. Non-expendable personal property (also known as movable durable property) is defined as property that is complete in itself; is not fixed to real property; does not lose its identify or become a component part of another article when put into use; is movable; is durable; and has an expected service life of at least one year.

Note to Regions: This expense category equates to cost code B2-Eqpt in the internal DOL AAPP/FOP financial management system.

Line 4- GSA Vehicles Rental.

Includes GSA monthly/daily charges and charges for damage to vehicles. This category does **not include** GSA mileage charges, which instead should be assigned to center operating expense, line 26, vehicle operating expense.

Note to Regions: This expense category equates to B3-GSA Vehicle Rental in the internal DOL AAPP/FOP financial management system.

Line 5- CTST Materials.

Includes the costs of building materials, consumable supplies and allowable construction and equipment installation contracts in connection with work training projects performed by Job Corps students that result in improvements to center facilities or public property. Records should be maintained separately for each identifiable CTST project. Only projects on the approved CTST plan may be performed with CTST funds.

Note to Regions: This expense category equates to B4-CTST Materials in the internal DOL AAPP/FOP financial management system.

d. 2110 Page 3 – Other Major Expense Categories

Line 6- Student Transportation/Meal Allowances.

Includes the costs of government-furnished inter-city travel (including prescribed meal allowances), such as travel associated with new enrollee arrival, government paid leaves, winter and summer breaks, transfers to other centers, travel home upon separation, and so forth. This line item does not refer to the costs of local student travel (which are considered to be center operating expense).

Note to Regions: This expense category equates to D-Transportation in the internal DOL AAPP/FOP financial management system.

Line 7- Outreach/Admissions (O/A).

Includes costs incurred for outreach to and admission of prospective new students. Expenses should be charged to this cost category only if specifically funded in the center contract. If a center contract includes OA funding, a special “2181” and “2110” must be prepared in accordance with Appendix 503.

Note to Regions: This expense category equates to C1-Outreach, Admissions in the internal DOL AAPP/FOP financial management system.

Line 8- Career Transition Services (CTS).

Includes costs incurred for providing post-separation career transition services to graduates and former enrollees. Expenses should be charged to this cost category only if specifically funded in the center contract. If a center contract includes CTS funding, a special “2181-OA/CTS” and “2110-OA/CTS” must be prepared in accordance with Appendix 503.

Note to Regions: This expense category equates to C2-Career Transition Services in the internal DOL AAPP/FOP financial management system.

Lines 9, 10 - Non-Standard Expense Categories. On pages 3 and 4 of the 2110, two lines are left blank in order for center operators to write in any other additional categories of expense. Expenses should be charged to a "write-in" category only if specifically funded in the center contract or the program operating plan. One example of a "write-in" category is the travel/logistical support function at the Potomac Job Corps center.

Please note that most pilot projects conducted at Job Corps centers are not reported in a "write-in" category. This is because the pilot efforts normally involve variations on or augmentations of normal service delivery programs -- e.g., implementing newly developed academic curricula in order to test their effectiveness. The types of activities funded in Job Corps pilot efforts usually fit within the scope and purpose of established center operations cost categories. Therefore, expenditures for Job Corps pilot efforts must normally be budgeted and reported appropriately within the structure of pre-printed standard cost categories.

Also note that neither “phase-in” nor “phase-out” costs should be reported as write-ins on lines 9 or 10. These types of expenditures should also be budgeted and reported appropriately within the structure of pre-printed cost categories. DOL Regional Offices will not require separate reporting or vouchering of either phase-in or phase-out expense.

Line 11a - Subtotal of Operating Expense. In 2110 page 3/Sec E and page 4/ Sec E, Line 11 provides the totals of all expense categories. Immediately below, Line 11a shows the subtotal of Operating Expense. This is the Line 11 total minus the amount in Line 2 for Construction/Rehab. The Line 11a Subtotal of Operating Expense is intended to reflect expenses that are financed and paid from Job Corps appropriations of Operating Funds, while Line 2 Construction/Rehab is intended to reflect expenses that are financed and paid from Job Corps appropriations of CRA funds.

D. JOB CORPS CONTRACT CENTER 2110 FINANCIAL REPORT

1. Purpose of the 2110.

The Job Corps 2110 Center Financial Report is used by operators of contract centers to report accrued expenses and other pertinent data necessary to analyze cost trends and cost effectiveness in center operations, with a sharp focus on current contract year expenses.

2. Originators.

These reports are prepared and submitted by organizations that have a contract to operate a Job Corps center. Where there is more than one contractor at a particular Job Corps center, each with specific center responsibilities and a separate contract with DOL, each contractor will complete this report for their area(s) of responsibility.

Also, a separate set of reports may be required for major program components falling under one contract (e.g., satellite center versus main center) if requested by the DOL-Job Corps Regional or National Office.

3. Time Frames.

a. Contract Years.

It is a required practice to segment the performance period of a center operations contract into “contract years”. It is desirable that each contract year have a duration of one full calendar year (365 days or 366 days, depending on leap year).

- A Contract Year May Not Exceed One Full Calendar Year. The technical parameters of the JDCD-FMS system do not allow any contract year to have a duration that exceeds one full calendar year.

- A Contract Year May Be of Lesser Duration. JCDC-FMS does permit a contract year to be of lesser duration than a full calendar year. This is to accommodate certain exigencies. A typical example of this would be a unilateral contract extension (usually of about four-month duration) that is issued to provide continuity of operations after the final option year contained in the original contract. In this situation, the extension should be treated as a new contract year.

  Note: If it becomes necessary to issue further contract extensions, these extensions should be incorporated into the contract year that was established via the original extension, provided that the total new contract year duration does not exceed a full calendar year.

b. Reporting Periods.

The reports will display line item data on costs for the:

- Current month.

- Cumulative costs incurred to date in the current contract year (year 1, 2, 3, 4, 5, 6, or 7), whichever is in effect at the time).

- Cumulative costs incurred to date from the inception of the contract (i.e., from the first day of the contract performance period).

The 2110 report normally displays data for a full calendar month. However, if a contract begins on a date other than the first of the month, the first report will report costs for the period from the contract beginning through the end of the first calendar month.

If a contract year ends on a day other than the last of the month, it will be necessary to submit a 2110 report for the portion of the month which ends on the final day of the contract year as well as a second 2110 report for the portion of the month that falls within the next contract year. For example:

- The contract year begins March 15, 2010 and ends March 14, 2011. In March 2010 the only costs to report are for the period March 15 through March 31; and a report will be submitted reflecting actual and budgeted expenses for only this period.

- In March 2011 two reports must be submitted. The first report will constitute the final report for the just-completed contract year and in the "current month" columns will report expenses during the period of March 1 through March 14. The period-ending date would be reported as March 14, 2011.

- The second report for the month will constitute the initial report of the new contract year, and in the "current month" columns will report expenses during the period of March15 through March 31.

4. Reporting After Contract Expiration (Post-Expiration 2110's).

When a contract expires, it is of course necessary to submit a fully detailed 2110 with a report period ending date that coincides with the contract expiration date. Thereafter, the monthly reporting requirement for the contract continues until all undelivered commitments and unvouchered accounts payable are liquidated. It is necessary to continue to submit 2110 reports until financial activity under the contract has ceased. However, such post-expiration 2110 reports will not display the annual budgets, the planned expense-CYTD, or the variance data that normally appear on page 2 of the 2110, columns (b), (c), (e) and (f).

If there is no financial activity in a month, only a completed page 1 must be submitted, and should be noted "NO ACTIVITY" in block 3a of page 1 of the 2110. The "Period Ending" will always be shown as the current reporting month, not the month in which the contract expired.

After liquidation of all obligations, no further reports are required on an expired contract until close out. This last report should be marked "FINAL-PENDING CLOSE OUT" in block 3a on page 1 of the 2110. If there are adjustments to costs that need to be reported when the contractor submits its formal close out package to DOL, a final 2110 report must be submitted in FMS to reflect any changes to costs. This report should be marked "FINAL/CLOSE OUT" in block 3a on page 1 of the 2110; and the date entered in block 3 on page 1 of the 2110 should be on or a few days before the submittal date of the contractor's closeout package.

5. Accrual Reporting.

Costs reported on the 2110 must always be on the accrual basis, i.e., the cost of materials and services used, or issued from inventory (not when received), regardless of when the purchases are made or when invoices are received or paid. Many costs, such as Medical, Mental Health and Dentist Fees, hospital charges, GSA charges, utility costs, subcontract costs, and telephone bills, as a few examples, are not normally invoiced promptly. It is important that all such charges, including earned, but unpaid salaries and payroll related costs, be accrued so that reported costs include all incurred expenses. Please note the following points:

- **Earned but unpaid leave will not be accrued, reported as expense, or vouchered.** Earned leave that is paid when an employee terminates from the center will be reported as personnel expense when paid and will be vouchered at that time.
- **Prepaid items should be expensed as consumed**. The full amount of a prepaid item (such as off-center tuition or insurance premiums) may be vouchered, but the portion of the cost that is allocable to future months is not expensed on a 2110 cost report since the cost applies to a future period. The expensing of prepaid items is normally accomplished via simple time-based proration of the full prepaid amount until the time period covered by the pre-payment has been completed.

