

March 10, 2009

DIRECTIVE:	JOB CORPS PRH CHANGE NOTICE NO. 08-09
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TO: ALL JOB CORPS NATIONAL OFFICE STAFF
ALL JOB CORPS REGIONAL OFFICE STAFF
ALL JOB CORPS CENTER DIRECTORS
ALL JOB CORPS CENTER OPERATORS
ALL NATIONAL TRAINING AND SUPPORT CONTRACTORS
ALL OUTREACH, ADMISSIONS AND CTS CONTRACTORS

FROM: ESTHER R. JOHNSON, Ed.D.
National Director
Office of Job Corps

SUBJECT: PRH Chapter 5, Financial Management: New Exhibits 5-8 to 5-16;
Revised Appendices 502 and 503; and New Appendices 509 and 510

1. Purpose. To update Appendices 502 and 503 and to establish new Appendices 509 and 510, which address subject matter previously contained in Appendix 502. The revisions are mainly of a technical nature and are intended to:

- a. restructure and clarify expense categories in relation to the different phases of the career development system;
- b. clarify and streamline a number of financial management requirements and processes;
- c. reorganize some of the material in order to improve ease of use;
- d. revise material and terminology to reflect new practices and information technology (IT) applications that have been installed since Appendices 502 and 503 were last updated; and
- e. enhance a number of data presentation specifications in order to make Job Corps Data Center–Financial Management System (JCDC-FMS) output reports more valuable to users at all levels.

2. Background. In fall 2007, the National Office of Job Corps established a Financial

Management Workgroup (FMW) consisting of Department of Labor (DOL) federal staff, United States Department of Agriculture (USDA) Civilian Conservation Center (CCC) staff, and representatives of the Job Corps contractor community. The goal of the FMW was to identify and recommend improvements in Job Corps financial management requirements and procedures that would increase effectiveness and reduce administrative burden. The review conducted by the FMW covered both Job Corps centers and Outreach and Admissions and Career Transition Service (OA/CTS) contracts.

The FMW met in January 2008 and again in June 2008. General consensus was achieved concerning a set of more than 20 recommendations that are designed to improve financial operations and also enhance the “user friendliness” of primary Job Corps financial management practices. The FMW also recommended updates in terminology and a modest degree of restructuring in the charts of accounts to reflect recent developments in program design and emphasis.

The updated draft directives and reporting formats that were developed under FMW auspices were circulated to the Job Corps community for a 30-day review and comment period on July 25, 2008 via Job Corps Information Notice 08-06.

3. Explanation of Major Changes.

a. Reorganization of Material. Material has been relocated within the PRH as follows:

- (1) CCC Requirements. Financial management requirements applicable to CCCs have been relocated from a section within Appendix 502 to a new Appendix 509. Appendix 502 is now focused exclusively on contract centers and the new Appendix 509 focuses exclusively on CCCs. This is being done in view of the substantial technical differences that exist between CCCs and contract centers with respect to most aspects of budgeting and financial management.
- (2) Monthly Staff Vacancy and Separation Reports. Requirements and procedures for this report have been relocated from a section within Appendix 502 to a new Appendix 510. This material is equally applicable to CCCs and contractors; and having the requirements set forth in a single new appendix is deemed preferable to duplicating the requirements in Appendix 502 and Appendix 509. The new Appendix 510, covering staff vacancy and separation reports, has been expanded to formally establish comparable reporting requirements for OA/CTS contractors, including center contracts that are specifically funded to provide OA and/or CTS services.
- (3) Vouchering Requirements and Procedures. Fully detailed vouchering

procedures and formats are being consolidated within newly established sections in Appendices 502 and 503. Some of the more important written requirements had previously existed only in outdated administrative directives.

- (4) Liquidated Damages. Fully detailed requirements and procedures for recovery of liquidated damages are being consolidated within new sections in Appendices 502 and 503.

b. Changes Applicable to CCCs. The substantive changes that apply to CCCs are as follows:

- (1) Cost Variances Will Be Addressed in Quarterly Cost Reports. New language is established that requires CCC agencies to address excessive line-item cost variances that are reflected in the quarterly cost reports submitted to DOL. These requirements are comparable to those that apply to contract centers, except that contractor reporting is done monthly and CCC reporting is done quarterly.
- (2) Sharing of JFAS AAPP/FOP Reports with CCC Agencies. New language is established for the National Office to share agency-specific JFAS AAPP/FOP reports with the CCC agencies to which the reports apply. In addition, the National Office is working to develop a secure IT application through which CCC agencies may have direct access to these reports.
- (3) New Vision Line Items. The structure and array of line items within the Center Operations cost category are being revised in order to more accurately reflect current programmatic concepts and emphases. More specifically, line items 13 and 14 will be converted from costs related to child care services to costs related to career preparation and career transition readiness services. Any net child care costs will be included as part of the support service costs reflected in lines 9 and 10.
- (4) Design Changes in the 2110F Cost Report. In addition to changes related to the New Vision Line Items, other design changes have been made in the 2110F quarterly cost report that will facilitate a more intuitive understanding of the information that is presented on the report.
- (5) Contractor Classifications. New categories are established for contracts issued by CCC agencies to provide program and/or supportive services at their CCCs. The two categories are Staffing Contract and Non-Staffing Contract. These categories have a bearing on how contract costs are allocated to specific line items.

