Community Services Policy Manual

400 Series

Community Services Block Grant Policy

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INTRODUCTION

Throughout this document there are references to Uniform Guidance 2 CFR Part 200 and 45 CFR Part 75. 45 CFR 75 applies to grants that originate from the US Department of Health and Human Services (CSBG, LIHEAP, CARES, etc.), while 2 CFR 200 refers to grants from all other Federal departments (DOE, etc.). Collectively they are referred to as Uniform Guidance throughout this document. Please refer to the applicable Federal guidance when working with your grants.

Federal Award Identification information necessary to complete the Schedule of Expenditures of Federal Awards (SEFA), and also required by Uniform Guidance to be communicated to subrecipients, is found on SharePoint here: BCAEO and EGrAMS Program Matrix.xlsx (sharepoint.com) and on the internet here: Government Spending Open Data | USAspending. Additional information can be found on the grant agreement contained in the Electronic Grants Administration & Management System (EGrAMS).

401.1 - Expenditure Reports for CSBG Funds

POLICY CHANGES

- Updated References section

REFERENCES

- CSBG Agreements
- CSPM 402.1 CSBG and CSBGD Cost Categories

POLICY

The Grantee shall submit separate monthly Statements of Expenditures (SOEs), for each accounting template associated with the CSBG Agreement, to the Michigan Department of Health and Human Services (MDHHS). The SOE shall accurately indicate actual expenditures incurred, broken out by category of expense, in the performance of the Agreement for the period being billed. (See Item 402.1 for more information regarding the cost categories.)

The Grantee shall submit a detailed General Ledger for each SOE, any documentation or information that will assist in the seamless tie out of the General Ledger to the SOE, and any other supporting documentation as required by MDHHS. The SOE should only contain expenses for the period being billed unless reasonable circumstances prevented this from happening.

The SOE and supporting documents shall be submitted to MDHHS within 30 days from the end of the monthly billing period. For the month of September, billings shall be submitted as directed by MDHHS to meet fiscal year-end closing deadlines. In no event shall MDHHS make a payment to the Grantee for billings submitted more than 90 days after the end of a monthly billing period, without prior MDHHS approval.

Grantees have no more than 90 days after the end of a reporting month to submit revised SOE's.

Obligations incurred outside of the term of the Agreement shall not be eligible for reimbursement.

The Grantee shall utilize the MDHHS SOE forms (in excel format) for the respective Agreement types.

SUBMITTAL PROCESS

The signed SOE must be submitted as a PDF attachment via email to: MDHHS-SOE-BCAEO@michigan.gov.

Please note the following:

- ☐ Submit SOEs with supporting documents for each Grant series in separate attachments.
- ☐ Submit SOEs and supporting documents in PDF format (other formats have to be converted to PDF by BCAEO staff, which may increase the processing time).
- ☐ The BCAEO email system only accepts attachments up to 15MB in size. If the supporting documents are larger, please split the attachment and submit through multiple emails.
- ☐ Agreement ID and Month should be clearly stated in the email subject line. (*Example: CS21-10045 June)*
- ☐ If sending multiple SOEs in one email, please list the month in the subject line and name each attachment with the naming convention noted in the bullet above.
- ☐ The address MDHHS-SOE-BCAEO@michigan.gov will be used exclusively for submission of Statements of Expenditures and supporting documents.
- ☐ The address MDHHS-BCAEO@michigan.gov will continue to be used for general correspondence, contract submission, etc.

If you have any questions or comments, please contact your Grant Manager.

401.2 – Expenditure Reports DOE Weatherization Assistance Program

POLICY CHANGES

- Updated References section

REFERENCES

- DOE Agreements
- CSPM 402.2 DOE and LIHEAP Cost Categories
- CSPM 408 Line-item Transfers
- Weatherization Program Notice (WPN) 11-3

PURPOSE

The WAP Agreement, Section II, requires the submission of a monthly expenditure report.

The EGrAMS system runs grant agreements on the state's fiscal year, therefore the approved budgets will not always align with the contract amount. As DOE's WAP PYs run from July 1 – June 30, DOE grant agreements will run July 1 – September 30, and October 1 – June 30 each year.

POLICY

The Grantee is required to submit a monthly WAP-DOE Statement of Expenditures (SOE), to the Michigan Department of Health and Human Services (MDHHS). The SOE will identify actual expenditures incurred, by category of expense, in the performance of the program for the period being billed. See CSPM 402 for definitions of cost categories on the form.

A pre-approved form DHS-551, WAP Vehicle Purchase, is required for all vehicles purchased during the program year. This form can be found at the end of CSPM 404.

The Grantee shall submit a detailed General Ledger for each SOE, any documentation or information that will assist in the seamless tie out of the General Ledger to the SOE and other supporting documentation as required by the Bureau of Community Action and Economic Opportunity (BCAEO). The SOE should only contain expenses for the period being billed unless reasonable circumstances prevented this from happening (e.g. a receipt paid at the end of the billing period was still turned in during the accounting offices expected timeframe but not turned in until after the books were closed for SOE preparation).

The SOE and supporting documents shall be submitted to DHHS within 30 days from the end of the monthly billing period. If the billing is not received during this period, no payment will be made by MDHHS that billing period unless an exception is specifically authorized by the BCAEO. For the month of September, billings shall be submitted as directed by MDHHS to meet fiscal year-end and closing deadlines. In no event shall MDHHS make a payment to the Grantee for billings submitted more than 90 days after the end of a billing period, without prior approval from MDHHS.

Grantees have no more than 90 days after the end of a reporting month to submit revised SOEs.

Note: Completion of the WAP Monthly Programmatic Report, via FACSPro and the DHS-1071 as appropriate, is directly linked to the accurate completion of the SOE. Failure to submit the required programmatic reporting in a timely manner may result in delays in processing the SOE. See Item 602 for monthly programmatic report instructions. No additional DOE funds may be spent on a job reported as closed through the 1071 report in a previous quarter. If a deficiency is discovered in Quality Assurance Monitoring, the correction of that issue must be made with non-DOE, non-LIHEAP funds, unless otherwise indicated in the Quality Assurance Monitoring report.

Obligations incurred outside of the term of the agreement shall not be eligible for reimbursement.

DOE STATEMENT OF EXPENDITURES

The SOE is an Excel formatted form. The SOE begins with the July tab, and a monthly tab follows for each month in the program year.

Section I: Enter contract number, grantee name, mail code and SIGMA Vendor Number on the July Tab. The information will auto fill all subsequent tabs.

Section II: Check bill type.

Section III, Reported Expenditures: Enter “Approved Budget” and “Expenditures This Period” column figures. The “Approved Budget” figures will auto-fill all subsequent tabs.

Note: The “Approved Budget” figures should only change as a result of a contract amendment or a MDHHS approved line-item transfer request.

For reporting vehicle purchase expenditures in Section III of the SOE:

Line 2 - Support: Include vehicle purchase expenditures here if not amortizing. The vehicle cost is billed in the month the payment is made.

Line 3 – Vehicle Purchase: If amortizing, report vehicle purchase expenditures here.

Budget Balance Color Codes – Aligned with CSPM 408, DOE line-item flexibilities are now represented with different colors. The budget balance column will highlight orange when the balance is over but still within flexibility range, and red when the budget balance amount line item is over the flexibility range. The Percent of Budget Use YTD column is also aligned with the percentage flexibilities allowed in CSPM 408. L&M will highlight as green when under budget, blue when the budget has been met, orange when over budget but within flexibility range, and red when above the flexible spending limits.

Section IV, Average Cost per Unit:

This section is used to calculate the average cost per unit and the average health and safety cost per unit.

1. **Total Labor/Materials plus Support and Vehicle Purchase**: This amount will be pre-filled from figures in Section III.

2. **YTD Amortized Vehicle Cost:** If the Grantee chooses to amortize the cost of the vehicle, the amount amortized Program Year to Date will be pre-filled from the information entered on the DHS-4326-A.

3. **Total Cost:** This amount will be calculated automatically.

4. **Total Completed Units:** This number will auto populate from the completion of Section V – Production.

5. **Average Cost Per Unit:** The average cost per unit will be calculated automatically.

6. **PYTD Health & Safety:** this amount will be pre-filled from figures in Section III.

7. **Average Health & Safety Cost per Unit:** The average Health & Safety cost per unit will be calculated automatically.

Section V, Production
Use this section to input the Units completed for the current month. YTD unit production will automatically calculate from month to month. This calculation will carry into Section IV, 5. Total Complete Units.

Section VI, MDHHS Approval
This section is used by MDHHS only.

DHS-4326-A, Weatherization Assistance Program Vehicle Purchase

The DHS-4326-A is an Excel form, and it is the Page 2 tab for each month, of the SOE.

Section I: Use this section of the form to report **all** vehicles purchased whether amortizing or not.

Section II: Use this section of the form to calculate the amortization schedule of all vehicles the Grantee is amortizing.

Number of Years of Amortization: Enter the number of years of amortization.

Monthly Amortization Amount: This amount will be calculated automatically.

Number of Months Amortized since purchase: Enter the number of months amortized since the original purchase.

Amount Amortized since Purchase: This amount will be calculated automatically.

Amount Amortized PYTD: This amount equals the monthly amortization amount multiplied by the number of months amortized in the current program year.

401.3 – Expenditure Reports LIHEAP

POLICY CHANGES

- Updated References section
- Deleted job needing to be closed in order for job costs to be reimbursed in Policy section.

REFERENCES

- LIHEAP Agreements
- CSPM 402.2 DOE and LIHEAP Cost Categories
- CSPM 402.3 LIHEAP Specific Cost Categories
- CSPM 408 Line-item Transfers
- WPN 11-3

PURPOSE

The LIHEAP agreement requires the submission of a monthly expenditure report.

POLICY

The Grantee is required to submit a monthly WAP-LIHEAP Statement of Expenditures (SOE), to the Michigan Department of Health and Human Services (MDHHS). The SOE will identify actual expenditures incurred, by category of expense, in the performance of the program for the period being billed (See Item 402.3 for definitions of cost categories).

A pre-approved form DHS-551, WAP Vehicle Purchase, is required for all vehicles purchased during the program year. This form can be found at the end of CSPM 404.

The Grantee shall submit a detailed General Ledger for each SOE, any documentation or information that will assist in the seamless tie out of the General Ledger to the SOE and any other supporting documentation as required by the Bureau of Community Action and Economic Opportunity (BCAEO). The SOE should only contain expenses for the period being billed unless reasonable circumstances prevented this from happening (e.g., a receipt paid at the end of the billing period was still turned in during the accounting office's expected timeframe but not turned in until after the books were closed for SOE preparation).

The SOE and supporting documents shall be submitted to DHHS within 30 days from the end of the monthly billing period. For the month of September, billings shall be submitted as directed by MDHHS to meet fiscal year-end and closing deadlines. In no event shall MDHHS make a payment to the Grantee for billings submitted more than 90 days after the end of a billing period, without prior approval from MDHHS.

Grantees have no more than 90 days after the end of a reporting month to submit revised SOE's.

Obligations incurred outside of the term of the Notice of Funds Available (NFA) shall not be eligible for reimbursement.

Statement of Expenditures

The SOE is an Excel formatted form. The SOE begins with the October tab, and a monthly tab follows for each month in the program year.

Section I: Enter contract number and grantee name.

Section II: Check bill type.

Section III, Reported Expenditures: Enter "Approved Budget" and "Expenditures This Period" column figures.

Note: The "Approved Budget" figures are only entered on the October tab. The figures will then pre-fill in each of the following monthly reports. The "Approved Budget" figures should only change as a result of a contract amendment or a MDHHS approved line-item transfer request.

Section IV, Other Income: Use this section to report all other income including program income, interest income, rebates, discounts, refunds, and landlord contributions. Enter the amount received and the amount expended program year to date each month. Also indicate the source of this income in the space provided.

Note: Do not include these amounts in any other section.

Section V, Average Cost per Unit:

1. **Total Labor/Materials PYTD**: This amount will be pre-filled from figures in Section III.

2. **Total Completed Units PYTD:** Enter the total number of ALL completed LIHEAP-funded units, including units not receiving health and safety measures. Ensure this number matches the total in the DHS-1071 report from FACSPro, which is the official count.

3. **Average Cost Per Unit:** The average cost per unit will be calculated automatically.

Note: Completion of the WAP Monthly Programmatic Report, via FACSPro and the DHS-1071 as appropriate, is directly linked to the accurate completion of the SOE. Failure to submit the required programmatic reporting in a timely manner may result in delays in processing the SOE. See Item 602 for monthly programmatic report instructions. No additional DOE funds may be spent on a job reported as closed through the 1071 report in a previous quarter. If a deficiency is discovered in Quality Assurance Monitoring, the correction of that issue must be made with non-DOE, non-LIHEAP funds, unless otherwise indicated in the Quality Assurance Monitoring report.

401.5 – Expenditure Reports LIHEAP Emergency

POLICY CHANGES

- None

REFERENCES

- LIHEAP Agreements
- CSPM 402 LIHEAP Definition of Cost Categories
- CSPM 408 Line-item Transfers

PURPOSE

The LIHEAP agreement requires the submission of a monthly expenditure report.

POLICY

The Grantee is required to submit a monthly Statement of Expenditures (SOE), to the Michigan Department of Health and Human Services (MDHHS). The LIHEAP Emergency WAP SOE will identify actual expenditures incurred, by category of expense, in the performance of the program for the period being billed (see CSPM 402 LIHEAP Definition of Cost Categories).

The Grantee shall submit a detailed General Ledger for each SOE, any documentation or information that will assist in the seamless tie out of the General Ledger to the SOE and any other supporting documentation as required by the Bureau of Community Action and Economic Opportunity (BCAEO). The SOE should only contain expenses for the period being billed unless reasonable circumstances prevented this from happening.