6. Error Corrections.

A corrected report for a given month may be submitted, but only if the report for the following month has not yet been submitted. Otherwise, any adjustments made to correct erroneous information on past reports (contract to date adjustments) **will be reflected in the current month's expenses;** and the adjustment must be explained in the Variance Exceptions/Comments section. Errors are always to be avoided, of course; but it is particularly important to ensure that reports submitted for the ending dates of contract years are as free from errors as possible.

7. Preparing and Submitting the 2110 Report.

Contractors submit their 2110 reports using DOL's web-based Job Corps Financial Management System (JC-FMS) that is administered by the Job Corps Data Center (JCDC). The JC-FMS has been designed in a way that minimizes the volume of data that must be entered each month and that ensures consistency and accuracy in all internal mathematical operations present in the report. Contractors may obtain detailed guidance and training on FMS procedures for entering and submitting 2110 reports from JCDC representatives.

With respect to time-frames for the submittal of monthly 2110 reports, contractors must prepare and submit them into FMS by no later than the 20th of the month following the reported month.

8. Descriptions and Definitions of 2110 Data Items.

Detailed instructions and guidance for entering 2110 data into FMS is available from JCDC sources. The following discussion is not intended to supply instructions for entry of 2110 data, but is intended to provide detailed definitions and descriptions of the information that appears on a submitted 2110 report when it is viewed in its printable output form.

a. 2110 Page 1

1. Center Name. This is the name used to identify the center for which the report has been submitted as that name has been registered in JCDC-FMS. If the report is for a major component as previously described, the component name will appear after the center name e.g., "Pine Top-Utopia Satellite." Center names are spelled out fully. Abbreviations are not used. The words "Job Corps Center" are not used as part of the center name. The center name appears at the top of each succeeding page of the 2110 report.

2. Contractor Name. This is the name of the contractor organization as that name has been registered in the JCDC-FMS. The expectation is that this name will match that which appears on the formal center contract documents. The contractor name appears at the top of each succeeding page of the 2110 report.

3. Report Period Ending. This is the last day of the calendar month for which the report is being prepared. The date will be for the current month even if the report is for an expired contract. The only exception will be for contract year-end reports in contract years which end on any day other than the last day of the month as discussed in previous section on time frame. The report period ending date appears at the top of each succeeding page of the 2110 report.

4. Contract Number. This is the DOL identification number of the contract for which data is being reported as that number has been registered in JCDC-FMS. The contract number appears at the top of each succeeding page of the 2110 report.

5. Latest Contract Modification Number. This is the number of the latest contract modification in effect on the final day of the reporting period and which had been recorded in the JCDC-FMS at the time when the 2110 report is submitted.

6.a. Approved Budget No. This is the number of the latest approved 2181 budget submission.

6.b. Pending Proposal Date. If the contractor has submitted a proposal to the regional office that has not yet been returned to the contractor, this is the date that the budget was sent to the regional office.

7. Duration of Contract.

Begins: This is the inception date of the contract (i.e., the very first day of the contract performance period).

Ends: This is the current expiration date of the contract (i.e., the very last day of the contract performance period as currently stated or reflected in the latest contract modification.

8. Student Years (SY's) Produced, Contract Year-to-date (CYTD)

Note: Block 8 is left blank in post-termination 2110's.

a. Current Month Planned Average OBS. This is the planned average OBS for the month (or partial month) being reported according to information stored in the JCDC-SSR (JCDC-Student Strength Report database).

b. Current Month Actual Average OBS. This is the average number of students on-board during the month (or partial month) as reflected in the JCDC-SSR.

c. Capacity Percent Current Month. This is the current month actual OBS as a percent of planned average OBS. This is calculated as the value in 8b divided by the value in 8a.

d. Planned SY, CYTD. This is the planned number of Student Years for the contract year through the current reporting period according to information stored in JCDC-SSR. This reflects the average planned slot capacity during the CYTD period, which is then prorated to an annualized figure (number of days in CYTD / 365 days) to yield Planned CYTD SY's.

e. Actual SY, CYTD. This is the actual Student Years produced during the CYTD period according to information stored in JCDC-SSR. This reflects the average actual on-board strength during the CYTD period, which is then prorated to an annualized figure (number of days in CYTD / 365 days).

f. Capacity Percent, CYTD This is the contract year-to-date actual student years produced as compared to plan. This is calculated as the value in 8e divided by the value in 8d.

g. Slot Capacity @ End of Report Period. This is the planned slot capacity on the final day of the report period according to information contained in JCDC-SSR

9. Student Year Cost.

Note: Block 9 is left blank in post-termination 2110's.

a. Planned for CYTD. This is the planned cost CYTD from 2110 page 2, line 30, column (c), divided by planned SY CYTD as displayed in item 8d above.

b. Actual Cost/SY, CYTD. This is the actual cost CYTD from 2110 page 2, line 30, column (d), divided by actual SY CYTD as displayed in item 8e above.

10. Expected Underrun if OBS is Less than 98.0%.

Note: Data is shown in this block only if the value in item 8f is less than 98.0%. Also, block 10 is left blank in post-termination 2110's.

a. Expected Savings per SY Not Delivered. Item 9a (Planned Cost per SY) x 15%.

b. SY Shortfall, Contract Year-to-date. Item 8d (Planned SY, CYTD) minus Item 8e (Actual SY, CYTD).

c. Minimum Underrun Expected. Item10a x item 10b.

d. Reported Variance, Excluding. This is the CYTD center operations cost variance reported on page 2, line 30, column (e). An underrun will be positive. An overrun will be negative.

e. Underrun Deficit. If item 10d is greater than item 10c, this data cell is left blank. Otherwise, enter item 10c minus item 10d. Entry in 10e is always required if 10d entry is a negative number. The amount in item 10e is that portion of the expected underrun that has not been obtained. Provide explanation in the Variance Exceptions and Concerns section on page 5.

11. Signature of Authorized Contractor Representative. This block shows the name of the authorized contractor representative who is submitting the 2110 to DOL via the FMS. The signature line is reserved for use when the necessary e-signature technology is applied.

12. This is the date when the report was formally submitted into JCDC-FMS.

b. 2110 Page 2

A. CENTER NAME. Same as Page 1, Block 1.
B. CONTRACTOR NAME. Same as Page 1, Block 2.
C. PERIOD ENDING (Date). Same as Page 1, Block 3.
D. CONTRACT NO. Same as Page 1, Block 4.

E. Basis for Planned Expense, CYTD (Prorated vs 2181 Custom Detail Budget). This indicates whether the contractor has elected to report Planned Expense-CYTD in column (c) as either a pro-ration of the ETA 2181 full contract year amounts or in amounts that are taken from month by month Custom Detail budget.

F. CONTRACT YEAR BEGINS, ENDS: Beginning and ending dates of the current contract year.

G. NET CENTER OPERATIONS EXPENSE. Following are descriptions and definitions for entries in columns (a) through (g).

Expense Categories Column. See the Cost Category Section of this Appendix for definitions.

Current Month Actual (a). This column displays the actual net expenses for the current month for each expense category.

Budget for this Contract Year (b). This column displays the budgeted amount for the entire contract year for each expense category as shown on the latest approved 2181 budget. If a submitted budget at the beginning of a contract has not yet been approved, the submitted budget amounts will be used since no other budget is available.

Planned Expense-CYTD (c). This column displays the amount of expense for each expense category which has been planned (budgeted) to accumulate from the start of the current contract year through the end of the reporting period (i.e., contract year-to-date/CYTD). The center has an option whether to report budgeted costs derived prorata (straight line budget) from the ETA 2181 or a custom detail budget as discussed in section E above. The option may not be changed during a contract year.

Prorated from ETA 2181. The amount reported will be the current year's straight-line budget through the end of the reported month. These amounts are prorated by a factor that is calculated as follows: Days From Start Of Contract Year Through End Of Report Period divided by Days In Full Contract Year.

Budget from Custom Detail Budget. The amount will be the current year's cumulative monthly budget through the end of the current month.

Actual Expense-CYTD (d). This column displays actual net expense that has accumulated since the beginning of the current contract year.

Variance (e). This is the difference between CYTD planned expense versus CYTD actual expense, computed as column (c) less column (d). If the actual expense exceeds the budget (an overrun) the variance will be in brackets (negative variance).

Variance Threshold (f). This column displays the variance thresholds that, if exceeded (plus or minus), require the center operator to enter narrative explanations and corrective action plans that will appear starting on page 5 of the 2110 report. The variance threshold amounts are calculated in accordance with the formulas discussed in the earlier section on Display and Evaluation of Variances.

Cumulative Expense from Inception (g). For each expense category this is the actual net expense that has accumulated since the very beginning of the contract.