- (6) Fund Transfer Schedule. New language is added that describes how DOL will determine the amounts of budget authority it will routinely transfer to each CCC agency on a quarterly basis.
 - (7) Formulation of Initial Annual Program Operating Plans. New language is added that sets forth the desired schedule of major events in the process for developing the initial program operating plan for each CCC.
 - (8) Procedures for Requesting Budget / Funding Adjustments. CCC agencies are provided with more thorough guidance concerning procedures for requesting budgetary / funding adjustments. These procedures are consistent with the DOL/CCC Interagency Agreement and also express clear expectations concerning timely DOL response to such requests.
 - (9) Low-OBS Under-Runs. New language is added to clarify the procedures DOL will follow in order to recoup savings that are expected when a CCC operates at below 98% of slot capacity.
- c. Changes Applicable to Both Center Contracts and OA/CTS Contracts. The following changes affect both center operations contracts and OA/CTS contracts.
- (1) Fee Hold-Back. Current PRH language discussing fee hold-back is eliminated. It was determined that fee hold-back arrangements are generally not relevant to current contracting practices and that elimination of the existing PRH language on this subject would help avoid misunderstandings. **It should be noted that the elimination of this language from the PRH does not compromise DOL's ability to employ a fee hold-back in situations where it may become appropriate.**
 - (2) Fee Sharing. New language is established that requires base and incentive fee to be shared between a prime contractor and any major staffing subcontractor(s). This is to avoid situations where DOL incurs unduly high fee expense in a way that subverts the intent of current policies and limitations on fee expense.
 - (3) G&A Expense Limitations. New language is established that expresses DOL's preference that indirect costs (G&A and overhead) be calculated using a base that consists of operational expense and which **excludes** capital expense and special pass-through funds. In the case of OA/CTS contracts, this preference is reinforced by restructuring the existing cost line items in a way that displays equipment and vehicle rental costs in a "below the line" status.

- (4) Separately Display Base/Fixed Fee From Incentive Fee. The 2110 cost reports and the 2181 budgets have been redesigned to provide a break-out of contractor fee in terms of base/fixed fee versus incentive fee. This is to facilitate reconciliation with the contract estimated cost clause.
- (5) Display a Roll-up That Breaks Out Reimbursable Cost From Fee Cost. The 2110 cost reports have been redesigned to add a cost roll-up that displays the aggregate reimbursable costs versus the aggregate fee cost. As with the preceding item, this is to facilitate reconciliation with the contract estimated cost clause.
- (6) Post-Expiration Invoices. Language is added in the new sections on vouchering that provides guidance to contractors on how to label invoices that are submitted after contract expiration, but which are submitted prior to completion of the formal contract close-out package.
- (7) Sharing of JFAS AAPP/FOP Reports With Contractors. A new requirement is established for Job Corps Regional Offices to share contract-specific JFAS AAPP/FOP reports with the contractors to which the reports apply. In addition, the National Office is working to develop a secure IT application through which contractors may have direct access to these reports.
- (8) Subcontractor Classifications. New categories are established for subcontractors: Major Staffing Subcontract; Non-Major Staffing Subcontract; Non-Staffing Subcontract. These categories have a bearing on cost allocation and on fee sharing.
- (9) Salary Allocation Plans. Requirements are clarified with reference to the allocation of costs in situations where a single staff position involves activities in more than one programmatic or functional area.
- (10) Procedures for Requesting Budget/Funding Adjustments. Contractors are provided with more thorough guidance concerning procedures for requesting budgetary / funding adjustments. Also, expectations are established concerning timely DOL response to such requests.
- (11) Advance Notification When Under-Run Rollover Ground Rules Are Changed. A requirement is established for DOL to provide the contractor community with advance written notification when normal under-run rollover ground rules are being temporarily suspended or modified.