The SOE and supporting documents shall be submitted to DHHS within 30 days from the end of the monthly billing period. For the month of September, billings shall be submitted as directed by MDHHS to meet fiscal year-end and closing deadlines. In no event shall MDHHS make a payment to the Grantee for billings submitted more than 90 days after the end of a billing period, without prior approval from MDHHS.

Grantees have no more than 90 days after the end of a reporting month to submit revised SOE's.

Obligations incurred outside of the term of the agreement shall not be eligible for reimbursement.

Reimbursement request for actual weatherization job costs shall not be submitted until the job is completed. See CSPM 602 for description of a completed job.

SOE'S

The SOE is an Excel formatted form. The SOE begins with the first month of the grant tab, and a monthly tab follows for each month in the program year.

Section I: Enter contract number and grantee name,

Section II: Check bill type.

Section III, Reported Expenditures: Enter "Approved Budget" and "Expenditures this Period" column figures.

Note: The "Approved Budget" figures are only entered on the April tab. The figures will then pre-fill in each of the following monthly reports. The "Approved Budget" figures should only change as a result of a contract amendment or a MDHHS-approved line-item transfer request.

401.6 – Additional Requirements and Submittal Process for DOE & LIHEAP SOEs

POLICY CHANGES

- None

REFERENCES

- DOE & LIHEAP Agreements
- CSPM 402.3 LIHEAP Definition of Cost Categories
- CSPM 408 Line-item Transfers
- WPN 11-3

PURPOSE

To consolidate SOE submittal process for DOE & LIHEAP and reduce redundancy in those items.

POLICY

ADDITIONAL DOE & LIHEAP REQUIREMENTS

In instances where costs are shared between LIHEAP and DOE for a particular dwelling, the costs need to be managed for each job based on current allowabilities while also managing maximum costs.

The Grantee accounting records (general ledger, etc.) must seamlessly reconcile to the WAP job reports and documentation contained in FACSPro (cost centers, invoices, etc.), as well as reconcile with the corresponding SOE by individual line item. In addition, for WAP job expense tracking, the accounting records (general ledgers, etc.) must list the FACSPro System ID number rather than the client name when tracking job costs.

The Grantee must maintain a comprehensive listing of all WAP jobs, and this listing must contain the FACSPro ID number and job start and end dates at a minimum.
Once the SOE is approved by BCAEO, the Grantee shall submit a Financial Status Report (FSR) in EGrAMS for each Designated Agreement. This step will initiate the payment process.

Note: Completion of the WAP Monthly Programmatic Report, via FACSPro and the DHS-1071 as appropriate, is directly linked to the accurate completion of the SOE. Failure to submit the required programmatic reporting in a timely manner may result in delays in processing the SOE. See Item 602 for monthly programmatic report instructions.

DOE & LIHEAP SOE SUBMITTAL PROCESSES

Statement of Expenditures:

The signed SOE must be submitted as a PDF attachment via email to: MDHHS-SOE-BCAEO@michigan.gov.

- ☐ Submit SOEs with supporting documents for each Grant series in separate attachments.
- ☐ Submit SOEs and supporting documents in PDF format (other formats have to be converted to PDF by BCAEO staff, which may increase the processing time).
- ☐ The BCAEO email system only accepts attachments up to 15MB in size. If the supporting documents are larger, please split the attachment and submit through multiple emails.
- ☐ Agreement ID and Month should be clearly stated in the email subject line. (*Example: LIHP1-2021 12345 June)*
- ☐ If sending multiple SOEs in one email, please list the month in the subject line and name each attachment with the naming convention noted in the bullet above.
- ☐ The address MDHHS-SOE-BCAEO@michigan.gov will be used exclusively for submission of the Statements of Expenditures and the required supporting documents (general ledger, SOE tie-out documentation, other documents required by MDHHS, etc.).
- ☐ The address MDHHS-BCAEO@michigan.gov will continue to be used for general correspondence, contract submission, etc.

If you have any questions or comments, please contact your Grant Manager

FSRs will be submitted in EGrAMS monthly for each Designated Agreement.

If you have any questions or comments, please contact your Grant Manager or the EGrAMS Helpdesk at 517.335.3359 or MDHHS-EGrAMS-HELP@michigan.gov.

402.1 – CSBG and CSBGD Cost Categories

POLICY CHANGES

- Updated item 20 under J. Miscellaneous, Allowable Costs to reflect the transition from FACSPro to empowOR in FY24.
- Updated item 24 under J. Miscellaneous, Unallowable Costs to provide an example of membership costs for lobbying related expenses.

REFERENCES

- 45 CFR Part 75
- Grant Agreements
- Office of Community Services (OCS) Resource Library
- CSBG Information Memorandum No. 37

PURPOSE

To describe the Program Accounts and Cost Categories/Budget Line Items to be used in preparation of the Grantee's CSBG Planned Expenditures as well as the Allowable and Unallowable Costs (Attachment A). It also provides a link to the HHS website (CSBG Information Memorandum, Transmittal No. 37) regarding some costs with administrative qualities that can be identified/charged as direct program costs.

POLICY

Grantees will determine the type, financial limitations and the frequency of any direct monetary services provided as well as any non-income related eligibility criteria**.**

The following services are not allowed with CSBG funds:

a. Purchase or improvement of land or the purchase, construction or permanent improvement of any building or other facility owned by the agency.

   Work is a “permanent improvement” if it:
   - Materially increases permanent value of the property;
   - Appreciably prolongs life of the property; or
   - Puts, rather than maintains, the property in efficient operating condition

   Work is not a “permanent improvement” if it is:

- Maintenance and repair. *45 CFR Part 75.452.*
- Rearrangement and reconversion costs. *45 CFR Part 75.462.*

Note: Assistance with a delinquent mortgage or property tax payment is allowed. A permanent improvement to a home, such as installing a different furnace system (e.g., from electric to gas) or making a change to the inside or outside structure of the home, is not allowed. Grantees can, however, purchase a furnace for a client. Contact your MDHHS grant manager if you are uncertain about the allowability of a specific service.

b. Leasing of space, buildings, and/or other assets not associated with a CSBG purpose or allowable activity.

c. Political activity such as:
   - Any partisan or nonpartisan activity or any political activity associated with a candidate or contending faction or group, in an election for public or party office;
   - Any activities to provide voters and prospective voters with transportation to the polls or provide similar assistance in connection with an election; or
   - Any voter registration activity.

Program Accounts

1. Administrative Costs

This account includes costs for administering and managing the central staff and centralized functions of the agency for the CSBG program, including but not limited to the following:

- General management of the Grantee organization, such as: strategic direction; Executive Director and executive support functions; and staff and costs related to accounting, budgeting, personnel/human resources, procurement, legal services, data processing, maintenance, etc.
- Management research activities (such as collection, storage, and retrieval of management information) are included when such activities are not part of a specific project but are utilized as a means of central administration.
- Costs related to the single audit, federally approved Indirect Costs and direct administrative costs charged by a local unit of government for public entities.
- Expenditures for the support or development of members of the governing

board or policy advisory councils, agency annual meetings and annual reports.

2. Direct Program Costs

This account includes allowable services and activities that have a measurable impact on the causes of poverty in the community. This includes services and activities geared toward clients attaining meaningful education and employment opportunities, emergency assistance, adequate housing/living environments, participation in community affairs and the removal of obstacles to improved self-sufficiency. Allowable costs include (but are not limited to):

- Costs related to the support of program directors, outreach workers, and others providing assistance to clients.

- Direct assistance to eligible individuals (Specific Assistance to Individuals).

- Activities related to the core CSBG program purpose, which are significant and necessary to the Grantee's mission, such as: coordinating, strengthening and expanding local services and programs related to the elimination of poverty. These include but are not limited to:

  - Multi-agency strategic planning, community-wide needs assessments and dialogues on poverty (activities formally involving multiple service providers).

  - Costs related to the support of agency planners/grant writers, costs associated with non-CSBG grant applications, and portions* of executive and deputy director salaries for activities related to the core CSBG program purpose.

    * Since "executive" staff are generally charged to PA01-Administrative Costs, staff time reports or activity reports must support charges to the PA02-Direct Program account.

- Co-location of complementary services; computerization of common intake and referral systems; formalized networking to share resources and facilities; and organization of cross-sector coalitions to address specific community concerns.

Cost Categories/Budget Line Items

The cost categories/budget line items applicable to the CSBG Expenditure Plan include:

- Salary and Wages
- Fringe Benefits
- Occupancy
- Communication
- Supplies
- Equipment
- Transportation
- Consultant/Professional Services
- Specific Assistance
- Miscellaneous

The definitions for these line items, as well as a description of the allowable and unallowable costs under the CSBG, are included in the following pages. The agency should become familiar with allowable and unallowable costs.

• Budget development shall be based on sound cost accounting principles.
• Budgets shall be in compliance with the OMB Uniform Guidance.
• Costs not specifically identified as “Allowable and Unallowable Costs” may be included if reasonable and necessary. These costs should be discussed with BCAEO staff.
• Unallowable costs shall not appear in the budget.
• Copies of appropriate subcontractor budgets and agreements must be included if over $25,000.

Allowability of costs is also addressed in the CSBG Agreement, OMB Uniform Guidance, and the HHS website. It can be found on the HHS website here IM 37.

CSBG/CSBGD ALLOWABLE AND UNALLOWABLE COSTS

A. SALARY AND WAGES

DEFINITION: Gross compensation paid to employees in the form of cash, products, or services including vacations, holidays, sick leave and leaves of absence. Paid absences must be: (1) provided under established written leave policies; (2) costs are equitably allocated to all related activities, including Federal awards; and, (3) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-

Federal entity or specified grouping of employees.

Note: Salary increases of 10% or more from the prior year, for employees who have the majority of their salary reimbursed under BCAEO administered Federal grants, must get the justification for the salary increase pre-approved by BCAEO. Documentation to support the salary increase includes current and prior position descriptions to show increased responsibilities, current and prior organizational charts to show increased supervisory responsibility, documentation from a third-party wage study, etc.

ALLOWABLE COSTS:

1. Only costs that support the goals and activities of the total program and must be determined and supported with adequate documentation.

2. Rates reasonable and consistent with those paid for similar activities by the grantee and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities.

3. Rates competitive with those paid for similar services provided by other agencies for doing similar work.

4. Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the organization and the employees before the services were rendered, or pursuant to an established plan followed by the organization so consistently as to imply, in effect, an agreement to make such payment.

5. Overtime and multi-shift premiums:
   a) When management of the grantee authorizes such costs as part of their established policies and in accordance with sound business practices
   b) For emergencies or performance of tasks which cannot reasonably be interrupted.

UNALLOWABLE COSTS:

1. Any payment over and above regular salaries and wages for the purpose of inducing employees to undertake or continue work at locations which may be isolated or in an unfavorable environment.

2. The value of donated volunteer time in providing services.

3. Bonuses, annuities, or other deferred compensation unavailable to all employees in the organization. See incentive compensation rules above.

4. Costs already funded through a separate contract and/or another funding source. Example: Program Manager is currently charged to Contract A @ 60 percent of salary/fringes and to Contract B @ 30 percent of salary/fringes. In the budget for new Contract C, the same Program Manager cannot be charged @ more than 10 percent of the same salary/fringe compensation package that was used for Contracts A & B.

B. FRINGE BENEFITS

DEFINITION: Funds allocated to cover allowances, costs and services provided by the grantee to or on behalf of its employees and not included as compensation of salaries and wages. The percentage of fringe benefits allocated for each employee cannot exceed the percentage of the same individuals program salaries allocated to the program.

REQUIRED COSTS:

1. All fringe benefits required by law are mandatory. If salaries are included in the budget, the following fringe benefit costs are required.
   a) FICA (Social Security and Medicare, calculated at a combined rate of 7.65%)
   b) Unemployment Compensation
   c) Worker's Compensation

2. If Unemployment compensation is not included in the budget:
   - The Grantee must supply documentation that it is a "Reimbursing Employer" with the Bureau of Worker's & Unemployment Compensation, or
   - Make a note of any other fund source that will be covering the cost of unemployment

ALLOWABLE COSTS:

1. Typical fringes include:

   a) Social Security (Employer’s share maximum 6.20%) (** See below)

b) Medicare (Employer's share maximum 1.45%)
c) Unemployment (***See below)
d) Worker's Compensation
e) Retirement
f) Health Insurance
g) Life Insurance (unallowed if the non-Federal entity is named the beneficiary)
h) Disability Insurance
i) Any other services costs or allowances paid by the employer as required by law, agreement, or established in policy

2. Fringe benefits not required by law (e.g. health insurance, retirement and disability) must meet the following criteria to be allowable:

   a) Fringe benefits must be established in policy, labor agreements, etc. prior to the time the contract is awarded.

   b) Fringe benefits charged to the contract must be calculated in the same manner as fringes not charged to the contract for employees in similar classifications.

** The Social Security wage base maximum is adjusted annually by the Social Security Administration. This wage base maximum is to be used in calculating the accurate amount of social security expense to be charged to the program. For calendar year 2022 the wage base maximum is $147,000 per employee, or the entire wage if under $147,000. The website to find this yearly max is here: www.ssa.gov/OACT/COLA/cbb.html

*** The unemployment maximum is the base wage per employee or the entire wage if under the maximum base wage. Do not charge unemployment for the employee if this is a shared position and the base wage limit is included in another Cost Reimbursement Agreement or payment rate. *Your agency base wage should be listed on the letter you receive from the Michigan Unemployment Insurance Agency.*

UNALLOWABLE COSTS:

1. Any costs associated with an employee's personal expenditures during the course of normal employment, such as parking, clothing, meals, etc.

2. Personal use of organization vehicles (including transportation to and from work) even if reported on a W-2.

3. Costs or allowance paid by the grantee but not required by law, agreement, or

established policy.