Column Totals (Line 30). Column totals appear on line 30.

c. 2110 Page 3

A. CENTER NAME. Same as Page 1, Block 1.
B. CONTRACTOR NAME. Same as Page 1, Block 2.
C. PERIOD END DATE. Same as Page 1, Block 3.
D. CONTRACT NUMBER. Same as Page 1, Block 4.

E. NET CENTER ACTUAL EXPENSE-ALL CATEGORIES.

Following are descriptions and definitions for amounts appearing in columns (a) through (d) in Section E:

Expense Categories Column. See the Cost Category Section of this Appendix for definitions.

Contract Year-to-date (b). This column displays the actual net expense that has accumulated since the beginning of the current contract year.

Cumulative Through Prior Year (c). For each expense category, this column displays the Cumulative From Inception (d) reported through the end of the prior contract year. In the first year of the contract this column will be blank.

Cumulative Expense from Inception (d). For each expense category, this column displays the actual net expense that has accumulated since the very beginning of the contract

Column Totals (Line 11). Column totals for lines 1 - 10 are displayed on line 11.

F. INVENTORY ACTIVITY.

Contractors are encouraged to maintain inventories at levels necessary to support the mission without unnecessarily crowding storage facilities and creating a burdensome physical inventory system. Centers are permitted to use just-in-time ordering and immediately expense supplies and materials as long as the supplies and materials will not be warehoused, but will be immediately distributed for consumption. Supplies and materials for which on-hand quantities of 30 days or more are maintained will be recorded in the center/contractor accounting system as inventory. Adequate and accurate accounting for inventory, through perpetual inventory records, is essential for proper control of financial resources and reporting of costs and government assets.
It is important to note that inventory is a government-owned asset and must be protected and accurately reported. All receipts and issues in the inventory accounts must be recorded. Abnormally high or low usage in a particular category may not be evident if records do not reflect total usage. Proper recording of accruals will keep discrepancies between book value and physical inventory count to a minimum. Periodic adjustments that are needed to achieve agreement with the physical count must be reflected in the records of issues and in the appropriate expense categories.

Inventory records must be maintained for CTST materials, but will not be reported on the ETA 2110. These inventory records must be available for review during Regional assessments and audits.

Categories.

- Clothing (Column a). This will include career technical training, recreational and issue clothing that will be charged to the appropriate expense category when issued.

- Food (Column b). This will include all stored food items that have not been issued to the kitchen for use.

- Medical/Dental (Column c). This will include all Medical/Dental supplies no matter where stored (consistent with requirements, elsewhere in PRH, pertaining to control inventories of medical supplies until dispensed to users.

- Fuel Oil (Column d). This will include the current value of stored fuel oil and propane, as discussed under "Inventory Valuation Method" which follows.

- Other (Column e). Any inventory which does not belong in Clothing, Food, Training, Medical or Fuel Oil will be reported as Other Inventory, but will be charged to the appropriate expense account when issued (e.g. 02-Academic Other expense for academic instructional materials, 04-Career Technical Training Other expense for career technical training materials and supplies, and so forth).

- Total (Column f). The total of columns (a) through column (e) on each line.

Contract Value Amount That is Budgeted for Inventory Change (Column g). If this is the first contract for a new center, enter the dollar amount reflected in the current estimated cost of the contract that were expressly budgeted to establish a working inventory. If this is a contract for an established Job Corps center, and the estimated cost of the contract expressly provides for an increase to inadequate inventory levels that were carried over from the prior contract, enter the dollar amount thus included in the contract's estimated cost. Otherwise, this amount is zero.

Stub Item Definitions. Following are descriptions and definitions for the amounts displayed in Rows 12, 13, and 14.

- Row 12 – Value of Inventory at Contract Inception. At the expiration of a contract, a physical inventory must be taken to determine the ending inventory of the old contract and the carryover to the new contract. The amounts on Row 12 represent the value of the inventory reported at the end of the predecessor contract. Any adjustments required as a result of the physical inventory must be recorded on the predecessor contract inventory and the adjusted balance reported as the carryover to the new contract (Value of Inventory at Contract Inception). If inventory is received on the basis of undelivered commitment after expiration of the of the predecessor contract and is paid for under the predecessor contract, it will be treated as a receipt under the predecessor contract and reflected in the new contract on Row 12.

- Row 13 – Net Inventory Change. The amounts on Row 13 represent the net change in the value of inventory since the inception of the contract, which is a function of Receipts less Issues. Following are guidelines for the treatment of receipts and issues.

    - Receipts, The receipts that are reflected in the Net Change amount are cumulative receipts from contract inception through the end of the current reporting period, including accruals. Also recall that receipts resulting from Undelivered Commitments on an expired predecessor contract will be reported on the expired contract. Prior contract inventory carry-over is not recorded as a receipt. Inventory received at no cost to the current center contract (i.e., surplus, commodities, donations) will be recorded at zero cost on inventory records. Any freight charges, incurred on no cost inventory, may be charged to the benefiting expense category.

- Issues,. The issues that are reflected in the Net Change amount are cumulative from contract inception through the end of the current reporting period, including issues of accrued receipts as recorded in the perpetual inventory records or physical inventory count (beginning inventory, plus receipts, minus ending inventory equals issues). Issues out of the prior contract's inventory balance that was carried over will be recorded as issues in this contract.

An expired contract should not report any issues unless there is an adjustment pertaining to a prior period. If issues are reported for an expired contract, the reason must be explained in the Exceptions section (Page 5) of the 2110 report for the expired contract. Inventory received at no cost to the center will be issued with no cost recorded.

Inventory stored in a using area must not be considered as issued if the amount on-hand exceeds a 30 day supply. Materials transferred to using areas will only be considered as "Issues" when the amount of material does not exceed a 30-day supply. Excessive amounts of inventory can be accumulated when there is no accounting for materials and it can become difficult, if not impossible to know when to reorder. This can create shortages of needed materials or amounts in excess of requirements.

If a physical inventory reveals a shortage, or excess material is disposed of by Federal Excess Property Procedures, the contractor's inventory records should reflect an appropriate increase in issues ; and this adjustment should be described and explained in the Variance Exceptions and Concerns section of the ETA 2110 (page 5) of the next available 2110 report. Current month expense reported in the 2110 will be increased by the amount of the adjustment.

If a physical inventory reveals an overage, the contractor's inventory records should reflect an appropriate reduction in issues; and this adjustment should be described and explained in the Variance Exception section of the next available 2110 report. Current month expense reported in the 2110 will be reduced by the amount of the adjustment.

Minor variances from the perpetual inventory are expected, but if physical inventories continually reveal large discrepancies, the record keeping must be examined to determine the cause and corrective action instituted. It is necessary that all adjustments be processed through issues since issues determine reported cost.

Issue value may be determined on the Average Unit Price Method (described below) or on the First-In, First-Out Method; no other pricing method may be used.

Average Unit Price. This accounting method prices all issues from inventory at the average unit price of all like material in stock at the time. The advantage of this method is that, although based on actual costs, it equalizes price fluctuations over the period of use. Enter on the property record (stock cards) receipts, issues, and balances on hand. Use two vertical, parallel columns, one for quantity and one for monetary value. When materials are received, enter the actual quantity and the price paid in the received columns. Add to the total shown in the balance columns. When materials are issued, the appropriate average unit costs are easily calculated; divide the current total balance value by the balance quantity. This average unit cost is used to determine the issued value, which is then deducted from the balance value and the issued quantity, which is deducted from the balance quantity. The average unit cost may be noted on the top of the page of individual property records. There is no need to re-compute the average unit cost unless there are additional receipts between the last and the upcoming issue.

First-In, First-Out. This accounting method prices all issues from inventory at the actual cost of the material issued. This method assumes that the first material issued was the first received, even when the actual material cannot be identified as to receipt date, and the issue is priced at the cost of the oldest inventory in stock.

- Row 14 – Value of Inventory at Report Date (Lines 12 + 13) These amounts are a function of Value of Inventory at Contract Inception plus Net Inventory Change. Note that this is the current computed book value of the inventories.

G. Center Operations Expense - Reconciliation of Contract Value with 2110 Data (for Contract Years 2 and Above).

This section identifies inconsistencies between a) the official contract estimated cost for center operations expense and b) data contained in the 2110 report.

Line 15 - Cumulative Cost thru Prior Year. This is the same amount as shown on this page 3, in Section E, line 1, column (c).

Line 16- Annual Budget for Current Year. This is the same amount as shown on page 2, in Section G, line 30, column (b).

Line 17 - Implied Contract Value. Calculated as the sum of entries in lines 15 and 16. In the framework of data contained in the 2110, this is the expected cumulative center operations expenditure through the current contract expiration date, but netting out any budgeted expenditure for inventory increase.

Line 18 - Contract Value per Latest Mod. This is the total current estimated cost for center operations expense as stated in the contract Estimated Cost clause for the full contract period as per the latest contract modification.

Line 19 - Variance (Line 17 less Line18). This is the variance between the official contract estimated cost for center operations expense and the cumulative spending target reflected in the 2110 report. Variances greater than $1,000 need to be reconciled either by revising the 2181 budget for the current contract year or by seeking a contract modification from DOL to amend the estimated cost.