- (12) Line Item Vouchering Restriction Is Eliminated. DOL is lifting the restriction that prohibits vouchering of expense in any major line item (Center Operations, Equipment, Vehicle Rental, VST, etc.) – to the extent that the expense exceeds the contract funding that has been designated for that line item in the contract’s funds-available clause. This type of vouchering restriction will apply only to the broader, appropriation-based categories of Job Corps Operating Expense versus Job Corps Construction/Rehab Expense.
 - (13) Variance Thresholds Are Widened. The thresholds that are used to determine when a contractor is required to explain cost variances that are displayed in its monthly 2110 reports are being widened. This is to minimize instances where contractors must provide explanations for variances that are minimal and not of material dimensions.
- d. Changes That Are Specific to Contract Centers (Appendix 502). The following changes are relevant only to Appendix 502, which addresses financial management at contract centers:
- (1) Inventory Reporting. The data elements in the 2110 report for reporting of inventory levels and usage have been reduced. Contractors are also being encouraged to adopt purchasing practices that will minimize the need to store inventories of expendable materials and supplies.
 - (2) New Vision Line Items. The structure and array of line items within the Center Operations cost category are being revised in order to more accurately reflect current programmatic concepts and emphases. More specifically, line items 13 and 14 will be converted from costs related to child care services to costs related to career preparation and career transition readiness services. Any net child care costs will be included as part of the support service costs reflected in lines 9 and 10.
 - (3) Staff Compensation Supplement Report. The JCDC is undertaking to convert this annual report from its current spreadsheet format to a fully developed Web-based application that will allow contractors to prepare and submit this report using processes that are similar to those used for submittal of 2110s and 2181s. Continued submittal in spreadsheet format will be required until the new Web-based version is rolled out. Also note that procedures are being established to allow contractors to appeal or question the model-based compensation rates that are used as benchmarks to help determine whether a center’s compensation rates are competitive within the local labor market. Moreover, DOL will attempt to obtain more frequent updates to the model-based rates, preferably obtaining updates on a triennial cycle.

- e. Changes That Are Specific to OA/CTS Contracts (Appendix 503). The following changes are relevant only to Appendix 503, which addresses financial management of OA/CTS contracts:
 - (1) Revised Line Item Display on Page 1 of the 2110-OA/CTS. As mentioned earlier, the array of line items on page 1 of the 2110-OA/CTS is being revised to display equipment and vehicle rental expense in a “below the line” status. This is being done in order to reinforce DOL’s preference that the base used to determine indirect costs not include these types of expense. No changes in data entry are involved. This only affects how data are displayed in the output report.
 - (2) Data Will Be Displayed That Are Now Being Omitted on Certain 2110-OA/CTS Reports. In reports submitted under center contracts that are expressly funded for OA and/or CTS services, the display of contractor obligations in Section F of Page 2 is currently suppressed. The JCDC is undertaking the revision of the 2110-OA/CTS output report to show these data.

4. Implementation Schedule. Because many of the changes will require some degree of retooling in both DOL and contractor IT systems, generous implementation lead-times are being provided. The new directives and reporting procedures and formats will not become effective until July 1, 2009 – which is the start of Program Year 2009. Major DOL activities that will be scheduled to facilitate the transition to the new requirements are listed below. Specific dates for the JCDC-based trainings will be announced later.

- a. JCDC development/testing of new and revised Web-based applications (Jan 2009 – Mar 2009)
- b. A Financial Management BLOG on the JC Community Web site (Jan 2009)
- c. National Office/JCDC-based training for contract center operators (Apr/May 2009)
- d. National Office/JCDC-based training for OA/CTS contractors (Apr/May 2009)
- e. National Office/JCDC-based training for CCC financial staff (Apr/May 2009)

5. Action Required. Addressees are to ensure that this Change Notice is distributed to all appropriate staff.

6. Effective Date. July 1, 2009.

7. Inquiries. Inquiries should be directed to Tina Hess-Williams at (202) 693-3116 or hess-williams.tina@dol.gov .

Attachments

PRH Appendix 502: Financial Management for Contract Centers
PRH Appendix 503: Job Corps Outreach/Admissions and Career Transition Services
Cost Reporting and Budgeting Requirements
PRH Appendix 509: Job Corps CCC Requirements
PRH Appendix 510: Monthly Staffing Report
PRH Exhibit 5-8: 2110 Report for Center Contracts
PRH Exhibit 5-9: 2181 Budget for Center Contracts
PRH Exhibit 5-10: SF1034 Public Invoice, Center Contract Example
PRH Exhibit 5-11: Voucher Back-up Sheet for Center Contracts and Example
PRH Exhibit 5-12: 2110 Report for Outreach/Admissions and Career Transition
Services
PRH Exhibit 5-13: 2110S Report for Staff Vacancy
PRH Exhibit 5-14: 2181 Budget for OA/CTS Contracts
PRH Exhibit 5-15: F1034 Public Invoice, OA/CTS Contract Example
PRH Exhibit 5-16: Voucher Back-up Sheet for OA/CTS Contracts and Example
PRH Exhibit 5-17: 2110F Job Corps CCC Financial Report
PRH Exhibit 5-18: 2110HQ Job Corps CCC National Roll-Up Financial Report