4. Abnormal or mass severance pay, unless pre-approved by the Federal awarding agency or cognizant agency for indirect costs, as appropriate.

5. Costs in excess of the pro-rated portion attributable to partial (less than full-time) FTE's.

6. Self-insured worker's compensation and unemployment compensation costs are not allowable if costs exceed rates and premiums that would have been allowed if insurance premiums or taxes would have been paid.

7. Costs already funded through a separate contract and/or another funding source.

C. OCCUPANCY

DEFINITION: Costs arising from occupancy and use of owned or leased buildings and offices

ALLOWABLE COSTS:

1. Depreciation, as figured on a straight-line basis on grantee facilities with a 40-year useful life, on that portion of the organization's building and improvements used for the program as determined by acquisition cost with adequate property records. Acquisition cost will exclude: the cost of land, portion of cost borne or donated by the Federal Government, portions previously claimed as matching or where law prohibits recovery, and asset(s) acquired solely for the performance of a non-Federal award. Physical inventories must be taken at least once every two years.

2. Depreciation on assets donated by third parties is allowable. The value of the donated asset used to calculate these charges shall be the market value at the time of the donation.

3. The actual payment of rental costs to a third party for use of the facility and property. Rates must be reasonable in light of such factors as: rental costs of comparable facilities and personal property, if any; market conditions in the area; alternatives

available; and the type, life expectancy, condition, and value of the facilities leased; and other provisions of the rental agreement.

4. Insurance to cover loss of assets.

5. Normal maintenance and repair costs: costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment which neither add to the permanent value of the property nor appreciably prolong its intended life.

6. Costs incurred for rearrangement and alteration of facilities required to specifically meet conditions of the agreement that do not increase the value of the property. (See Unallowable Costs.)

7. Operation costs, such as cost of utilities, security, janitorial service, elevator service to the extent they are not otherwise included in rental or other charges for space.

8. Costs necessary to comply with security requirements, including wages and equipment of personnel engaged in plant protection.

9. Depreciation on plant protection capital assets, such as security systems, shall be included with the building as stated above.

UNALLOWABLE COSTS:

1. Cost of rent or lease of items between plants, divisions, or organizations under common control or ownership, or any less than arms-length transaction is limited to the amount that would have been allowed had the non-Federal entity continued to own the property (depreciation, maintenance, taxes, and insurance). Anything over this amount is unallowable.

2. Special assessments on land that represent capital improvement, such as sewer and sidewalk assessments.

3. Depreciation for assets fully depreciated by the grantee.

4. Depreciation on assets that have outlived their useful lives.

5. Use Allowance. **Note:** If use allowance was taken on an asset not fully depreciated, you may convert to taking depreciation but total of both, depreciation taken and use

allowance attributable to prior periods may not exceed the acquisition cost of the asset.

6. Building depreciation expense greater than the amount calculated using straight-line method and a 40-year useful life.

7. Costs related to idle facilities.

8. Occupancy costs in excess of the programs equitable share, and amounts representing profit, management fees, and taxes that would not have been incurred had the non-Federal entity purchased the property.

9. The purchase or improvement of land or the purchase, construction, or permanent improvement of any building or other facility.

D. COMMUNICATION

DEFINITION: Costs for written or verbal communication.

ALLOWABLE COSTS:

1. Costs incurred for telephone calls or service, pagers, fax service, cellular phone service, wide area telephone services (WATS), conference line and webinar subscriptions, centrex, postage, messenger service, and similar expenses related to grantee operations. Telephones and other communication devices should be charged to this item.

2. Printing, reproduction and publication costs required by the agreement.

3. Costs of informing or instructing groups, individuals, or the general public about grantee services provided, as required by the agreement.

4. Costs of gaining the interest of groups or individuals to participate in a service program, including recruitment of volunteers.

5. State and Federal excise taxes on otherwise allowable goods or products.

6. Advertising for: 1) recruitment of personnel and 2) solicitation of bids for the

procurement of goods and services, program announcements, etc., and 3) other purposes specifically provided for in the agreement.

UNALLOWABLE COSTS:

1. Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions.

2. Advertising and public relations designed solely to promote the entity.

3. Finance fees or interest type costs for late payments.

E. SUPPLIES

DEFINITION: Consumable or non-consumable items with a unit cost of less than $5,000 (or the organization's capitalization policy, whichever is less) and in many cases, but not all, have a useful life expectancy of less than one year. Supplies are generally consumed during the project performance (paper, pens, etc.), however non-consumable supplies (file cabinets, chairs, etc.) may also be included in this category. Note that supply costs identified as direct costs in the budget may not be duplicative of supply costs included in the indirect cost pool that is the basis of the indirect rate applied for this project.

ALLOWABLE COSTS:

1. Costs associated with delivery of supplies.

2. Purchase cost, net of applicable discounts and credits, of consumable and non-consumable supplies relevant to the grantee's operation and allowable under the program.

UNALLOWABLE COSTS:

1. Consumable and non-consumable supplies for program activities not allowed under the program.

2. Consumable supplies that will not be consumed during this agreement period.

3. Finance fees or interest type costs for late payments.

4. Taxes from which exemptions are available (Sales tax exemption is available on Michigan Department of Treasury form 3372).

F. EQUIPMENT

DEFINITION: Tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of capitalization level established by the non-Federal entity for financial statement purposes, or $5,000. In addition, this does not include items that are attached to or included as part of the cost of a facility.

If non-competitive (sole source) methods will be used, the CAA must submit documentation to support why the non-competitive method of procurement will be used and why competitive methods are not possible or more beneficial. BCAEO approval is required prior to utilizing non-competitive procurement methods.

ALLOWABLE COSTS:

1. Equipment purchases cannot be expensed directly to the CSBG grant; the costs must be capitalized and budgeted as depreciation. Exception: Costs (or shared costs) for purchased equipment may be charged to CSBG if an Equipment Waiver Request has been approved by the BCAEO. Acquisition cost will exclude portion of cost borne or donated by the Federal Government, portions previously claimed as matching or where law prohibits recovery, and asset(s) acquired solely for the performance of a non-Federal award.

   Waiver Process: As part of the grantee's application process, the BCAEO will accept formal waiver requests to purchase "equipment" that will benefit the agency's programs or clients. Agencies submitting a request must do so by utilizing the Equipment Waiver Request form (DHS-4328, located at the end of CSPM 404) and by providing the required documentation with the CSBG application. Purchases cannot occur unless and until a waiver has been granted.

2. Depreciation costs due to the normal depreciation as figured on straight line basis over five (5) years on the valuation of property as filed with the IRS, by a generally accepted accounting procedure, with adequate property records and depreciation schedules.

3. Rental costs for equipment paid to a third party in an arms-length transaction must be reasonable, using factors such as: rental costs for comparable equipment and personal property; market conditions in the area; the type, life expectancy, condition and value of the equipment leased; options available and other provisions of the rental agreement. Include such items as computers, phone systems, copiers and office furniture if the unit cost equals or exceeds $5,000.

4. Insurance to cover loss of equipment.

5. Normal equipment maintenance, repair, and upkeep costs.

6. Cost of transportation or freight in delivering equipment to the Grantee.

7. Taxes from which exemptions are not available (Personal Property, etc.) relating to Equipment used for the program.

UNALLOWABLE COSTS:

1. Rental of equipment between plants, divisions or organizations under common control or ownership, or any less than arm's-length transaction is limited to the amount the amount that would have been allowed had the non-Federal entity continued to own the property (depreciation, maintenance, taxes, and insurance).

2. The amount that rental costs under any type of "option to buy" arrangement exceed rental costs without an "option to buy".

3. Any portion of the purchase price of equipment over $5,000, unless preapproved. See "allowable costs" for proper method of charging equipment.

4. Finance fees or interest type costs for late payments.

5. Use allowance. **Note:** If use allowance was taken on an asset not fully depreciated, you may convert to taking depreciation but the total of both, depreciation taken and use allowance attributable to prior periods may not exceed the acquisition cost of the asset.

6. Depreciation of capitalized assets, where the total purchase price was already recovered as a reimbursable grant expense.

G. TRANSPORTATION

DEFINITION: Transportation costs include the costs of travel, lodging, meals and incidental expenses incurred by personnel or grantee board members in a travel status while on official business. Travel rates established by the State of Michigan will be used as a guideline in determining reasonableness of rates charged to the CSBG grant. See CSPM 405 for additional travel policy.

ALLOWABLE COSTS:

1. Actual expenses controlled by maximum reimbursement rate set by CAA internal policy (State of Michigan travel rates and related maximums will be used if the grantee does not have their own documented policy related to travel reimbursement) for meals and lodging, see Travel Reimbursement section below for this requirement.

2. Per diem or mileage rates in lieu of actual costs incurred provided the method is used for the entire trip, consistent with the non-Federal entity's non-federally funded activities, in accordance with the non-Federal entity's written travel policy, and receipts kept for documentation.

3. Mileage, lodging, and meal costs in excess of State of Michigan rate (as long as agency is following their internal travel policy and required documentation is retained, see Travel Reimbursement section below for this requirement).

4. Actual cost, in lieu of mileage or per diem, of a grantee owned or leased vehicle, including insurance, gasoline, oil, depreciation (if the vehicle was not previously fully reimbursed as a grant expense) and all normal maintenance when the vehicle is used for an allowable program activity. When depreciating a vehicle, the depreciation must be based on acquisition cost less salvage value of vehicle to be replaced. Use straight-line and five (5) year useful life.

5. Leased or rental vehicles at a mileage or fixed rate that includes vehicle maintenance, inspection and repair services.

6. Air travel, limited to the basic least expensive unrestricted accommodations class offered by commercial airlines, when attending conferences/training. For instances where the above mentioned least expensive amount can be exceeded, see 45 CFR 75.474(e).

NOTE: The grantee must identify the potential conference or trainer sponsor(s) for such travel when itemizing this cost. Example of sponsors include: NASCSP, CAP, NCAF, CAPLAW, DOE, ACI, etc.

7. Transportation of clients as part of grantee services.

   NOTE: Documentation must justify that 1) Participation of the registrant is necessary for the federal award; and 2) Costs are reasonable and consistent with entity policy.

UNALLOWABLE COSTS:

1. Mileage reimbursement when a grantee vehicle is used.

2. Mileage, lodging, and meal costs in excess of prevailing Grantee rate (unless a higher, and reasonable, rate at a conference site and required documentation is retained).~~)~~

3. Costs related to conferences/meetings that are not held for an allowable program activity.

4. Portion of automobile costs relating to personal use by employees.

5. International travel not pre-approved by BCAEO.

H. CONTRACTUAL SERVICES

DEFINITION: Compensation paid by the grantee to a third party under a subcontract for a consultant or professional service such as for: Temporary staff; CPA or Accounting/Payroll services, Software Consultants and Software Trainers, Legal Advice, Community Needs Assessment, Strategic Planning, Employee Training; Fiduciary Financial Services, certified weatherization pre- post-inspectors; licensed mechanical inspectors, licensed building, electrical, mechanical, plumbing, roofing, and manufactured home maintenance and alteration contractors.

When a professional service will cost $25,000 or greater, a copy of the service agreement and budget, must be submitted with the expenditure plan, and the contractor must be checked for suspension and debarment on SAM.gov. (A separate budget is not required if the service agreement identifies and includes the costs.)

If non-competitive (sole source) methods will be used, the CAA must submit documentation to support why the non-competitive method of procurement will be used and why competitive methods are not possible or more beneficial. BCAEO approval is required prior to utilizing non-competitive procurement methods.

ALLOWABLE COSTS:

1. Professional services costs rendered by members of a particular profession who are not employees of the grantee and who provide services relevant to the grantee's operation. Subcontracts are subject to review based on their relevancy to the purposes of the program. The following criteria are considered:

   a) The costs are reasonable in relation to the service rendered. If reasonableness is questioned, the Grantee must document how the price or cost, as well as reasonableness, were determined.

   b) The nature and scope of the subcontracted services are in support of the grantee's operation and program services.

   c) The service can be performed more economically by subcontracting rather than direct employment.

   d) The subcontractor's fees are consistent and competitive with other providers and the qualifications of the subcontractor rendering the service are adequate.

   e) The subcontract agreement for the service to be provided is adequate in description of the service and/or deliverables, estimate of time required, rate of compensation and termination provisions.

   f) The subcontract is awarded through a competitive process if, in the opinion of MDHHS, the dollar value and other factors would require bidding to assure reasonable cost and quality of service. Grantee must adhere to their own internal procurement policies, unless Federal procurement policies are more restrictive.

   g) The subcontract agreement adequately conforms to the Agreement between the Grantee and MDHHS/BCAEO, and including items such as: description of service, estimate of time required, rate of compensation, and termination provisions.

2. Management studies/consultants to improve the stability, effectiveness, and efficiency

of the Grantee by persons not employees of the Grantee.

UNALLOWABLE COSTS:

1. Retainer fees.

2. Subcontracts with persons who meet the legal definition of an employee for the purpose of avoiding mandatory fringe benefits.

3. Subcontracts with agencies or individuals that have common ownership/relationship or contracts with the Grantee.

I. SPECIFIC ASSISTANCE TO INDIVIDUALS

DEFINITION: Specific services provided to and for eligible clients, or items of value purchased for and given to eligible clients as part of service delivery (such as the purchase of household supplies or furniture, payment of utility bills, or the provision of training, meals, shelter, transportation, etc.) Itemize each type of specific assistance.

Examples:

Automotive Repairs	13,000
Rent and Rent Deposits	15,000
Mortgage or Property Tax Assistance	19,000
Utility Assistance	20,000
Transportation (Contractor: Blue Cab)	12,000
Overnight Shelter (Contractor: Women's Mission)	14,000

ALLOWABLE COSTS:

Services provided to, or items purchased for, a specific eligible client and given to that client as allowable under the CSBG Program.