H. Center Operations Expense - Reconciliation of 2181 Prior Year Cum with 2110 Data (for Contract Years 2 and Above).

This section provides for the identification of any discrepancy between the cumulative through prior year center operations expense reported on the 2110 report and the amount that is stated in the currently approved 2181 budget

Line 20 - Cumulative Cost thru Prior Year. Same as amount on page 3, in Section E, line 1, column (c).

Line 21 - Prior Year Cum per Approved 2181. In the currently approved 2181, this is the amount on line 31 in the Revised Budget column.

Line 22 - Variance (Line 20 less Line21). This is the variance between 2110 data and 2181 data concerning cumulative expense through the prior contract year. Any reported variances must be reconciled, normally by revising the 2181 budget for the current contract year.

d. 2110 Page 4

A. CENTER NAME. Same as Page 1, Block 1.
B. CONTRACTOR NAME. Same as Page 1, Block 2.
C. PERIOD END DATE. Same as Page 1, Block 3.
D. CONTRACT NO. Same as Page 1, Block 4.

E. CONTRACTOR OBLIGATIONS. This section reports the status of all center obligations for the full contract period to date, in relationship to contract funding (also referred to as “funds available”) and value (also referred to as “estimated cost”). This information is supplied for each applicable major contract budget line item. Following are descriptions and definitions for entries in columns (a) through (i) in this Section E:

Expense Categories. See the Cost Category Section of this Appendix for definitions. All major budget line items reflected in the contract estimated cost clause are reported in this Section E. Line 11 is used to report the columnar totals or averages of columns (a) through (h). Line 11a is used to report columnar subtotals of Operating Expense, which are calculated in terms of Grand Total amounts on Line 11 less Construction/Facility Rehab amounts on Line 2.

Vouchered Reimbursable Expenses (a). The amounts in column (a) for each applicable expense category represent the total amount of all vouchers submitted to DOL for payment for the contract to date, including the voucher prepared for the reported month. Please refer to discussion of vouchering criteria in previous section.

Unvouchered Reimbursable Expenses (b). The amounts in column (b) for each applicable expense category represent the current total of all reimbursable amounts due the contractor, but not yet submitted on a voucher. Examples follow:

- Invoices paid but not included on a voucher because of early cut-off.
- Indirect Administrative Expense accrued on Unvouchered Accounts Payable accruals.
- Accounting errors, which omitted items from the voucher.
- Amounts which exceed the amount of funds available in the contract as per discussion of vouchering criteria contained in the later section on Vouchering.

Unvouchered Accounts Payable (c). The amounts in column (c) for each applicable expense category represent the current total of all accruals as per the discussion of accrual reporting contained in a previous section.

Undelivered Commitments (d). The amounts in column (d) for each applicable expense category represent the current total of the value of all undelivered goods and services for which the center has made commitments, but has not yet received the material or service. This is simply the total of all open purchase orders. These are firm commitments only and therefore do not include total blanket purchase orders, but do include orders placed for current delivery against such open or blanket purchase agreements. This column is **not** used to report subcontracts or long-term leases for equipment or facilities.

It is essential that all commitments to each contract be shown accurately so that users of this report will receive reliable information on the status of contractor obligations. When a contract expires, only the commitments made before the expiration of the contract may be paid from that contract.

If payments are made by the contractor after the expiration of a contract for the cost of unrecorded commitments, the contractor must be able to document that the firm commitments were made prior to contract expiration. An auditor may recommend disallowance for costs where the commitment date is questionable.

Total Obligations (e). The sum of the previous four columns (a through d) represents the total obligations of the center.

Note: It is particularly important that the total obligations (and its constituent parts) be reported accurately in the 2110's that are submitted upon contract expiration. This is so in view of the normal DOL practice to remove excess funding from an expired contract based on the difference of Actual Funding minus Reported Contractor Obligations. At the same time, DOL procurement officials are cautioned to avoid the unnecessary administrative burdens that often result from hasty de-obligation of unvouchered funds which will later be needed to cover a contractor's unvouchered reimbursable expenses and payables and its undelivered commitments.

Contract Funding (f). The amounts in column (f) for each applicable expense category represent the current total contract funding as stated in the contract Summary of Funds Available clause, per the most recent contract modification that was effective prior to the end of the reported period.

Percent of Funding Obligated (g). These percentages are calculated by dividing the Total Contract Obligations, column (e) by Total Contract Funding, column (f).

Contract Value (h). The amounts in column (h) for each applicable expense category represent the current total contract estimated cost as stated in the contract Estimated Cost and Fixed Fee clause, per the most recent contract modification that was effective as of the end of the reported period.

Percent of Value Obligated (i). These percentages are calculated by dividing Total Contract Obligations, column (e) by Total Contract Estimated cost, column (h).

Percent Performance Period Completed (i). The percentage figure in the cell below Line 11 is provided as a basis of comparison with percentages of contractor obligations versus contract value. The percentage value in this is cell is calculated by dividing the number of days from the inception date of contract through report period end date by the number of days from the inception date of the contract through the current expiration date of the contract.

F. VOUCHER RECONCILIATION. This section reports information that identifies any discrepancies between certain data on the 2110 report and data appearing on the voucher submitted by the contractor for the end of the same period being reported on the 2110. In the title box of this section F, the contractor's identifying number of the voucher submitted for the end of the reported period is supplied, along with the contractor's signature date on that voucher.

Operating Expense (a) versus Facility Cnst & Rehab (b). Column (a) is used to provide information concerning operating expense, which includes all expense categories other than Construction and Rehab. Column (b) is used to report amounts for Construction and Rehab; and column (c) provides the totals of amounts in columns (a) and (b). This segregation of Job Corps funds into two primary categories reflects the Congressional appropriation for Job Corps. Separate amounts are appropriated for operating expense versus facility construction and rehab.

Cumulative Vouchered, (Line 12). The amounts on line 12 represent the contract inception to date totals of amounts vouchered for operating expense and facility construction & rehab, respectively. The combined total of both categories is shown in column (c). This information is taken from the required back-up page submitted with the voucher for the end of the reported period.

Difference with Section E, Column (a), (Line 13). Line 13 shows any differences between the amounts appearing on line 12 (taken from the voucher back-up sheet) and the amounts appearing in column (a) of section E above.

Explanations. If any differences are reported on line 13, an explanation should also appear in the space provided.

G. ADJUSTMENTS TO EXPENSE. This section displays information that may be used to help determine the reasonableness of accruals reflected in the expense data that appears on Page 3, Section E of the 2110 report. This is done by accounting for the differences between amounts in Page 3, Section E versus those in Page 4 Section E.

Operating Expense (a) Versus Construction/Facility Rehab (b). In Section G, Column (a) is used to provide information concerning operating expense, which includes all expense categories other than Construction and Rehab. Column (b) is used to report amounts for Construction and Rehab; and column (c) provides the totals of amounts in columns (a) and (b).

Page 4 Total Expense (Line 14). The amounts on line 14 represent the sums of vouchered reimbursable expense, unvouchered reimbursable expense, and unvouchered accounts payable, and are taken from Page 4, Section E, Columns (a), (b), and (c).

Page 3 Total Expense (Line 15). The amounts on line 15 are taken from Page 3, Section E, Column (d). The Operating Expense amount is taken from Line 11a and the Construction/Rehab amount is taken from Line 2.

Net Adjustment (Line16). The amounts on Line 16 are equal to Line 14 amounts less Line 15 amounts. These represent differences between the Total Obligations reported on Page 4 (excluding Undelivered Commitments) minus the Total Expense amounts reported on Page 3 in Section E. The lines provided immediately below line 16 are used to reconcile these differences and consist of:

Line (a) Prepaids. The amounts on Line 16a represent unaccrued prepaid expense reflected in Line 14, above. The term “prepaids” refers to items that have been paid for in advance by the contractor but not yet consumed or utilized by the center. As used for purposes of this report, the term “prepaids” excludes any items that are reported on page 3 in Section F (Inventory Activity). Typical prepaid items might include insurance premiums and tuition payments for students and staff.

Line (b) Center Ops Inventory Change. This amount is taken from Page 3, Section F, Line 13, Column (f).

Line (c) Other Adjustments. The amounts displayed on Line 16c represent any remaining balances to the Line 16 Net Adjustments that are not resolved by Prepaids and/or Center Operations Inventory Change. Normally, these entries will be “zeros.” Any entries other than “0" must be explained in the space provided.

e. 2110 Page 5

A. CENTER NAME. Same as Page 1, Block 1.
B. CONTRACTOR NAME. Same as Page 1, Block 2.
C. PERIOD ENDING (Date). Same as Page 1, Block 3.
D. CONTRACT NO. Same as Page 1, Block 4.