NOTE: If the agency plans to subcontract **with another provider or vendor to provide specific services for eligible clients** (see examples above), the agency must identify both the service and the contractor's/vendor's name.

UNALLOWABLE COSTS:

1. Activities that are not allowable under the CSBG program. Note: Contact your BCAEO grant manager if you have questions.

2. Gift cards that are not purchased using all reasonable precautions to limit the gift cards usage to allowable purchases only (unallowable items such as alcohol, firearms, etc.).

3. Items or services not identified or included in the agreement or expenditure plan.

J. MISCELLANEOUS

DEFINITION: Expenses related to the agreement which are not chargeable to other line items.

ALLOWABLE COSTS:

1. The cost of establishing and maintaining all accounting and other information systems required for grantee central administration, not included in other line items. This includes costs incurred by a central administration for those purposes.

2. Direct costs assessed by a governmental unit (similar to indirect costs) when the grantee is a public organization; such costs are to be included in the ADMIN **Category** under the "**Miscellaneous**" Line Item.

The following terminology shall be used by Grantees when such costs are included in a budget.

Examples:

- "Direct Costs Assessed by the City" (..*include calculation method or explanation of how costs are determined on the budget page, or the agency may note "see comment page" and then provide the specific details on that page…*)
- "Direct Costs Assessed by the County" (..*include calculation method or explanation of how costs are determined on the budget page, or the agency may note "see comment page" and then provide the specific details on that page*.)

3. Audit services required by, and performance in accordance with, the Single Audit Act as long as the expenditures under Federal awards are equal to or greater than $750,000 and such audit is required.

4. Professional liability insurance.

5. Premiums on bonds covering employees who handle contract funds.

6. Data processing for grantee management, such as payrolls, personnel records, etc.

7. Services to cover processing of checks or warrants from preparation to redemption, including the necessary records of accountability and reconciliation of such records with related cash accounts.

8. Health and first aid supplies.

9. Employee counseling services, as generally covered by health insurance providers, including outpatient mental health services, family and marriage counseling and substance abuse counseling.

10. Meeting and conference expenses, **as required in the agreement**, such as facilities, speaker fees, meals and refreshments, local transportation, cost of identifying but not providing dependent care resources. (*Example – Board meetings*)

    Note: Must follow state rates if internal policy does not specify limitations. Meals are only allowed for FULL DAY meetings (lasting 5 hours or longer).

11. Food and refreshments for youth (clients) involved in activities.

12. Professional memberships if not covered in an agency's indirect cost rate and for memberships which have a direct relationship to the goals of the program. May include costs of memberships in trade, business, technical and professional organizations, as required for affiliation with the parent body.

    NOTE: This needs an approved exception from MDHHS.

13. Preparing payrolls and maintaining necessary related wage records.

14. Recruitment, examination, certification, classification, establishment of pay standards and related activities for provisions of services under the agreement.

15. Costs associated with the recruitment, training, and retention of volunteers for agency programs and activities. This includes recognition awards and mileage/meal reimbursement for volunteers. Volunteer recognition events should not exceed one per year.

16. Staff training and education for employee development if there is a benefit to the

program.

17. Subscriptions, if not covered in the agency's indirect cost rate, and the subscriptions:
    a) are considered necessary to the administration of the agency's program(s),
    b) provide a training component that increases the knowledge and skill of the agency staff,
    c) have a direct relationship to the agency's specific objectives,
    d) are specifically job and staff performance related, and/or
    e) are not readily available in a library.
    NOTE: This needs an approved exception from DHHS.

18. Grantees may charge the cost of training conferences and employee and WAP contractor training if it 1) is specifically identified training for the services administered in the agreement, 2) is not applicable to other services provided by the agency, and 3) would not normally be considered a part of general professional development.

19. Costs associated with the support or development of members of the governing board or policy advisory councils, agency annual meetings and annual reports. Board members may be reimbursed for expenses associated with board service, such as incidental costs of supplies, or mileage, per diem, and lodging expenses incurred while attending out of town conferences or training approved by the entire board. **Stipends are not recommended because the IRS is mandating that board members receiving stipends should be considered employees, which is unallowable.**
    Note: Board members and their families should not enjoy any financial gain from their position, including receipt of salary, goods, or special services for their board participation. If a Board member is also on the Head Start board, the Head Start policy supersedes this policy.
20.

Costs incurred for BCAEO-approved data systems, such as FACSPro annual maintenance fees and empowOR add-ons.

NOTE: In FY24, no more than 10% of FACSPro maintenance fees can be charged to CSBG unless approval is received from BCAEO.

21. Costs incurred in accordance with the CAA's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance. **NOTE:** Grantee must follow Uniform Guidance 45 CFR 75.404 *Reasonable Costs,* 45 CFR 75.437 *Employee health and welfare costs, and* 45 CFR 75.438 *Entertainment Costs*.

22. Indirect costs

- Are incurred for a common or joint purpose benefitting more than one cost objective,
- And are not readily assignable to the cost benefited, without effort disproportionate to the results achieved.
- Up to $25,000 of a subaward may be included in the indirect cost rate formula (e.g. a subaward to another CAA for providing food services in lieu of a contracted vendor).
- Equipment should not be included in the indirect cost rate formula, nor should lobbying, fundraising activities, or any other costs unallowed by Uniform Guidance.

Any request for indirect costs will require prior written approval. To request approval, a complete explanation of the percentage, including all mathematical calculations and supporting documentation, must be submitted with the expenditure plan. A current federally approved indirect rate is acceptable documentation. If the Grantee does not have a federally approved rate, the Grantee may use a de minimis rate of 10%.

A copy of the current approved Indirect Cost Rate Agreement from the cognizant agency must be provided as an attachment to the expenditure plan.

If a cost allocation plan is used for one Federal award, it must be used for all Federal awards to ensure consistency of cost allocation.

UNALLOWABLE COSTS:

1. Interest on borrowed capital or temporary use of endowment funds.

2. Fund Raising:
   a) Non-Profit Organizations: Organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests and similar expenses incurred solely to raise capital or obtain contributions.
   b) Units of Local Government: Organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used.

3. Investment and related expenses incurred solely to enhance income from investments.

4. Staff training not required in the agreement. Charges for employee training are not

allowable if the training is basic training that will teach the employees basic skills necessary to perform the duties of the agreement. It is expected that the agency will already have properly trained employees. There may be exceptions to this policy in cases where a service is performed within a copyrighted model where it is not reasonable to expect any grantee to have the basic skills required for the service. These exceptions will require approval of the appropriate administration director.

5. Costs of preparing grants or bid proposals where there is an apparent conflict with the awarding agency. This does not include preparing plans such as CSBG, DOE, and LCA that is allocated through BCAEO. Note: the charges should be reflected in an indirect cost rate pool.

   Example of unallowed use of funds:
   CAA prepares Intent to Bid Proposal for new BCAEO project with CSBG funds.

6. Individual staff memberships in trade, business, technical and professional organizations unless the agency can sufficiently describe the specific benefits to the agency and its customers.

7. Food and Refreshments for employees including:
   - Food purchased for retirements, diversity events, celebrations, holiday events, or events of an internal nature that are not required to conduct business.
   - Refreshments for meetings for employees, contractors, community partners or other entities, other than FULL DAY meetings (lasting 5 hours or longer).
   - Group meetings with community and other partners which are not full day meetings (lasting 5 hours or longer). These should be scheduled during non-mealtime frames to the greatest extent possible.
   - Meal prices that exceed the state rate if internal policy does not specify limitations when traveling.
   - Alcoholic beverages.

8. Salaries and other expenses of local gov't bodies such as county supervisors, city council, school boards, etc., whether incurred for purposes of legislation or executive direction.

9. Prosecution of claims against the State.

10. Costs related to discharging general responsibilities as legal officer.

11. The costs of amusement, diversion, social activities, ceremonials and incidental costs

relating thereto, such as meals, lodging, rentals, transportation and gratuities, unless approved under the grant. **Example**: Recreation costs provided for under the line item "Specific Assistance to Individuals."

12. Costs resulting from violations of or failure to comply with Federal/ State/local laws and regulations.

13. Contributions and donation costs for free-will offerings to individuals and agencies.

14. Contingency costs related to possible future events or conditions rising from presently known or unknown causes, the outcome of which is indeterminable at the present time (e.g., pending litigation and other general business risks).

15. Bad debt losses (whether actual or estimated) arising from uncollectable customer's accounts and other claims, related costs and related legal costs. Collection costs and legal fees arising from bad debts are also unallowable.

16. The cost of maintaining central accounting records required for overall local government purposes, such as appropriation and fund accounts by treasurer, comptroller, or similar officials.

17. Accreditation fees unless the agency can sufficiently describe the specific benefits to the agency and its customers.

18. Costs of employee and board recognition "gifts" or awards.

19. Entertainment Costs.

20. Promotional items and memorabilia, such as: a) imprinted products given away as souvenirs from conferences, events or meetings; b) high cost products like pens and commemorative items; c) custom or specialized binders, etc.

21. Any Indirect Cost Rate formula or 10% De Minimis that includes: equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of $25,000. (e.g., a subaward to another CAA for provide food services in lieu of a contracted vendor).

22. Board member stipends (See #19. under allowable costs).

23. Finance fees or interest type costs for late payments.

24. Lobbying expenses or memberships to any firms or organizations that participate in lobbying (e.g. NCAF).

402.2 – DOE & LIHEAP Weatherization Assistance Cost Categories

POLICY CHANGES

- Updated References section
- Updated Purpose section
- Updated Support section for personnel costs
- Updated H&S Percentage to 34.95%
- Updated Training and Technical Assistance section to clarify training must be completed (as available) with MiTEC/in network prior to training out of state and reference to CSPM 618
- Updated WRF section, pointing to 600 series for allowable measures
- Updated Cost Category Limitations section for clarification of funding use and inability to spend funding
- Updated item 5 under I. Miscellaneous, Allowable Costs for FACSPro fee allocation
- Updated item 23 under I. Miscellaneous, Unallowable Costs to provide an example of membership costs for lobbying related expenses

REFERENCES

- Weatherization Assistance Program (DOE and LIHEAP) Agreements
- Office of Management and Budget (OMB) Uniform Guidance (2 CFR 200 and 45 CFR 75)
- 10 CFR Part 440 LIHEAP IM 2000-12 Costs for Planning and Administration
- CSPM 304 DOE Allocation & Plan Instructions
- Weatherization Program Notice 23-1
- WAP Memorandum 075

PURPOSE

This item contains descriptions of cost categories that are used on the WAP DOE and LIHEAP SOE's, and in preparation of the Grantee's Weatherization Plan.

The EGrAMS system runs grant agreements on the state's fiscal year, therefore the approved budgets will not always align with the contract amount. As DOE's WAP PYs run from July 1 – June 30, DOE grant agreements will run July 1 – September 30, October 1 – June 30 each year. BIL grant agreements will run on the state fiscal year for the first few years of the project period (total project period July 1, 2022-June 30, 2023). Unlike DOE Formula jobs, DOE BIL jobs may cross the fiscal/program year.

Allowability of costs is addressed in the WAP Agreement, 10 CFR Part 440, and the applicable Office of Management and Budget (OMB) Uniform Guidance. This item includes alisting of Allowable and Unallowable Costs.

This Cost Categories section is applicable for both DOE and LIHEAP, unless stated as DOE specific. Any LIHEAP specific cost categories and/or items will be outlined in the LIHEAP specific Cost Categories section 402.3. The definitions for these line items, as well as a description of the allowable and unallowable costs, are included in the following pages. The agency should become familiar with allowable and unallowable costs and unallowable costs shall not appear in the budget.

POLICY

The Grantee's Weatherization Budget Categories corresponds with DOE State Plan Budget Categories as listed in the chart below:

DOE State Plan Categories	Grantee's Weatherization Budget Categories
Program Operations	Labor/Materials Support
Subgrantee Administration	Administration
Health & Safety	Health & Safety
Training &Technical Assistance	Training & Technical Assistance
Financial Audit	Financial Audit
Liability Insurance	Liability Insurance
Weatherization Readiness Funds (DOE Specific)	Weatherization Readiness Funds (DOE Specific)

A. Labor/Materials

1. Wages and fringe benefits related to the installation of NEAT/MHEA- specified (DOE) and State of Michigan (SOM) approved audit specified (LIHEAP) weatherization measures including:

a. Payments to employ warehouse personnel who are engaged in handling weatherization materials.

b. Payments to employ laborers to perform weatherization services.

c. Payments to engage a subcontractor(s) to perform weatherization services.

d. This category also includes auditors, assessors, quality control inspectors, field supervisors that are not installing measures.
Note: Sufficient detail and documentation must be retained to support the amount of labor funds allocated to each job. Examples of this include timesheets, contractor invoices, and/or other documentation that contains sufficient detail to allow the seamless tie out of labor applied/allocated to each job in Cost Center/Work Order to the general ledger.

2. Materials purchased for:

a. The installation of NEAT/MHEA-specified (DOE), or SOM approved audit-specified (LIHEAP) weatherization measures in accordance with 10 CFR 440.21, Michigan Weatherization Field Guide, contract language, CSPM 600 series (DOE), and CSPM 700 series (LIHEAP). This includes the purchase of tools.

b. Incidental repairs as defined in 10 CFR 440.3, WPN 19-5 and CSPM Item 607.

c. Health and Safety measures consistent in accordance with 10 CFR 440.18, WPN 22-7 the current DOE State Plan, and CSPM Item 614.

Note: Material invoices must note adequate information to easily identify the costs and any allocation methodology utilized for assigning costs to specific jobs. Costs must be assigned to jobs by noting the FACSPro ID number(s), and materials can't be expensed to the grant unless assigned to a specific job. Contractor invoices must list sufficient detail to identify the specific work done to the job, along with the specific materials purchased, to ensure the costs on the invoice align properly to the measures installed as well as to the reports in FACSPro.

B. Support

1. Direct costs including the following:

a. Wages and fringe benefits of supervisory personnel, including personnel that are involved in supervising the work of labor. A percentage of the weatherization coordinator's salary and fringe benefits spent in the actual supervision of labor may be included in this line item (see C.1.b. below).

b. Wages and fringes of support staff including intake staff, auditor/inspector staff and/or subcontractors, etc.

c. Costs to support the staff functions of the personnel identified in 1.a. and 1.b. above (i.e., space costs, communication costs, travel costs, etc.).

d. Costs to support the staff functions of the agency personnel identified under Labor and Materials 1a and 1b and 1d.
(i.e., space costs, communication costs, travel costs, etc.)

   a. DBA FACSPro annual maintenance fees may be charged to this cost category.

e. Transportation of weatherization materials, tools, equipment, and work crews to storage site and to the site of weatherization work.

f. WAP equipment costs which include depreciation, insurance to cover the equipment, rental/lease costs for equipment, and repair and maintenance costs related to such equipment.

   The purchase price of equipment can only be charged directly to the WAP-DOE agreement with an MDHHS/DOE approved equipment purchase request.

   NOTE: The Grantee may request to reserve DOE funding for equipment purchases later in the program year. The actual purchase(s) may not be made until all required documentation is submitted, reviewed, and approved by MDHHS BCAEO and the U.S. Department of Energy (if applicable).

   See Item 404 regarding equipment inventory and purchase of equipment, including vehicles, for the Weatherization Assistance Program.

g. Maintenance of tools and equipment.

h. Storage of weatherization materials, tools, equipment, and weatherization vehicles.

i. Vehicle insurance.

2. Indirect costs including the following:

a. Wages and fringes of support staff including intake staff, etc.

b. Costs to support the staff functions of the personnel identified in 1.a. and1.b. above (i.e., space costs, communication costs, travel costs, etc.).

c. Maintenance of tools and equipment.

C. Administration

1. Direct costs include the following:

a. Wages and fringe benefits of weatherization program coordinator, secretaries, fiscal personnel, and other central administrative staff.

b. Wages and fringe benefits of the weatherization coordinator when not carrying out the functions allowed under program support. There must be a time sheet to support the distribution between administration and support.

c. Costs to support the staff functions of the personnel identified in 1.a. and 1.b. above (i.e. space costs, communication costs, travel costs, etc.).

a. DBA FACSPro annual maintenance fees may be charged to this cost category.

d. Direct costs assessed to a public agency by a governmental unit.

2. Indirect costs include:

a. Amounts consistent with a “Cognizant Agency” approved federal indirect cost rate.

b. Indirect Costs calculated/allocated in accordance with Uniform Guidance.

Note: Both DOE and LIHEAP statutes limit the amount of administrative funds for the individual grants. Any costs in excess of this limit must be paid from non-federal funds.

D. Health & Safety

This budget category includes costs for the elimination of energy related health and safety hazards that are necessary before or because of the installation of weatherization materials. This includes lead safe weatherization activities. Health & Safety (H&S) budget

costs cannot exceed 34.95% of the total Program Operations costs. Program Operations costs are considered Labor and Materials and Support. Due to the nature of the changes in these categories, BCAEO has set a limit of H&S funds for each agency. If you feel you will exceed this amount, you must contact your Grant Manager prior to exceeding the limit to request a waiver to exceed the limit. The Grant Manager will review and seek approval for a waiver to go over the allowable allocation. The waiver request is not guaranteed and will depend on current statewide spending in each category. Requests must be made at least 45 days prior to the end of the grant period.

Note: The Health & Safety cost category must include materials and labor directly related to Health & Safety allowable measures in accordance with 10 CFR 440.18, the current DOE State Plan, and CSPM Item 614.

E. Training/Technical Assistance

1. Direct costs include the following:

   a. Costs for staff and/or weatherization program subcontractors attending:

      i. DOE-sponsored or state-sponsored weatherization training (regional or national).

      ii. Other training included in the Grantee's approved DOE/LIHEAP plan specific to WAP. If the Grantee intends to participate in a training that is not on the pre-approved training list, back up documentation and justification is required showing how the training specifically relates to WAP. If the training is for overall program administration, only a portion of DOE/LIHEAP funds can assist with payment and justification must be submitted before BCAEO will approve.

      iii. Any other pre-approved weatherization program training. Pre-approved trainings include DOE sponsored trainings specific to WAP, Home Performance conference, Energy Out West conference, OSHA Trainings, IREC accredited trainings, BPI Energy Auditor, Quality Control Inspector and Healthy Home Evaluator training and certification, technical accredited training courses, technical continuing education credits (for contractors with retention agreements, and WAP staff).

   Note: If a JTA training can be acquired in state, or is provided by MiTEC,

Grantees must first seek training in state considering cost effective travel options. Approval to go out of state, or pay external trainers, must be provided by BCAEO. Agency must submit justification and explanation for the rationale.

Note: Grantees must secure a retention agreement in exchange for paying for contractor training. The retention agreement should require that contractors will work in the Program for a specific amount of time and must align with the cost of the T&TA provided. See CSPM 618 for policy regarding stipends and payments for contractor training.

b. Cost of printing client education materials.

Note: This cost should be minimal and should not include costs for calendars, booklets, etc. prepared by energy education vendors for distribution.

c. Cost of tuition and related charges for staff computer skills directly related to the weatherization program automation activities.

d. Wages and fringe benefits of staff while attending an approved training activity.

e. Cost of staff attendance at Michigan BCAEO sponsored Regional Weatherization meetings or Manager Meetings.

f. Subscriptions to technical publications.

g. **DOE Only:** Equipment or services that directly contribute to the overall efficiency of the weatherization program. This must be justified in the plan submitted by the Grantee and reviewed and approved by BCAEO and DOE.

Note: T&TA funds shall not be used to purchase vehicles or equipment for program operations. The cost of these vehicles or equipment to support the Program must be charged to the vehicle/equipment or other appropriate allowable categories.

F. Liability Insurance

This budget category includes the cost of liability insurance for personal injury and property damage for the weatherization assistance program. This line covers the cost of general liability insurance and pollution occurrence insurance (POI). The allocation chart does not include a maximum for this category, but instead a total amount estimated to be spent

across the state. Grantees must follow their financial policies for cost allocating to determine the amount to be spent in this category for each Weatherization grant.

Note: Vehicle insurance is charged to support.

G. Financial Audit

The cost of the audits required by, and performed in accordance with, the Single Audit Act in accordance with Uniform Guidance. Please refer to the allocation chart on the maximum amount to be used for this budget category.
The allocation chart does not include a maximum for this category, but instead a total amount estimated to be spent across the state. Grantees must follow their financial policies for cost allocating to determine the amount to be spent in this category for each Weatherization grant.

H. Weatherization Readiness Funds

Beginning in PY22, DOE Formula has added a cost category for Weatherization Readiness Funds (WRF). WRF are designated for use by Grantees in addressing structural and health and safety issues of homes that are currently in the queue to be weatherized, but at risk of deferral. This funding is specifically targeted to reduce the frequency of deferred homes that require other services, outside the scope of weatherization, before the weatherization services can commence.

Units receiving WRF must:

- Be closed during the same DOE grant project period. This is typically a 3-5 year grant period. BCAEO will notify agencies in years that end the grant and that WRF projects will need to be closed that same year.
- Count as EITHER a DOE Formula unit or a DOE BIL unit.
- Result in a DOE or BIL completion defined as, “A dwelling on which a DOE-approved energy audit or priority list has been applied and weatherization work has been completed.”
- Maintain a maximum allowable Average Cost Per Unit of 150% the program operations ACPU. For PY23 that is $12,375.
- The measures allowable under WRF can be found in CSPM 609.
- WRF reporting requirements are detailed in CSPM 609.

I. Cost Category Limitations

DOE Only: The State is allocated 7.5% of the total WAP-DOE grant for Grantee administrative funds. The total administrative allowance is divided between all Grantees.

Because the amount is calculated across the entire grant, including the BCAEO portion, the amount will be higher than 7.5% of the Grantee's allocation. For this reason, please use the allocation chart to define the administrative maximum instead of a 7.5% calculation.

The maximum amount for "support" is 35% of the Grantee's DOE or LIHEAP allocation.

Note: These percentage limits are established as the intended use of these funds is that they be spent primarily for installation of weatherization measures.

The maximum amount for "T/TA" is what is listed on the DOE allocation chart. If a Grantee is unable to utilize allocated funds for T/TA, the Grantee may utilize the funds toward another line item, as long it does not exceed the line-item limitations set forth in this policy and in CSPM 401.2.

Funds allocated in the WRF must remain in that cost category. Agencies unable to expend WRF funds should alert BCAEO so these funds can be shifted to another agency.

DOE & LIHEAP PROGRAM ALLOWABLE AND UNALLOWABLE COSTS

A. SALARY AND WAGES

DEFINITION: Gross compensation paid to employees in the form of cash, products, or services including vacations, holidays, sick leave and leaves of absence. Paid absences must be: (1) provided under established written leave policies; (2) costs are equitably allocated to all related activities, including Federal awards; and (3) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.

Note: Salary increases of 10% or more from the prior year, for employees who have the majority of their salary reimbursed under BCAEO administered Federal grants, must get the justification for the salary increase pre-approved by BCAEO. Documentation to support the salary increase includes current and prior position descriptions to show increased responsibilities, current and prior organizational charts to show increased supervisory responsibility, documentation from a third-party wage study, etc.

ALLOWABLE COSTS:

1. Only costs that support the goals and activities of the total program and are supported with adequate documentation.

2. Rates reasonable and consistent with those paid for similar activities by the grantee and conforms to the established written internal policy of the non-Federal entity consistently applied to both Federal and non-Federal activities.

3. Rates competitive with those paid for similar services provided by other agencies for doing similar work.

4. Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the organization and the employees before the services were rendered, or pursuant to an established plan followed by the organization so consistently as to imply, in effect, an agreement to make such payment.

5. Overtime and multi-shift premiums:
   a) When management of the grantee authorizes such costs as part of their established policies and in accordance with sound business practices
   b) For emergencies or performance of tasks which cannot reasonably be interrupted.

UNALLOWABLE COSTS:

1. Any payment over and above regular salaries and wages for the purpose of inducing employees to undertake or continue work at locations which may be isolated or in an unfavorable environment.

2. The value of donated volunteer time in providing services.

3. Bonuses, annuities, or other deferred compensation unavailable to all employees in the organization. See incentive compensation rules above.

4. Costs already funded through a separate contract and/or another funding source. Example: Program Manager is currently charged to Contract A @ 60 percent of salary/fringes and to Contract B @ 30 percent of salary/fringes. In the budget for new Contract C, the same Program Manager cannot be charged @ more than 10 percent of the same salary/fringe compensation package that was used for Contracts A & B.

B. FRINGE BENEFITS

DEFINITION: Funds allocated to cover allowances, costs and services provided by the grantee to or on behalf of its employees and not included as compensation of salaries and wages. The percentage of fringe benefits allocated for each employee cannot exceed the percentage of the same individuals program salaries allocated to the program.

REQUIRED COSTS:

1. All fringe benefits required by law are mandatory. If salaries are included in the budget, the following fringe benefit costs are required.
   a) FICA (Social Security and Medicare, calculated at a combined rate of 7.65%)
   b) Unemployment Compensation
   c) Worker's Compensation

2. If Unemployment compensation is not included in the budget:
   - The Grantee must supply documentation that it is a "Reimbursing Employer" with the Bureau of Worker's & Unemployment Compensation, or
   - Make a note of any other fund source that will be covering the cost of unemployment

ALLOWABLE COSTS:

1. Typical fringes include:

   a) Social Security (Employer's share maximum 6.20%) (** See below)
   b) Medicare (Employer's share maximum 1.45%)
   c) Unemployment (***See below)
   d) Worker's Compensation
   e) Retirement
   f) Health Insurance
   g) Life Insurance (unallowed if the non-Federal entity is named the beneficiary)
   h) Disability Insurance
   i) Any other services costs or allowances paid by the employer as required by law, agreement, or established in policy

2. Fringe benefits not required by law (e.g. health insurance, retirement and disability) must meet the following criteria to be allowable:

a) Fringe benefits must be established in policy, labor agreements, etc. prior to the time the contract is awarded.
b) Fringe benefits charged to the contract must be calculated in the same manner as fringes not charged to the contract for employees in similar classifications.

** The Social Security wage base maximum is adjusted annually by the Social Security Administration. This wage base maximum is to be used in calculating the accurate amount of social security expense to be charged to the program. For calendar year 2021 the wage base maximum is $147,000 per employee, or the entire wage if under $147,000. The website to find this yearly max is here: www.ssa.gov/OACT/COLA/cbb.html

*** The unemployment maximum is the base wage per employee or the entire wage if under the maximum base wage. Do not charge unemployment for the employee if this is a shared position and the base wage limit is included in another Cost Reimbursement Agreement or payment rate. *The Grantee's base wage should be listed on their letter from the Michigan Unemployment Insurance Agency*.

UNALLOWABLE COSTS:

1. Any costs associated with an employee's personal expenditures during the course of normal employment, such as parking, clothing, meals, etc.

2. Personal use of organization vehicles (including transportation to and from work) even if reported on W-2.

3. Costs or allowance paid by the grantee but not required by law, agreement, or established policy.

4. Costs in excess of the pro-rated portion attributable to partial (less than full-time FTE's).

5. Self-insured worker's compensation and unemployment compensation costs are not allowable if costs exceed rates and premiums that would have been allowed if insurance premiums or taxes would have been paid.