E. VARIANCE REASONS/SOLUTIONS.

This section automatically identifies each Line Item on Page 2 where actual expense differs from planned expense by a significant margin (referred to as the variance threshold). Other reportable anomalies from Pages 3 and 4 are also automatically identified. For each Page 2 Line Item Variance or other anomaly that is listed, there is a block that shows the dollar amount of the variance / anomaly, along with blocks in which preparers of the 2110 report are required to supply both reasons for and the resolutions of these variances and anomalies. The following guidance and advice is provided to those who formulate the reason and resolution statements:

Reasons. The Reason Block is used to explain the cause of the variance or anomaly and its present and future impact on center costs and program performance. It is often the case that the reasons for variances cannot be determined solely by the finance department of the center. Input should normally be sought from appropriate program managers. The discussion of the reasons for a variance or anomaly should be brief, but clearly stated so that they can be understood by a reviewer not aware of specific conditions at the center.

Resolutions. The Resolutions Block is used to briefly explain the action that has been taken or is planned to be taken to correct or resolve the variance or anomaly. Preparers are advised that simple repetition of resolution statements from month to month to month suggest that the planned actions are either ineffective, inappropriate or not being implemented. If no action is possible, it should be so noted and explained.

E. CONTRACTOR VOUCHERING

If any of the below guidance on vouchering is in conflict with the particular terms of a center contract, the contractual terms shall prevail. The below guidance is intended to describe the standard vouchering practices now in use for center operations contracts and should be followed to the extent not contradicted by specific contractual terms.

1. Basic Parameters.

Vouchers submitted for payment by contractors must include only those amounts actually paid by the center and amounts earned by and due to the contractor (indirect administrative expense and fee). The requirement for payment of costs before vouchering are considered met if all of the following conditions exist:

- Contractor has received the material or service.
- An invoice has been received.
- The center paid or has begun processing documents for payment.

2. Frequency of Vouchering.

Contract centers may normally submit vouchers no more than twice a month. The first voucher will cover the first of the month through the fifteenth; and the second voucher will cover the sixteenth through the end of the month. The amounts reported as Vouchered Reimbursable Expense on page 4 of the 2110 must agree with the month-end vouchers. The voucher for the first through the fifteenth of the month will be a reasonable estimate of voucherable costs for the period and will normally not exceed 50% of the current month's budget.

3. Special Considerations.

The following considerations also apply to vouchering by center contractors:

- The amount vouchered **may not exceed** the current funds available to the contract as stated in the Funds Available Clause of the contract. This restriction applies separately to: (a) Construction/Rehab (CRA) expense; and (b) Operating expense (which consists of the combined total of the following major line items: Center Operations; Equipment; GSA Vehicle Rental, CTST; Outreach / Admissions; Career Transition Services; Student Transportation; and write-in Support expense categories. Due to these particular restrictions on vouchering by contractors, it is important that DOL staff and officials prepare incremental contract funding actions in a timely and accurate manner.
- All salaries and fringe benefits earned during the month, whether paid or unpaid at month end, other than unpaid leave, will be accrued and reported as expense and may be vouchered. Unpaid leave **is not** to be vouchered, accrued or reported as expense.
- GSA vehicle expense (mileage-Motor Vehicle Expense, and monthly amortization charge - GSA Vehicle Rental) charges tend to be late in billing and **both charges**

must be accrued and the costs reported, but not vouchered, until the above stated conditions for vouchering have been met.

- Inventory purchased, but not issued, is not reported as expense, **but the cost is vouchered if it meets the vouchering criteria**.
- Prepaid items (such as insurance premiums or off-center tuition) are expensed as the services are consumed, **but the full cost is vouchered if it meets the vouchering criteria.**
- Base/Fixed fee and Incentive fee are vouchered and expensed as explained in the earlier description of Lines No. 28 and 29.
- Prior payment requirements do not apply when the contractor is a Small Business Concern, FAR 52.216-7(c). <u>Nonetheless, the cost of undelivered commitments is not billed, nor can accrued leave be billed.</u>
- Vouchers may continue to be submitted after expiration of the contract as circumstances warrant (late billings submitted to and paid by contractor, adjustments for incentive fees, and so forth). Post-expiration vouchers that are submitted prior to formal contract closeout (which cannot occur until final indirect cost rates have been determined) should be marked: **INTERIM FINAL PENDING CLOSEOUT.**

4. Formats and Information Required.

- Center contractors will submit, to the Regional Office only, an original plus two (2) copies of the voucher claiming reimbursement for provisional payment.
- The voucher will be prepared on SF 1034.
- The voucher shall break out the total Job Corps funds being requested into CRA costs and Operating costs for the current voucher period.
- The voucher must bear a certification by the contractor that the amounts vouchered do not exceed the amount of funds available in the contract.
- Month-end voucher backup sheets must reconcile exactly to the Center Financial Report (Form 2110) which is submitted for that month.
- The voucher must be accompanied by a backup sheet to substantiate certain data.
- Provided as Exhibit 502-1 is a sample of a completed voucher, SF 1034.
- Provided as Exhibit 502-2 is a sample of the required backup sheet, including instructions for its preparation.

5. Advance Payment Arrangements.

Some center contractors are eligible to receive advance payments. Those who elect advance payments will receive them in the form of draw-downs from the Health and Human Services Payments Management System (HHS-PMS). Instructions for draw-downs will be provided from the Regional Office.

F. LIQUIDATED DAMAGES

1. Assessment Amounts.

As a means to promote program integrity and to ensure that Job Corps students receive the services for which DOL expends public funds, DOL shall assess contractors for liquidated damages for misreporting of student achievement data. The amount of the assessment for each instance of verified misreporting will be based on the following schedule:

- Invalid HSD/GED Credit: $500 for each instance.
- Invalid Career Technical Training Completion Credit: $750 for each instance.
- Artificially Extending Enrollment and/or Invalid Leave Days: For each day a student is improperly carried as enrolled or carried in an invalid leave status, the assessment shall be 15% of the budgeted cost per day per student. The cost per day per student is calculated as follows: (approved center operations budget that is in place for the contract year in which the misreporting occurs) / (duration of contract year in days) / (contracted student slots for the contract year).
- Invalid Placement Credit: $750 for each instance.

2. JFAS-AAPP/FOP Considerations.

The cognizant Regional Office is responsible for promptly notifying the National Office to enter a liquidated damages assessment in the JFAS-AAPP/FOP system as a planned estimated cost reduction.

3. Contract Modification.

The cognizant DOL Contracting Officer is responsible for promptly preparing a contract modification that reduces the fee contained in the estimated cost clause by the amount of the liquidated damages assessment.

4. Recovery From Contractor Fee.

DOL will recover liquidated damages assessments through reductions in contractor fee. Upon receiving a fully executed contract modification that contains an assessment for liquidated damages, a contractor shall:

- Post the liquidated damages amount as a negative expense in the fee line item in its current year center operations budget. so that it is reflected in the very next 2110 cost report that is due from the contractor. If the contract has Fixed Fee only, the negative expense (credit) is posted in the Base/Fixed Fee line. If the contract has Base Fee and Incentive Fee, the negative expense (credit) is posted in the Incentive Fee line item.
- Duly incorporate the negative fee expense (credit) into the very next invoice that is submitted by the contractor for reimbursement of costs under the contract.

Note Concerning Repayment for Lost or Damaged Government Property: This same mechanism for re-payment via fee reduction may be employed by DOL to obtain reimbursement from a contractor for Government property that the contractor causes to be lost or damaged, or is deemed liable for loss or damage.

5. Data Correction.

The cognizant Regional Office is responsible for promptly notifying the National Office of Job Corps and the Job Corps Data Center to remove invalid credits (General Education Diploma/High School Diploma [GED/HSD], Career Technical Completion, and Placement) from the Outcome Management System (OMS). Invalid credits will be removed from each measure that is affected regardless of the report card (OAOMS, OMS, POMS, Career Technical Training Report Card [CTTRC]) or contractor responsible for the error (OA, center, or CTS). For example, where verification of a HSD has been invalidated, credit would be removed for the GED/HSD Attainment measure. In this instance, if the HSD was the sole determinant of his/her graduate status, the student would also be removed from the pool for any placement related measure(s) in the OMS, POMS, and CTTRC report cards. Similarly, a credited placement that has been found to have been misreported by a CTS provider would lead to the removal of the student from the placement pool of both the CTS and the center OMS report cards. Both scenarios hold true whether the center operator and the CTS provider are separate, or one and the same.

6. Good Faith Errors.

Contracting Officers, after consulting with appropriate DOL Job Corps officials, are permitted to exercise discretion and not assess liquidated damages in cases where it appears that the misreported data is most likely due to good faith error. Another mitigating circumstance might be where data was erroneously recorded but the student outcome was likely achieved - for example a career technical training completion, a GED credit, or a placement credit that was incorrectly reported but where there is verification that the student actually did earn the credit.

Contracting Officers may also, after consulting with appropriate DOL Job Corps officials, exercise discretion and not assess liquidated damages in cases where liability for government property has been determined and where good faith error occurred.

7. If Fraud is Suspected.

When a DOL official or staff member becomes aware of apparent fraud by a center operator or others, the matter will be reported using established channels and procedures.