6. Costs already funded through a separate contract and/or another funding source.

7. Accrued abnormal or mass severance pay, unless pre-approved by the Federal awarding agency or cognizant agency for indirect costs, as appropriate

C. OCCUPANCY

DEFINITION: Costs arising from occupancy and use of owned or leased buildings and offices.

ALLOWABLE COSTS:

1. Depreciation, as figured on a straight-line basis on grantee facilities with a 40-year useful life, on that portion of the organization's building and improvements used for the program as determined by acquisition cost with adequate property records. Acquisition cost will exclude: the cost of land, portion of cost borne or donated by the Federal Government, portions previously claimed as matching or where law prohibits recovery, and asset(s) acquired solely for the performance of a non-Federal award. Physical inventories must be taken at least once every two years.

2. Depreciation on assets donated by third parties is allowable. The value of the donated asset used to calculate these charges shall be the market value at the time of the donation.

3. The actual payment of rental costs to a third party for use of the facility and property. Rates must be reasonable in light of such factors as rental costs of comparable facilities and personal property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition and value of the facilities leased, options available, and other provisions of the rental agreement.

4. Insurance to cover loss of assets.

5. Normal maintenance and repair costs: costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment which neither add to the permanent value of the property nor appreciably prolong its intended life.

6. Costs incurred for rearrangement and alteration of facilities required to specifically meet conditions of the agreement that do not increase the value of the property. (See Unallowable Costs.)

7. Operation costs, such as cost of utilities, security, janitorial service, elevator service to the extent they are not otherwise included in rental or other charges for space.

8. Costs necessary to comply with security requirements, including wages and equipment of personnel engaged in plant protection.

9. Depreciation on plant protection capital assets, such as security systems, shall be included with the building as stated above.

UNALLOWABLE COSTS:

1. Cost of rent or lease of items between plants, divisions, or organizations under common control or ownership, or any less than arms-length transaction is limited to the amount that would have been allowed had the non-Federal entity continued to own the property (depreciation, maintenance, taxes, and insurance). Anything over this amount is unallowable.

2. Special assessments on land that represent capital improvement, such as sewer and sidewalk assessments.

3. Depreciation for assets fully depreciated by the grantee.

4. Depreciation on assets that have outlived their useful lives.

5. Use Allowance. **Note:** If use allowance was taken on an asset not fully depreciated, you may convert to taking depreciation but the total of both, depreciation taken and use allowance attributable to prior periods may not exceed the acquisition cost of the asset.

6. Building depreciation expense greater than the amount calculated using straight-line method and a 40-year useful life.

7. Costs related to idle facilities.

8. Occupancy costs in excess of the programs equitable share, and amounts representing profit, management fees, and taxes that would not have been incurred had the non-Federal entity purchased the property.

9. The purchase or improvement of land or the purchase, construction, or permanent improvement of any building or other facility.

D. COMMUNICATION

DEFINITION: Costs for written or verbal communication.

ALLOWABLE COSTS:

1. Costs incurred for telephone calls or service, fax service, cellular phone service, wide area telephone services (WATS), conference line and webinar subscriptions, Centrex, postage, messenger service, and similar expenses related to grantee operations. Telephones and other communication devices should be charged to this item.

2. Printing, reproduction, and publication costs required by the agreement.

3. Costs of informing or instructing groups, individuals, or the general public about grantee services provided, as required by the agreement.

4. Costs of gaining the interest of groups or individuals to participate in a service program, including recruitment of volunteers.

5. State and Federal excise taxes on otherwise allowable goods or products.

6. Advertising for: 1) recruitment of personnel and 2) solicitation of bids for the procurement of goods and services, program announcements, etc., and 3) other purposes specifically provided for in the agreement.

UNALLOWABLE COSTS:

1. Costs of organized fundraising activities, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions

2. Advertising and public relations designed solely to promote the entity.

3. Finance fees or interest type costs for late payments.

E. SUPPLIES

DEFINITION: Supplies are generally defined as an item with an acquisition cost of less

than $5,000 (or the organization's capitalization policy, whichever is less) and in many cases, but not all, have a useful life expectancy of less than one year. Supplies are generally consumed during the project performance. Note that supply costs identified as direct costs in the budget may not be duplicative of supply costs included in the indirect cost pool that is the basis of the indirect rate applied for this project.

ALLOWABLE COSTS:

1. Costs associated with delivery of supplies.

2. Purchase cost, net of applicable discounts and credits, of consumable and non-consumable supplies relevant to the grantee's operation and allowable under the program.

UNALLOWABLE COSTS:

1. Consumable and non-consumable supplies for program activities not allowed under the program.

2. Consumable supplies that will not be consumed during this agreement period.

3. Finance fees or interest type costs for late payments.

4. Taxes from which exemptions are available (Sales tax exemption is available on Michigan Department of Treasury form 3372).

F. EQUIPMENT

DEFINITION: Tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of capitalization level established by the non-Federal entity for financial statement purposes, or $5,000. In addition, this does not include items that are attached to or included as part of the cost of a facility.

If non-competitive (sole source) methods will be used, the CAA must submit documentation to support why the non-competitive method of procurement will be used and why competitive methods are not possible or more beneficial. BCAEO approval is required prior to utilizing non-competitive procurement methods, please email all required documentation noted above to MDHHS-BCAEO@michigan.gov.

ALLOWABLE COSTS:

1. WAP Depreciation costs due to the normal depreciation as figured on straight line basis over five (5) years on the of valuation as determined by acquisition cost with adequate property records. Acquisition cost will exclude the portion of cost borne or donated by the Federal Government, portions previously claimed as matching or where law prohibits recovery, and asset(s) acquired solely for the performance of a non-Federal award.

2. Rental costs for equipment paid to a third party in an arm's length transaction must be reasonable, using factors such as: rental costs for comparable equipment and personal property; market conditions in the area; the type, life expectancy, condition and value of the equipment leased; options available and other provisions of the rental agreement. Include such items as computers, phone systems, copiers, and office furniture if the unit cost equals or exceeds $5,000.

3. Insurance to cover loss of equipment.

4. Normal equipment maintenance, repair, and upkeep costs.

5. Cost of transportation or freight in delivering equipment to the Grantee.

6. The total purchase price of vehicles or equipment over $5,000 with prior approval from MDHHS and U.S. DOE (as applicable).

7. Taxes from which exemptions are not available (Personal Property, etc.) relating to Equipment used for the program.

UNALLOWABLE COSTS:

1. Rental costs of equipment between plants, divisions, or organizations under common control or ownership, or any less than arm's-length transaction is limited to the amount that would have been allowed had the non-Federal entity continued to own the property (depreciation, maintenance, taxes, and insurance).

2. The amount that rental costs under any type of "option to buy" arrangement exceed rental costs without an "option to buy".

3. Any portion of the purchase price of equipment over $5,000, unless preapproved. See "allowable costs" for proper method of charging equipment.

4. Finance fees or interest type costs for late payments.

5. Use Allowance. **Note:** If use allowance was taken on an asset not fully depreciated, you may convert to taking depreciation but the total of both, depreciation taken, and use allowance attributable to prior periods, may not exceed the acquisition cost of the asset.

G. TRANSPORTATION

DEFINITION: Transportation costs include the costs of travel, lodging, meals and incidental expenses incurred by personnel or Grantee board members in a travel status while on official business. Travel rates established by the State of Michigan will be used as a guideline in determining reasonableness of rates charged to the WAP grant. See CSPM 405 for additional travel policy.

ALLOWABLE COSTS:

1. Actual expenses controlled by maximum reimbursement rate set by CAA internal policy (State of Michigan travel rates and related maximums will be used if the grantee does not have their own documented policy related to travel reimbursement) for meals and lodging, see Travel Reimbursement section below for this requirement.

2. Per Diem or mileage rates in lieu of actual costs incurred provided the method is used for the entire trip, consistent with the non-Federal entity's non-federally funded activities, in accordance with the non-Federal entity's written travel policy, and receipts are kept for documentation.

3. Mileage, lodging, and meal costs in excess of State of Michigan rate as long as the Grantee is following their internal travel policy and required documentation is retained, (see Travel Reimbursement section below for this requirement).

4. Actual cost, in lieu of mileage or per diem, of a grantee owned or leased vehicle, including insurance, gasoline, oil, depreciation, and all normal maintenance when the vehicle is used for an allowable DOE/LIHEAP activity. When depreciating a vehicle, the depreciation must be based on acquisition cost less salvage value of vehicle to be replaced. Use straight-line and five (5) year useful life.

5. Leased or rental vehicles at a mileage or fixed rate that includes vehicle maintenance, inspection, and repair services.

6. Air travel, limited to the basic least expensive unrestricted accommodations class offered by commercial airlines, when attending conferences/training. For instances where the above mentioned least expensive amount can be exceeded, see 45 CFR 75.474(e) and 2 CFR 200.475(e) for more information.

   NOTE: The grantee must identify the potential conference or trainer sponsor(s) for such travel when itemizing this cost. Example of sponsors include: NASCSP, ACI, DOE, etc.

7. Transportation of clients as part of DOE program services.

   NOTE: Documentation must justify that 1) Participation is necessary for the federal award; and 2) Costs are reasonable and consistent with entity policy.

UNALLOWABLE COSTS:

1. Mileage reimbursement when grantee vehicle is used.

2. Mileage, lodging, and meal costs in excess of prevailing Grantee rate (unless a higher, and reasonable, rate at a conference site and required documentation is retained).

3. Costs related to conferences/meetings that are not held for an allowable DOE activity.

4. International Travel not pre-approved by BCAEO.

H. CONTRACTUAL SERVICES

DEFINITION: Compensation paid by the grantee to a third party under a subcontract for a consultant or professional service such as for: Temporary staff; CPA or Accounting/ Payroll services, Software Consultants and Trainers, certified weatherization pre- post-inspectors; licensed mechanical inspectors, licensed building, electrical, mechanical, plumbing, roofing, and manufactured home maintenance, and alteration contractors.

When a professional service will cost $25,000 or greater, a copy of the service agreement and budget, and vendor selection determination must be submitted with the expenditure plan, and the contractor must be checked for suspension and debarment on SAM.gov. (A separate budget is not required if the service agreement identifies and includes the costs.)

If non-competitive (sole source) methods will be used, the CAA must submit documentation to support why the non-competitive method of procurement will be used and why competitive methods are not possible or more beneficial. BCAEO approval is required prior to utilizing non-competitive procurement methods.

ALLOWABLE COSTS:

1. Professional services costs rendered by members of a particular profession who are not employees of the grantee and who provide services relevant to the grantee's operation. Subcontracts are subject to review based on their relevancy to the purposes of WAP. The following criteria are considered:

    a) The costs are reasonable in relation to the service rendered. If reasonableness is questioned, the Grantee must document how the price or cost, as well as reasonableness, were determined.
    b) The nature and scope of the subcontracted services are in support of the grantee’s operation and program services.
    c) The service can be performed more economically by subcontracting.
    d) The subcontractor's fees are consistent and competitive with other providers and the qualifications of the subcontractor rendering the service are adequate.
    e) The subcontract agreement for the service to be provided is adequate in description of the service, estimate of time required, and rate of compensation and termination provisions.
    f) The subcontract is awarded through a competitive process if, in the opinion of DHHS, the dollar value and other factors would require bidding to assure

reasonable cost and quality of service. The Grantee must adhere to their own internal procurement policies unless Federal procurement policies are more restrictive.

g) The subcontract agreement adequately conforms to the Agreement between the Grantee and DHHS/BCAEO and including items such as: description of service, estimate of time required, rate of compensation, and termination provisions.

2. Management studies/consultants to improve the stability, effectiveness, and efficiency of the Grantee by persons not employees of the Grantee.

UNALLOWABLE COSTS:

1. Retainer fees.

2. Subcontracts with persons who meet the legal definition of an employee for the purpose of avoiding mandatory fringe benefits.

3. Subcontracts with agencies or individuals that have common ownership/ relationship or contracts with the Grantee.

4. Finance fees or interest type costs for late payments.

I. MISCELLANEOUS

DEFINITION: Expenses related to the agreement which are not chargeable to other line items.

ALLOWABLE COSTS:

1. The cost of establishing and maintaining all accounting and other information systems required for grantee central administration, not included in other line items. This includes costs incurred by a central administration for those purposes.

2. Direct costs assessed by a governmental unit (similar to indirect costs) when the grantee is a public organization; such costs are to be included in the ADMIN Budget. This is not allowed for LIHEAP Emergency Grants.

The following terminology shall be used by Grantees when such costs are

included in a budget.

- "Direct Costs Assessed by the City" (include calculation method or explanation of how costs are determined on the budget page, or the agency may note "see comment page" and then provide the specific details on that page...)
- "Direct Costs Assessed by the County" (include calculation method or explanation of how costs are determined on the budget page, or the agency may note "see comment page" and then provide the specific details on that page.)

3. Audit services required by, and performed in accordance with, the Single Audit Act as long as the expenditures under Federal awards are equal to or greater than $750,000 and such audit is required.

4. Professional liability insurance.

5. FACSPro annual maintenance with DBA (If Weatherization is the only program using FACSPro, the FACSPro fees can be charged 100% to Weatherization Grants including DOE, WxBIL, and LIHEAP. The expense allocation must be supported by proper allocation methodology and documentation). This is not allowed for LIHEAP Emergency Grant.

6. Premiums on bonds covering employees who handle contract funds.

7. Grantee management data processing such as payrolls, personnel records, etc.

8. Services to cover processing of checks or warrants from preparation to redemption, including the necessary records of accountability and reconciliation of such records with related cash accounts.

9. Health and first aid supplies.

10. Employee counseling services, as generally covered by health insurance providers, including outpatient mental health services, family and marriage counseling and substance abuse counseling.

11. Meeting and conference expenses, **as required in the agreement**, such as facilities, speaker fees, meals and refreshments, local transportation, cost of identifying but not providing dependent care resources.

NOTE: Meals are only allowed for FULL DAY meetings (lasting 5 hours or longer) and must follow state rates if internal policy does not specify limitations.

12. Professional memberships if not covered in an agency's indirect cost rate and for memberships which have a direct relationship to the goals of WAP. May include costs of memberships in trade, business, technical and professional organizations, as required for affiliation with the parent body.
    NOTE: This needs an approved exception from DHHS.

13. Preparing payrolls and maintaining necessary related wage records.

14. Recruitment, examination, certification, classification, establishment of pay standards and related activities for provisions of services under the agreement.

15. Costs associated with the recruitment, training and retention of volunteers for agency programs and activities. This includes recognition awards and mileage/meal reimbursement for volunteers. **DOE Only:** Volunteer recognition events should not exceed one per year.

16. Staff training and education for employee development if there is a benefit to the program.

17. Subscriptions, if not covered in the agency's indirect cost rate, and the subscriptions:
    a) are considered necessary to the administration of the agency's program(s),
    b) provide a training component that increases the knowledge and skill of the agency staff,
    c) have a direct relationship to the agency's specific objectives,
    d) are specifically job and staff performance related, and/or
    e) are not readily available in a library.
    Note: This needs an approved exception from DHHS.

18. Grantees may charge the cost of training conferences and employee WAP contractor training if it 1) is specifically identified training for the services administered in the agreement, 2) is not applicable to other services provided by the agency, and 3) would not normally be considered a part of general professional development.

19. Indirect Costs
    - Are incurred for a common or joint purpose benefiting more than one cost objective, and

- Are not readily assignable to the cost benefited, without effort disproportionate to the results achieved.
- Up to $25,000 of a subaward may be included in the indirect cost rate formula. (e.g., a subaward to another CAA for providing food services in lieu of a contracted vendor).
- Equipment should not be included in the indirect cost rate formula, nor should it include lobbying, fundraising activities, or any other costs unallowed by Uniform Guidance.

Any request for indirect costs will require prior written approval. To request approval, a complete explanation of the percentage, including all mathematical calculations and related supporting documentation, must be submitted with the expenditure plan. A current federally approved indirect rate is acceptable documentation. If the Grantee does not have a federally approved rate, the Grantee may use a de minimis rate of 10%.

A copy of the current approved Indirect Cost Rate Agreement from the cognizant agency must be provided as an attachment to the expenditure plan.

If a cost allocation plan is used for one Federal award, it must be used for all Federal awards to ensure consistency of cost allocation.

20. Weatherization equipment and materials under $5,000 used to complete the weatherization of a unit such as specific diagnostic and testing equipment.

UNALLOWABLE COSTS:

1. Interest on borrowed capital or temporary use of endowment funds.

2. Fund Raising:
   a) Non-Profit Organizations: Organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests and similar expenses incurred solely to raise capital or obtain contributions.
   b) Units of Local Government: Organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used.

3. Investment and related expenses incurred solely to enhance income from investments.

4. Staff training not required in the agreement. Charges for employee training are not allowable if the training is basic training that will teach the employees basic skills necessary to perform the duties of the agreement. It is expected that the agency will already have properly trained employees. There may be exceptions to this policy in cases where a service is performed within a copyrighted model where it is not reasonable to expect any grantee to have the basic skills required for the service. These exceptions will require approval of the appropriate administration director.

5. Costs of preparing grants or bid proposals.

6. Individual staff memberships in trade, business, technical and professional organizations unless the agency can sufficiently describe the specific benefits to the agency and its customers.

7. Food and food preparation for employees including:
   - Food purchased for retirements, diversity events, celebrations, holiday events, or events of an internal nature that are not required to conduct business.
   - Refreshments for meetings for employees, contractors, community partners or other entities, other than FULL DAY meetings (lasting 5 hours or longer).
   - Group meetings with community and other partners which are not full day meetings (lasting 5 hours or longer). These should be scheduled during non-mealtime frames to the greatest extent possible.
   - Meal costs that exceed the state rate, if internal policy does not specify limitations, when traveling.
   - Alcoholic beverages.

8. Salaries and other expenses of local government bodies such as county supervisors, city council, school boards, etc., whether incurred for purposes of legislation or executive direction.

9. Prosecution of claims against the State

10. Costs related to discharging general responsibilities as legal officer.

11. The costs of amusement, diversion, social activities, ceremonials, and incidental costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities, unless approved under the grant.

Example: Recreation costs provided for under the line item “Specific Assistance to Individuals.”

12. Costs resulting from violations of or failure to comply with Federal/ State/local laws and regulations.

13. Contributions and donation costs for free-will offerings to individuals and agencies.

14. Contingency costs related to possible future events or conditions rising from presently known or unknown causes, the outcome of which is indeterminable at the present time (e.g. pending litigation and other general business risks).

15. Bad debt losses (whether actual or estimated) arising from uncollectable customer's accounts and other claims, related costs and related legal costs. Collections costs and legal fees arising from bad debts are also unallowable.

16. The cost of maintaining central accounting records required for overall local government purposes, such as appropriation and fund accounts by treasurer, comptroller, or similar officials.

17. Accreditation fees unless the agency can sufficiently describe the specific benefits to the agency and its customers.

18. Costs of employee or board member recognition "gifts" or awards.

19. Entertainment Costs

20. Promotional items and memorabilia, such as: a) imprinted products given away as souvenirs from conferences, events or meetings; b) high cost products like pens and commemorative items; c) custom or specialized binders, etc.

21. Any Indirect Cost Rate formula or 10% De Minimis that includes: equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of $25,000. (e.g., a subaward to another CAA for provide food services in lieu of a contracted vendor).

22 Finance fees or interest type costs for late payments

23. Lobbying expenses or memberships to any firms or organizations that participate in lobbying (e.g. NCAF).

402.3 – LIHEAP Specific Cost Categories

POLICY CHANGES

- Updated References section
- Updated Purpose section to add reference for LIHEAP jobs able to cross fiscal years.
- Updated LIHEAP Deferral Reduction Section to reference CSPM 700 series
- Removed COVID Mitigation expenses due to the end of the Federally declared Public Health Emergency.

REFERENCES

- WAP Agreement
- Office of Management and Budget (OMB) Uniform Guidance
- 10 CFR Part 440
- LIHEAP IM 2000-12 Costs for Planning and Administration

PURPOSE

This item contains the description of the cost categories that are specific to the LIHEAP Statement of Expenditures (SOE). These include Client Education and Deferral Reduction. The rest of the LIHEAP cost categories are included in the Weatherization cost categories listed above.

Allowability of costs is addressed in the WAP Agreement, 10 CFR Part 440, and the applicable Office of Management and Budget (OMB) Circulars. This item includes a listing of Allowable and Unallowable Costs.

LIHEAP jobs may cross fiscal years, as long as the same Federal Award will be charged for the entire job.

POLICY

A. Administration

Note: LIHEAP statute limits the amount of LIHEAP administrative funds. Any administrative costs in excess of this limit must be paid from non-federal funds.

B. Client Education

1. Wages and fringe benefits of staff developing or delivering client education activities.
2. Supplies used for client education activities for LIHEAP eligible clients.
3. Miscellaneous costs such as energy education kits.

Note: Utility vouchers are not allowable.

C. Deferral Reduction

Additional measures not called for in the audit may be implemented to reduce deferrals, following the parameters below:

- A total fiscal cost of this category not to exceed 25% of the LIHEAP allocation toward weatherization services. This maximum is indicated on the LIHEAP WAP allocation chart.
- A limit of $15,000 per job on deferral reduction is allowed without prior approval from BCAEO
  - Grantees must submit a waiver to BCAEO for jobs needing more than $15,000 in deferral reduction costs and receive pre-approval before work commences
- Measures that may be addressed to reduce deferrals are listed in CSPM 703.

1. Wages and fringe benefits of staff while installing the measures listed above.
2. Materials to install the measures listed above.

D. Cost Allocation Limitations

1. LIHEAP Administration is allocated separately to BCAEO from LIHEAP Program. Generally, BCAEO receives 8% of the funds as admin and the rest as program, however due to different amounts of funding being allocated throughout the year, the Grantee should refer to the allocation chart for the Admin limit as its percentage of total funding will vary.

2. The maximum LIHEAP Training and Technical Assistance (T/TA) is $2,000.00. Agencies may use these funds on another line item, as long as it does not exceed the line item limitations set forth in this policy.

3. Client education can be no more than 5% of the agency's LIHEAP allocation.

4. Deferral Reduction can be no more than 25% of the agency's LIHEAP allocation.

402.4 – LIHEAP Emergency Specific Cost Categories

POLICY CHANGES

- Updated References section.

REFERENCES

- LIHEAP Agreement
- Office of Management and Budget (OMB) Uniform Guidance
- CSPM 704 LIHEAP Emergency Weatherization
- 10 CFR Part 440
- LIHEAP IM 2000-12 Costs for Planning and Administration

PURPOSE

For LIHEAP Emergency Weatherization cost categories, please reference the LIHEAP Weatherization Assistance cost categories section above.

Allowability of costs is addressed in the WAP Agreement, 10 CFR Part 440, and the applicable Office of Management and Budget (OMB) Circulars. This item includes a listing of Allowable and Unallowable Costs

403 – Cost Allocation and Indirect Costs

POLICY CHANGES

- None

REFERENCES

- Uniform Guidance 2 CFR 200 and 45 CFR 75
- Guidance issued by Office of Community Services.

PURPOSE

The basic purpose of a cost allocation plan is to describe the rationale and process for assigning shared costs to the benefiting programs.

A shared cost is allocable to a funding source, cost category, cost center, or any other cost objective to the extent that benefits are received by that cost objective. A shared cost that is allocable to a particular cost objective may not be shifted to another cost objective to avoid a funding deficiency, restriction imposed by regulation, or any other reason not reflective of the benefit received.

DEFINITIONS

Central service cost allocation plan means the documentation identifying, accumulating, and allocating or developing billing rates based on the allowable costs of services provided by a State or local government or Indian tribe on a centralized basis to its departments and agencies. The costs of these services may be allocated or billed to users.

Each central service cost allocation plan should be accompanied by a certification.

Cost Allocation Plan means central service cost allocation plan or public assistance cost allocation plan.

Direct Costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose is like circumstances must be treated consistently as either direct or indirect costs.

Salaries of administrative and clerical staff should normally be treated as indirect.

Direct charge costs only if **all** of the following are met:
1. Integral to the project,
2. Specifically identified with the project,
3. Explicitly included in the budget or have prior written approval and,
4. Not recovered as indirect

Indirect Costs
1. Any Federally negotiated rate must be used for all Federal grants
2. Follow Uniform Guidance Appendices, as applicable, for guidance relating to cost allocation plans for nonprofits or governmental units.
3. Any non-Federal entity that does not currently have a negotiated indirect cost rate may elect to use the 10% De Minimis methodology for indirect costs.

Whatever Indirect Cost methodology is utilized, it must be utilized by the entire agency.

POLICY

COST ALLOCATION

The Grantee is required to develop a written cost allocation plan which documents how **all** shared costs are distributed to benefiting programs. The plan must identify the cost(s) and method(s) of allocation and reflect a reasonable allocation procedure, so the cost is allocated equitably among the benefiting programs. The cost allocation plan must include an approval/authorization by the appropriate Grantee official(s), no lower than VP or CFO. (**2 CFR 200.415 and 45 CFR 75.415).** Local government agencies must have cognizant agency approval for indirect cost rates.

Community Services Block Grant (CSBG) funds may be used to support other programs when those programs do not have funds available to cover its share of expenditures, with the exception of LIHEAP (LIHEAP statute states LIHEAP funds grantees may use for planning and administrative costs is limited to 10% of funds payable for a fiscal year. Any costs in excess of this limit must be paid from non-Federal funds). Such expenditures must be identifiable to those programs and be included in the budget and otherwise allowable for CSBG.

The Grantee is required to review the cost allocation plan no less than annually to ensure the proper allocation among benefiting programs. The outcome and date of the review

must be documented in writing. Modifications may be made more frequently to reflect changes in Grantee program activity.

The Grantee is required to maintain a written cost allocation plan which demonstrates and supports the distribution of shared costs in accordance with federal, state, and local requirements. The plan is to be approved by appropriate Grantee officials.

The approved cost allocation plan shall be uploaded into the FACSPro Agency Document Center.

There are two ways to do cost allocation:

1. Indirect Cost Rate – used to allocate indirect costs.
   - Methodology for determining, in a reasonable manner, the proportion of indirect costs each program should bear; dividing total allowable indirect costs, net any applicable credits, by an equitable distribution base. Uniform Guidance should be followed when determining what is to be included in this calculation.

2. Direct Costing Methods – allocate costs based on relative benefit received.
   - Charge shared costs to programs based on an activity or non-monetary base.
   - Allocated/prorated to each Federal award or other activity using a base most appropriate to the particular cost being allocated/prorated.

Costs in the indirect cost pool are:

- Allowable, and
- Benefit ALL programs

NOT in the pool:

- capital expenditures,
- losses on awards,
- unallowable costs,
- and expenditures that benefit some but not all programs
- any other item(s) excluded in Uniform Guidance

INDIRECT COSTS

1. Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to

Federal awards and other activities as appropriate, indirect costs will be remaining to be allocated to benefitted cost objectives. A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

2. Indirect costs include (a) the indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and (b) the costs of central governmental services distributed through the central service cost allocation plan (as described in Uniform Guidance Appendices) and not otherwise treated as direct costs.

3. Indirect costs can be charged to Federal awards by the use of an indirect cost rate. If a Federally approved indirect cost rate is received by an agency, that Federally approved rate must be used for all Federal awards.