G. 2181 CONTRACT CENTER OPERATIONS BUDGETS

1. Scope of the 2181.

The instructions in this Section apply only to the treatment of center operating expenses. Section G does not apply to the budgeting of capital cost categories nor to non-center cost categories, such as OA/CTS. Budgeting requirements of OA/CTS contracts or OA/CTS components within center contracts are covered in a separate PRH Appendix. Center operators should follow guidance from the regional offices regarding budgeting requirements for capital cost categories and other miscellaneous categories.

2. Purpose.

This section provides instructions for the development and presentation of line item budgets of center operating expenses. A line item budget is needed for each year that a center contract is in place. The guidelines in this section cover the initial development of line item budgets, as well as procedures for their subsequent revision. The line item budgets are intended to facilitate financial management and control by providing a detailed break out of the center operating costs that are summarized in the estimated cost clause of the center operating contract.

3. Overview of Requirements.

a. Format and Method of Preparation and Submittal.

The 2181 is prepared and submitted via entry of data in the JCDC-FMS and used to display approved or proposed line item budgets for:

- Current Contract Year.
- Next contract year, if any remains.
- Base-Year Three, if the contract is in the first year of a three-year base period.

b. Time Frames

Center operating contracts normally last five to seven years, with the final three or four years being option years that are primarily contingent on the demonstration of satisfactory contractor performance.

- <u>Contracts with Two-Year Base Periods</u>. During the first year of the contract, budgets are prepared and maintained for the “Current” Year (Contract Year 1) and the “Next” Year (Contract Year 2). Both budgets are reviewed and approved as a “set” until the end of the first year. As Year 1 is closed and Year 2 begins, what had been the Next Year budget in Year 1 becomes the “Current” budget for Year 2. At that time, it is required that a new Next Year budget be prepared for contract Year 3.

This pattern is maintained for the life of the contract.

- Contracts with Three-Year Base Periods. The requirements are essentially the same as for contracts with two-year base periods, except during the first contract year. During the first contract year (and only during the first contract year), it is necessary to maintain an additional 2181 covering the 3^{rd} contract year (which is referred to as base-year three).

c. Current Year Line Item Budgets

An approved line item budget (2181) must be in place for the current contract year. Data from the approved form 2181 that covers the current year of the contract is used in the 2110 cost reports during that year of the contract.

It should be noted that form 2181 does not call for the display of "historical" cost data on a detailed line item basis. The intent is to focus attention primarily on the current year. However, it is necessary to account for prior years' spending on a bottom line basis in order to assure reconciliation of data between form 2181 and the estimated cost clause in the contract.

d. Next Year Estimates and Base Year 3 Estimates.

The 2181 is also to maintain an updated “Next-Year” line item budget for the next available contract year, if any. This is to ensure that an agreed-to 2181 budget is in place immediately at the start of the next contract year. Whenever the current year budget is being revised, it is further necessary to: (1) identify any adjustments that are of an ongoing nature (e.g., permanently deleting or adding slots), (2) accurately calculate the impact of such changes on the operating budget for the next contract year, and (3) revise the form 2181 next-year line item budget for the next contract year accordingly.

If a contract has a three-year base period, an additional 2181 must be maintained for the third year of the base period, but this requirement applies only during the first contract year. The requirement is intended to enable reconciliation of 2181 dollar amounts and the dollar amounts for center operations expense that are contained in the estimated cost clause of the contract. Again, there is no need to maintain a “Base Year 3” line item budget after the end of the first contract year. Also note that when the second contract year begins, the “Base Year 3” budget becomes the “Next Year” budget.

e. Estimated Cost Clause

The budgetary information on the approved form 2181 that is in place for the current year must be kept in agreement with the amounts shown for center operating costs within the estimated cost clause of the contract. If a contract modification is issued that changes the total center operating cost (up or down), a revised set of forms 2181 (current year plus next contract year [two 2181 forms]) should be prepared as soon as possible after issuance of the contract modification. Conversely, if the regional office approves a change in the 2181 that affects the cumulative amount of center operating costs, then a contract modification to revise the estimated cost clause is also needed. The key point being made in this section is that the financial data in form 2181 and the data in the estimated cost clause should be kept in agreement. If these documents somehow come into disagreement, steps should be taken to resolve the discrepancy and put them back into agreement.

f. AAPP/FOP Considerations

The acronym AAPP/FOP stands for Annual Advance Procurement Plan/Financial Operating Plan and refers to the previously described JFAS system of the DOL-Office of Job Corps that is used for planning and controlling the allocation of budgetary resources. Regional offices must adhere to current internal guidelines when reviewing and considering budget increases at contract centers and formally approve only those that are within AAPP/FOP levels. If a proposed current year or “next year” increase is in excess of the AAPP/FOP levels that have been established for the contract, the region must request and obtain the appropriate AAPP/FOP adjustment from the National Office before the increase can be included in a formal contract modification. Pending activation of an IT application that will give contractors direct access to their respective JFAS AAPP/FOP reports, Regional Offices are required to provide contractors with current Estimated Cost Profiles and Fiscal Plans with every contract modification.

g. Underruns Due to Low On-Board Strength (OBS).

Contract center operators are expected to control expenditures for items that are sensitive to on-board student strength to ensure that expenditures for such items are commensurate with average student OBS. Expense items that are considered OBS-sensitive include food, clothing, and other consumables that normally comprise about 15% of a center’s operating budget. In any contract year when the center operates at less than 98% of planned capacity, the contractor will be expected to generate an appropriate year-end cost underrun as a result of reduced spending for OBS-sensitive items. The amount of the expected underrun is computed as follows: numerical shortfall in Student Service Years (SY’s) during the contract year x the budgeted cost per SY (i.e., annual operating budget/planned SY’s) x 15% = anticipated year-end underrun. Anticipated low-OBS under-run data appears automatically on each month’s 2110 cost report if capacity utilization is running less than 98.0%.

If the anticipated “low-OBS” underrun does materialize at the close of the contract year, the unspent funds will be returned to the DOL by means of a contract modification that makes an appropriate reduction in the contract estimated cost for operating expense. If an anticipated “low OBS” underrun fails to materialize in full at the end of a contract year, DOL will consider whether an adverse finding should be noted in the contractor's record of performance, based on a determination of inadequate contractor financial management; and DOL will recover via contract mod whatever portion of the anticipated underrun did materialize.

h. Underruns in Excess of Anticipated Low OBS Savings.

At the end of a contract year, if a net cost underrun is reported which exceeds the anticipated "low-OBS" underrun, DOL **may** approve the contractor's retention of some or all of the additional underrun amount by rolling it over and adding it to the operating budget for the next contract year. This under-run rollover process is intended to provide contractors with a reasonable measure of flexibility in the timing of purchases and expenditures, to provided resources for payment of staff bonuses earned on the basis of good performance in the just-ended contract year, and to avoid wasteful administrative effort that might result from a rigid requirement for DOL to recover all underrun amounts, regardless of immateriality. Following are general limitations and ground-rules for under-run rollovers:

(1) In contracts that have received an OMS rating in the Excellence range in the just-ended contract year, rollovers may be approved up to an amount that equals 4% of the annual budget for the just-ended contract year or $400,000, whichever is lower.

(2) In contracts that have received an OMS rating below the Excellence range in the just-ended contract year, roll-overs may be approved up to an amount that equals 2% of the annual budget for the just-ended contract year or $200,000, whichever is lower.

(3) The Job Corps National Director, in consideration of overall budgetary conditions, may reduce the rollover limits stated in the preceding subsections, including eliminating all rollovers. Such reductions in rollover limits will be promulgated in writing in the form of a Job Corps Information Notice.

(4) DOL may allow the conversion of any portion of the approved "roll over" amount to Equipment or CTST funding. Such conversions require the issuance of appropriate AAPP/FOP changes.

(5) With respect to treatment of roll-overs in the JFAS-AAPP/FOP system, there are default mechanisms that automatically provide for the approval of the maximum rollover amount that is consistent with current limitations and requirements.

(6) DOL may consider and approve individual exceptions to the above

rollover limits if warranted by special circumstances, such as contractor errors of material dimensions being made in year-end 2110 reports. If a contractor believes that a year-end rollover should be approved in a higher than normal amount, it should prepare and submit a request and justification to its cognizant regional office that can be endorsed and forwarded to the Job Corps National Office for consideration and response. If approved, this request will result in the processing of appropriate AAPP/FOP changes. DOL will strive to address and resolve such requests within two weeks of receipt.

(7) Any portion of a contract year-end underrun that is not approved for rollover will be returned to DOL via contract modification that implements a net reduction in the estimated cost of the contract.

i. Treatment of Overruns.

If a net cost overrun is reported a the end of a contract year and contract performance continues into a new contract year, the JFAS-AAPP/FOP system contains default mechanisms that provide an automatic offset to the overrun via a reduction in the AAPP-approved operating budget for the following contract year. These are internal transactions that have zero net impact on the AAPP-approved estimated cost of the contract. If a contractor believes that a year-end overrun should instead be resolved or covered through a funding increase (to avoid harmful spending reductions in the following contract year), it should prepare and submit a request for budget adjustment. For procedural guidance, refer to the later section that is captioned: Requesting a Budget Adjustment.

Note: Contractors are reminded to be aware of and to comply with any contract clauses which require that they provide DOL with timely, formal notification of pending or actual overruns. Failure to comply with such contract clauses may compromise a contractor's ability to obtain reimbursement for expenses that are in excess of those provided for in the estimated cost clause or funds available clause of the contract.

j. Staff Compensation Supplement

When submitting the initial 2181 budget for the first contract year or the initial 2181 budgets for subsequent contract years, the contractor must provide a Staff Compensation Supplement that indicates average budgeted salaries for each job category at the center, along with other information that permits a reconciliation with the amounts budgeted in the various personnel expense line items.

The 2181 Supplement is prepared and submitted via entry of data in the JCDC-FMS. The JCDC Supplement output report has been designed, in part, to provide information that will be helpful in determining if and to what extent the staff compensation (salaries and benefits) offered by the center are competitive within the local labor market. To do this, the spreadsheet compares a center's budgeted compensation rates with model-based compensation rates that are intended to reflect local labor market conditions. The formulation of DOL model-based rates depends heavily on the geographic adjustment factor that has been assigned to each center and which is intended to reflect and compensate for the degree to which the center's local labor rates vary from national averages.

If a center operator believes that a center's geographic adjustment factor is no longer accurate or otherwise believes that the model-based rates are substantially incorrect or unrealistic, the center operator may request DOL to review and amend its model based rates for the center in question. Such requests may be submitted directly to the Job Corps National Office via email (with cc's directed to appropriate Regional Office staff) and should include thorough factual information that supports the need for a DOL review.

Please note that reviews should not be requested in situations where only a few staff positions appear to be affected. There should be no expectation that center compensation rates closely match the DOL model-based rates across the board or that the model-based rates are extremely precise. Moreover, there should be no firm expectation that DOL will be able to provide additional funding in order to remedy perceived compensation gaps even if it is determined that the model-based rates should be amended upward.

4. Multiple Budgets.

Where there is more than one contractor at a particular Job Corps center, each with specific center responsibilities and a separate contract with Job Corps, a separate set of records (contracts, 2181 budgets, 2110 cost reports and contract funding/estimated Cost entries) must be maintained for each contractor. A separate set of records (contracts, 2181 budgets, 2110 cost reports and contract funding/estimated Cost entries) also may be required for major program components falling under one contract (e.g., satellite center versus main center), if requested by DOL.

5. When Submittals Are Needed.

a. Initial Submittals-Contract Year 1

Using the JCDC-FMS, the center operator must submit initial 2181 budgets within ten (10) days after the effective date of the contract. The initial submittal must include a form 2181 for the first year and another for the second year of the contract. If the new contract contains a third base year, then a "base year three" 2181 is also required to be submitted.

Unless extensive follow up or National Office authorizations are required, the Regional Office should normally approve the initial 2181 budgets within 2 weeks after submittal by the contractor. The regional office and the contractor should schedule this process to ensure that an approved 2181 budget is available in time for use in the first monthly cost report. The approved 2181 budget must be available to the contractor by the 15th day of the second calendar month of contract year 1.

b. Year-End Close Out and Reconciliation

The following discussion is in the framework of closing out the first contract year. However, the same pattern of events and timeframes apply at the close of each contract year, except the very last year.

Soon after the end of contract year 1, the contractor must submit a proposed new 2181 budget in which Year 2 becomes the “current year” and Year 3 becomes the “next year.” The contractor's proposed new 2181 budget should be submitted into the JCDC-FMS within 30 days after the start of Year 2. This schedule allows 10 days development time between the due date of the final cost report for Contract Year 1 and the submittal of the proposed new 2181 budget to the Regional Office. As part of this process, the proposed new 2181 must address and reconcile the variances between actual and budgeted expense that existed at the end of the preceding contract year. The types of questions that tend to arise during this process are as follows:

If actual bottom line spending fell below the Year 1 budget, is there a reasonable basis for rolling over the unspent funds and adding them to various line items in the new 2181 budget for Year 2? Or should some or all of the unspent funds from Year 1 be deleted from the contract via a net reduction in the estimated cost clause?

If actual bottom line spending exceeded the total amount budgeted for Year 1, should the new 2181 budget for Year 2 be reduced to offset the overspending in Year 1 and thus eliminate the need to request an increase in the contract estimated cost? Or should a net increase in the estimated cost of the contract be requested in order to avoid programmatic disruptions that could result from absorbing a Year 1 overrun with cuts in Year 2?

Do the line item variances that exist at the close of Year 1 (up or down) represent one-time occurrences or do they represent changes in the underlying ongoing costs for operating the Job Corps center? If the variances indicate changes in the underlying costs, the new 2181 that is being proposed for year 2 must also reflect appropriate changes in the “next year” budget that is provided for Year 3.

Unless extensive follow up or National Office authorizations are required, the Regional Office should normally approve the reconciled Year 2 budget within two weeks after receipt of the contractor's proposal. The Regional Office and the contractor should schedule this process to ensure that an approved 2181 budget is available in time for use in the first monthly cost report due for Year 2. The reconciled 2181 budget for Year 2, along with any necessary contract modification in the estimated cost clause, must be available to the contractor by the 20th day of the second calendar month of contract Year 2.

c. Option Year Extensions

When a Regional Office determines to issue an option year extension, normal practice prior to the start of the option year is for the Regional Office to issue a contract modification that increases the estimated cost for operating expenses in the amount of the approved “next year” 2181 budget, which is then on file for the “new year.” The Regional Office must further ensure that any estimated cost increase is within the limits of the AAPP/FOP.

Differences between actual and approved spending that exist at the end of the prior contract year may have an impact on the budget for the new year as well as the official estimated cost of the contract. The issues and questions that must be addressed are the same as those discussed above for the reconciliation at the end of Contract Year 1 and may result in a contract modification to revise or “fine-tune” the estimated cost for center operating expense.

d. Midyear Revisions

Midyear revisions of the line item budget are normally processed only when there is a need to change the bottom line of the Current Year center operating budget. Contractors are not encouraged to propose formal revisions of 2181 budgets merely to shift amounts between line items in order to minimize apparent "variances,” although such proposals will be entertained by regional offices if good reasons are offered. Requests for midyear revisions should be prepared and submitted using JCDC-FMS and should normally be limited to the following situations:

(1) When there is a pending contract modification approved and funded by the National Office for a programmatic change, such as the provision of funds for installing new curricula or programmatic initiatives. In these situations, the contractor will normally be requested by the Regional Office to prepare and submit a budget revision proposal that distributes the prescribed funds to the appropriate line items.

(2) When there has been or will be an unavoidable bottom-line variance of material proportion that cannot or should not be totally resolved through changes in spending patterns during the remaining months of the current contract year, and which must clearly be accommodated with an adjustment in the bottom line of the center operating budget for the current year.

(3) In line with procedures for the treatment of fee as discussed in a later

paragraph, a midyear revision to the form 2181 is required when award or incentives are earned and formally incorporated into the estimated cost of the contract via contract modification.

Regional offices should respond promptly to contractors' requests for mid-year budget revisions. Unless extensive follow up is required, the Regional Office should resolve these requests within two weeks after submittal of the contractor's proposal. The Regional Office must ensure, however, that any estimated cost increase is within the limits of the JFAS-AAPP/FOP established by the National Office.

6. Monthly Budgets – Straight Line Versus Custom.

An important feature of the JCDC-FMS is a requirement that monthly 2110 cost reports provide a comparison between actual contract-year-to-date (CYTD) costs against planned CYTD costs. Center operators may elect one of two different methods for determining monthly planned CYTD costs. Once a choice has been elected for a contract year, the operator may not change to the other method during the remainder of that contract year.

- The first choice is to permit the planned costs to be determined automatically by JCDC-FMS by simple prorations of the budget for the full contract year. If the operator selects this option, no further entries are needed.

- The second choice is a manually entered custom budget. If the operator selects this option, it is necessary to enter a planned spending amount for each budget line item for each month of the contract year.

7. Requesting Funding/Budget Adjustments (Operating Expense Only).

Following are basic steps and requirements for preparing and submitting a request for an adjustment in contractually approved budgets or funding for Operating Expense. Please recall that the term Operating Expense can be loosely defined as all categories of expense other than Construction/Rehab – which has its own Congressional appropriation. With respect to Construction/Rehab funding requests, basic procedures and requirements are found in PRH Chapter 5, Section 5.10 (Facility Improvements), Requirement 4 (Emergency Repairs and Requirements).

a. When Is a Request for a Funding/Budget Adjustment Needed?

A request should be prepared and submitted when a center operator believes that a funding/budget adjustment is required in order to maintain the effectiveness of the Job Corps center **AND** when such an adjustment will involve a net change in one or more of the major categories of Operating Expense. The major categories of Operating Expense consist of: A-Center Operations; B2-Equipment; B3-GSA Vehicle Rental; B4-CTST Materials; C1-Outreach and Admissions; C2-Career Transition Services; D-Student Transportation; and S-Support.

b. A Word of Caution.

Center operators are discouraged from submitting Requests for Funding/Budget Adjustments except in the most urgent and compelling cases. The DOL expectation is that center contractors should maintain staffing and deliver services in a satisfactory manner within the contractually agreed budgets and funding levels. DOL's contingency reserves are tightly controlled and restricted.

c. Format.

There are no rigid requirements for formatting a Request for Funding/Budget Adjustment. It is recommended that the request be in the form of a brief explanatory statement along with whatever exhibits or tables are appropriate. Electronic "soft-copy" is preferred over hard copy.

d. Content.

There are no rigid requirements or specifications concerning the content of a Request for Funding/Budget Adjustment. The level of detail depends on the complexity of the situation. Elaborate presentations are not required, but a briefly stated justification for the change in funding, along with appropriate back-up in the form of pricing data and computations is required. The request should also indicate which major categories of operating expense would be affected. In cases where the increase is of an ongoing nature, it is imperative that the request specify the effective date of the change, the net change amount in the current contract year, and the change amount that will be needed in the next contract year.

e. Submitting a Request.

Center contractors should, via email, submit Requests for Funding/Budget Adjustment to the Director of the Job Corps Regional Office that is responsible for their center contract, as well as to their Regional Project Manager. It is recommended that this email and its attachments also be "cc'd" to the Budget Team Leader within the National Office Division of Budget and Acquisition Support. These types of requests may be submitted at any time. Center contractors should strive to submit these types of requests as soon as possible after the need for a funding adjustment becomes evident.

f. Turn-Around Time.

The Office of Job Corps will strive to provide the center contractor with a substantive response to its request within two weeks of submittal, depending on the complexity and/or policy implications of the issues that need to be addressed.

8. Submittal Procedures and Requirements.

Contractors submit 2181 budgets using DOL's web-based Job Corps Financial Management System (JC-FMS), administered by the Job Corps Data Center (JCDC). The JC-FMS has been designed in a way that minimizes the volume of data that must be entered for the 2181, and ensures consistency and accuracy in internal mathematical operations that are present in the budget. Contractors may obtain detailed guidance concerning FMS procedures for entering and submitting 2181s by referring to the FMS Technical Guide that is available from the JCDC/FMS website.

9. Descriptions and Definitions of 2181 Data Items.

Form 2181 budgets are prepared, submitted, and approved in sets, consisting most often of a Form 2181 for the CURRENT CONTRACT YEAR and an additional form 2181 for the NEXT CONTRACT YEAR , if any. In some instances, as described above, it is necessary to submit and maintain a third form 2181 for BASE YEAR 3. Following are brief descriptions of the elements of information that appear on the form 2181.

<u>HEADING INFORMATION</u>

<u>Center Name</u>. This is the name of the Job Corps center. If the form is being prepared for a "major component" rather than an entire center, the component name will appear after the center name e.g., "Pine Top-Utopia Satellite." Center names are spelled out fully. Abbreviations are not used. The words "Job Corps Center" are not used as part of the center name.

<u>Contractor Name</u>. This is the name of the contractor organization as that name has been registered in the JCDC-FMS. The expectation is that this name will match that which appears on the formal center contract documents.

<u>Contract Number.</u> This is the DOL identification number of the contract for which data is being reported and as that number has been registered in JCDC-FMS.

<u>Budget Number</u>. The initial set of 2181's for the first and second contract years (and possibly the third contract year) are numbered "1" and all later pairs of **approved** 2181's are to be numbered sequentially as they are approved by the Regional Office. The same number is given to all current year and next-year 2181's in a given set. For example, the set of 2181s for budget number "1" will include a number 1 budget for the first contract year, a number 1 budget for contract year 2, and (if applicable) a number 1 budget for base-year three.

<u>Contract Year Number</u>. This is the number of the contract year for which the form 2181 has been prepared.

<u>Approved or Pending</u>. If the budget has been approved by the Regional Office, the term "**Approved"** will appear**.** If the budget is a proposal that is still pending

regional approval, the term "**Pending"** will appear.

Ending. This is the ending date (mm/dd/yyyy) of the contract year identified in the block for Contract Year Number.

Current Year / Next Year / Base Year 3. If the form applies to the current contract year, the term "**Current Year"** will appear. If the form applies to the next contract year, the term "**Next Year"** will appear. If the form applies to Base Year 3, the term "**Base Year 3"** will appear.

BUDGET INFORMATION

Column Headings

Prior Budget. This column is used to display the last previous approved budget for the particular contract year. For example, if the form is used for approved budget number 8, then the "PRIOR BUDGET" column will display the "REVISED BUDGET" from approved budget number 7.

Adjustments. This column is used to display the adjustments being requested or approved, depending on the purpose of the form.

Revised Budget. This column is used to display the revised budget that results from the requested or approved adjustments. The entries under this column are the sums of the entries made under PRIOR BUDGET and ADJUSTMENTS.

Row Headings

Lines 1 – 29: Center Operations Expenses Categories. See earlier section of this Appendix for definitions of cost categories.

Line 30: Net Center Operations Expense. Totals of lines 1 through 29.

Note: Lines 31 – 34 are intended to reconcile to the Estimated Cost Clause in the contract. When the contract is in its final base year or in an option year, these lines will appear only in the 2181 for the current contract year. However, if the contract is still within its base period, but in a contract year that is prior to the final year of the base period, these lines will appear in the 2181 that applies to the final year of the base period – which will be either the form 2181 for the Next Year or the form 2181 for Base Year 3, whichever is appropriate.

Line 31: Cumulative Expense through Prior Year.

This line displays the actual or budgeted cost through the immediately preceding contract year.

Lines 32a, 32b, and 32c: Budgeted Inventory Change (plus or minus). These lines are used to compute and display the budgetary impact of a planned increase or decrease in the amount of inventory that was carried over from the previous contract. Line 32a is used to reflect the dollar value of the desired inventory level; line 32b is used to reflect the dollar value of the inventory on-hand at the start of contract (day 1 of contract year 1); and line 32c is line 32a minus line 32b.

Desired inventory levels per line 32a should normally remain constant during the life of a contract, but occasions may arise where substantial increases or decreases are necessary. For example, inventory increases are needed when new centers are opened or existing centers are expanded, or in instances where carryover inventory levels from the previous contract are below reasonable operating needs. In these cases, provision must be made in the estimated cost clause to finance the inventory build up even though the build up does not, of itself, change the amount of the accrued costs that will be reported under the contract.

Where excessive amounts of carryover inventory are on hand and will be reduced, operating expenses under the current contract are being financed with federal funds provided under the previous contract – the amount of which must be subtracted from the estimated cost of the current contract.

Line 32b (Carryover from Prior Contract) should remain constant during the life of the contract, except that an ADJUSTMENT in line 32b might be expected in the early months of contract year 1 if inventory discrepancies are identified by a new incumbent contractor.

Please note that lines 32a – 32c are **not** intended to report fluctuations in actual inventory levels during the life of a contract; they are to be used for planned, budgeted changes only.

When the contract is within its base period, this information appears in the form 2181 that applies to the final year of the base period (either the form 2181 for the Next Year or the form 2181 for Base Year 3, whichever applies.

Line 33: Cumulative Budgeted Expense: This line displays the cumulative budgeted expense through the end of the contract year and consists of the actual or budgeted cost through the end of the preceding contract year plus the budgeted cost of the contract year for which the 2181 applies. This represents the contract value that is implied in the 2181 data.

Line 34a – 34c: Reconciliation to Current Estimated Cost. The information on these rows is intended to reveal whether and to what extent there is disagreement between the form 2181 line item budgets and the official estimated cost of the contract, with respect to center operations expense. This information includes:

Line 34a: Current Estimated Cost of Contract: This is the current estimated cost of the contract for center operations expense per financial information entered into JCDC-FMS that has been abstracted from the original contract and its subsequent modifications.

Line 34b: Per Mod Number: This is the most recent contract modification number for which information has been entered into JCDC-FMS.

Line 34c: Difference (33 – 34a): This is the dollar difference between the implied estimated cost of the contract per the form 2181 and the official estimated cost of the contract per the most recent contract modification. If the result is not zero, then there is disagreement between the contract and the 2181. If disagreement exists, the reasons for the disagreement should be researched and identified and appropriate corrective action taken.

NOTE: When a contract is still within its base period, the data on line 34a – 34c will appear only on the form 2181 that applies to the final year of the base period. Depending on the number of years in the base period and the number of the current contract year, this could be the 2181 for the CURRENT CONTRACT YEAR, THE NEXT CONTRACT YEAR, or BASE YEAR 3.

CONTRACTOR SUBMITTAL BLOCK

This block shows the name of authorized contractor representative who is submitting a proposed new 2181 to the Contracting Officer and the date submitted. The signature line is reserved for use when the necessary e-signature technology can be applied

REGIONAL OFFICE APPROVAL BLOCK

This block shows the name of authorized DOL representative who has approved the new 2181 and the date of that approval. The signature line is reserved for use when the necessary e-signature technology can be applied.