4. Because of the diverse characteristics and accounting practices of governmental units and nonprofits, the types of costs which may be classified as indirect costs cannot be specified in all situations. However, typical examples of indirect costs may include certain state/local-wide central service costs, general administration of the non-Federal entity, accounting and personnel services performed within the non-Federal entity, depreciation on buildings and equipment, and the costs of operating and maintaining facilities.

5. If the Grantee does not have a current negotiated (including provisional) rate, except those non-Federal entities described by appendix VII paragraph D.1.b of Uniform Guidance, they may use a 10% de minimis rate in accordance with Uniform Guidance to recover their indirect costs. The 10% DeMinimis rate is multiplied by the Modified Total Direct Costs (MTDC). The calculation of MTDC should be in accordance with 2 CFR 200.1 or 45 CFR 75.1 as applicable.

2 CFR 200.412 and 45 CFR 75.412 Classification of costs
There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost.

2 CFR 200.415 and 45 CFR 75.415 Required certifications.
(b) Certification of cost allocation plan or indirect F&A cost rate proposal. Each cost allocation plan or indirect F&A cost rate proposal must comply with the following:

(1) A proposal to establish a cost allocation plan or an indirect F&A cost rate, whether submitted to a Federal cognizant agency for indirect costs or maintained on file by the non- Federal entity, must be certified by the Grantee using the Certificate of Cost Allocation Plan or Certificate of Indirect Costs as set forth in Appendices III through VII, and Appendix IX of the Uniform Guidance. The certificate must be signed on behalf of the Grantee by an individual at a level no lower than vice president or chief financial officer of the Grantee that submits the proposal.

(2) Unless the Grantee has elected the option under 2 CFR 200.414 (f) or 45 CFR 75.414(f), the Federal Government may either disallow all indirect (F&A) costs or unilaterally establish such a plan or rate when the Grantee fails to submit a certified proposal for establishing such a plan or rate in accordance with the requirements. Such a plan or rate may be based upon audited historical data or such other data that have been furnished to the cognizant agency for indirect costs and for which it can be demonstrated that all unallowable costs have been excluded. When a cost allocation plan or indirect cost rate is unilaterally established by the Federal government because the Grantee failed to submit a certified proposal, the plan or rate established will be set to ensure that potentially unallowable costs will not be reimbursed.

404 – Property and Inventory Requirements Including Purchase and Disposition

POLICY CHANGES

- Added reference to CSPM 403 for expense allocations
- Updated Equipment and Vehicle Purchases section for clarity

REFERENCES:

- Uniform Guidance 2 CFR 200 and 45 CFR 75
- DOE Weatherization Program Notice 17-6

PURPOSE:

To provide Grantees with instructions regarding the reporting, purchase, and disposition of equipment and vehicles acquired with program funds.

Office of Management and Budget (OMB) Uniform Guidance 2 CFR Part 200 and 45 CFR Part 75 provides regulations regarding depreciation and accountability for grant-funded assets.

POLICY

Depreciation

The Grantee is required to comply with Uniform Guidance 2 CFR Part 200 and/or 45 CFR Part 75 as applicable.

Equipment is defined as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000. Equipment purchases must be capitalized and cannot be expensed directly to a grant/contract without prior approval from MDHHS. The Grantee may expense equipment or building depreciation on a straight-line basis over its reasonable useful life, based on a computation of valuation of property as filed with the IRS, by a generally accepted accounting procedure, with adequate property records and depreciation schedules. Expense allocations should be reasonable and follow CSPM 403 Cost Allocation Guidance. Any useful life references in CSPM 400 are recommendations.

NOTE: Uniform Guidance 2 CFR 200.436 and 45 CFR 75.436 states that no depreciation

will be allowed on assets that have outlived their depreciable lives, or assets purchased with Federal funding. If use allowance was taken on an asset not fully depreciated, Grantees may convert to depreciation but total of both depreciation and use allowance may not exceed the depreciable cost of the asset.

The Grantee may expense depreciation on their building and improvements used for program activities as figured on a straight-line basis on Grantee facilities with a 40-year life, based on a computation of valuation of property as filed with the IRS, by a generally accepted accounting procedure with adequate property records. See the section regarding the purchase of vehicles and equipment for the Weatherization Assistance Program in the following pages.

NOTE: Policy regarding an equipment purchase request with prior approval by the awarding agency is only applicable to the U.S. Department of Energy Weatherization Assistance Program.

Equipment and Inventory Use Responsibility

Grantees must have a control system developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

Adequate maintenance procedures must be developed to keep the property in good condition.

EQUIPMENT RECORDS

Equipment records shall be maintained accurately and shall include the following information:

- Description of the property
- Serial number or other identification number
- Source of funding, including the FAIN
- Whether title vests in the recipient or the Federal Government
- Acquisition date and cost of the property
- Percent of Federal participation for the Federal award acquiring the property
- Location, use, and condition of the equipment and the date the information was reported
- Ultimate disposition data, including: date of disposal and sales price (or the method used to determine current fair market value where a recipient compensates the

Federal awarding agency for its share)

A physical inventory must be completed and reconciled to the equipment records at least once every two years. The individual performing the physical inventory must sign and date the inventory document upon completion.

Equipment Inventory List – This list is required annually for all equipment purchased with BCAEO administered funding. This information is required to be uploaded each year in SharePoint.

EQUIPMENT AND VEHICLE PURCHASES

The Grantee is required to obtain prior written approval from the Michigan Department of Health and Human Services (MDHHS) Bureau of Community Action and Economic Opportunity (BCAEO) for the purchase of equipment and/or vehicle(s) using CSBG or WAP funds.

The Grantee is required to submit the following documents, that are also located at the end of CSPM 404, an Equipment Waiver Request (for CSBG: CSBG Equipment Waiver Request_DHS-4328 (rev. 08-12).doc) or an Equipment Purchase Request (form DHS-551 for DOE or LIHEAP: DHS-551.docx), to BCAEO that must include the following:

1. The bid specifications provided to potential bidders.

2. Where the vehicle(s) and/or equipment will be used and how it will be used-specifically full or part time use in programs funded by BCAEO.

3. If requesting a vehicle purchase, Grantee must provide a justification as to why a vehicle(s) is needed, a list of all currently inventoried vehicles purchased using BCAEO administered funds, and whether or not any vehicles will be disposed of.

4. The bid/quote documents received from vendors, and documentation to support procurement policies were followed.
    a. Documents must include copies of the bid specification (vehicle/equipment description with required features) and a bid analysis indicating at a minimum, each bidder, their bid price, and a determination whether each proposal met the bid specification.

5. Identification of the bid/quote which is being accepted and reasoning behind selection of the specific bid/quote.
    a. Identification must include a statement that the lowest responsive bid was selected or provide a sufficient justification of the "best value selection" if lowest bid is not recommended.

The request materials must be sent to MDHHS-BCAEO@michigan.gov. The Grantee's grant manager will review the request. If approved by the grant manager, the request will be submitted to the BCAEO Specialist, BCAEO Deputy Director, and the BCAEO Director for review and recommendation.

DOE Only: The approved DOE request will then be forwarded to DOE for final review.

The Grantee may not complete the purchase until approval has been received from BCAEO and DOE (if applicable).

NOTE: The Grantee may request to reserve funding for equipment/vehicle purchases later in the program year through the budget approval process. The actual purchase(s) may not be made until all required documentation has been submitted, reviewed, and approved by BCAEO and DOE (as applicable).

For vehicle purchases: Within 15 days after the vehicle delivery date, the Grantee must submit verification of the purchase including the date of purchase, purchase price, and the vehicle identification number (VIN).

A Grantee's request for purchase and subsequent purchase information may be submitted to the grant manager by email with all required documentation as PDF attachments. Purchase request forms for CSBG and DOE are located at the end of CSPM 404 and in SharePoint here: CSBG Equipment Waiver Request_DHS-4328 (rev. 08-12).doc and DHS-551.docx

EQUIPMENT AND VEHICLE DISPOSITION

When original or replacement equipment acquired with Federal funds is no longer needed for the original project or program or for other activities currently or previously supported by the MDHHS, except as otherwise provided in Federal statutes, regulations, or MDHHS disposition instructions, the Grantee must follow the disposition instructions below.

Documentation to support accurate asset valuations must retained. This may include

screenshots of multiple valuation websites or listings of comparable items to show a consistent and accurate valuation. Even though this is simply guidance on potential sale proceeds, it should still be retained to support the disposal process selected and for planning purposes.

Sale methods should involve open and free competition, achieved through practices such as advertisement and public auction, to ensure the best price for the item(s) being sold. Items may be sold to individuals or contractors with whom the agency has a relationship, but no preferential treatment or other advantages may be given to any potential buyers in the sale process.

Disposition of the equipment will be made as follows:

1. If fair market value per unit is $5,000 or less:

   a. Items of equipment with a current per unit fair market value of $5,000 or less may be retained, sold or otherwise disposed of with no further responsibility to MDHHS.

   b. The Grantee must notify MDHHS Grant Manager in writing of the equipment disposition. The notification must include a description of the equipment (including VIN number for vehicles), the date of purchase, the date of disposition, and the amount of sales proceeds. This information must be submitted to the attention of the MDHHS Grant Manager, and equipment records must be updated accordingly.

2. If fair market value per unit is Greater than $5,000:

   CSBG Disposal Instructions

   a. Request prior approval by email from MDHHS. Email your grant manager for approval to dispose of equipment.

      Note: If MDHHS fails to reply to the request within 120 days from receipt of notification from the Grantee, items of equipment with a current per unit fair market value in excess of $5,000 may be retained by the Grantee or sold.

   b. If the equipment is sold, the Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase. MDHHS may permit the Grantee to deduct and retain from the Federal share $500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses. MDHHS' net share amount should be deducted from the

Grantee's allowable expenditures prior to reporting allowable expenditures to MDHHS.

c. The Grantee must notify the MDHHS Grant Manager in writing of the equipment disposition. The notification must include a description of the equipment (including VIN number for vehicles), the date of purchase, the date of disposition, and the amount of sales proceeds. This information must be submitted to the attention of the MDHHS Grant Manager, and equipment records must be updated accordingly.

d. The Grantee may transfer title to the property of the Federal Government or to an eligible third party provided that, in such cases, the Grantee must be entitled to compensation for its attributable percentage of the current fair market value of the property.

3. Required Documentation of Disposal Process

The Grantee must document the disposal process as required by 2 CFR 200.313(e) or 45 CFR 75.320(e), as well as property records described in 2 CFR 200.313(d)(1) or 45 CFR 75.320(d)(1).

In cases where the Grantee fails to take appropriate disposition actions, such as not selling equipment that is no longer being used perhaps due to the program ending, MDHHS may direct the Grantee to take disposition actions.

DOE Disposal Instructions

a. Transfer to another DOE-funded Weatherization Assistance Program

Applies to transfer from Grantee's DOE program to another WAP program within the state network. A Grantee desiring to dispose of equipment or vehicles acquired with DOE WAP funds by transferring the item(s) to another DOE-funded WAP program must request DHS BCAEO approval of the transfer by completing Form MI-SF-428(T) "Equipment/Vehicle Transfer Request." The completed form must be submitted to the grant manager by email. **A copy of the form and the related instructions are attached to the end of this CSPM item.**

b. All Other Disposal Methods

1. A Grantee desiring to dispose of equipment or vehicles acquired with DOE WAP funds by any method not identified in paragraph 2(a) above must

request disposition instructions by completing Form SF-428, Form SF-428(C) and Form SF-428(S). The completed form must be submitted to the grant manager by email. **Copies of the forms and related instructions are located at the end of CSPM 404 and here:** SF-428 Forms

BCAEO will contact the DOE Program Officer for approval. DOE is required to provide disposition instructions within 120 calendar days. If a response is not received from DOE within that time period, the DHHS-BCAEO will notify the Grantee that they may proceed with the disposition.

2. The Grantee may retain $500 or ten percent of the sales proceeds, whichever is less, for selling and handling expenses. Such income and related expenditures will be reported on the monthly Statement of Expenditures as Other Income and Other Expenditures.

   The Grantee is required to submit a check, payable to the U.S. DOE, for the net proceeds to the attention of the procurement officer at:

   U.S. Department of Energy
   National Energy Technology Laboratory
   Financial Management Division – Attn: Jason Paupa
   626 Cochrans Mill Rd
   P.O. Box 10940 M/S 921-227
   Pittsburgh, PA 15236

   The Grantee must notify the DHHS grant manager in writing of the equipment or vehicle disposition. The notification must include a description of the equipment or vehicle, the VIN (if applicable), the date of purchase, the date of disposition, the method of disposition, the total amount of sale proceeds and a photocopy of the check sent to DOE.

3. Required Documentation of Disposal Process

   The Grantee must document the disposal process as required by 2 CFR 200.313(e) and updating equipment records accordingly.

EQUIPMENT PURCHASE REQUEST

Michigan Department of Health and Human Services
DOE WAP Program

Definition: As defined by OMB, "equipment" is an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of $5,000 or greater. Equipment purchases cannot be expensed directly to a federal grant without prior approval by the awarding agency. Per DOE rules §440.18, equipment purchases are allowable expenses. Vehicle purchases must be referred to DOE for prior approval in every instance.

Waiver Process: MDHHS/BCAEO will accept formal equipment purchase requests, to authorize the purchase of equipment, as part of the grantee's DOE Budget application or amendment process. Agencies submitting a request must do so by utilizing **this form** and by providing the required documentation. **Note:** The request will be reviewed by MDHHS to determine if the cost would be a justifiable charge to the DOE program. All vehicle purchase requests will be reviewed, a state recommendation made, and then forwarded to DOE for final approval.

(Attach additional pages as necessary.)

VEHICLE/EQUIPMENT PURCHASE/LEASE REQUEST

Agency Name	Date
Signature	Title
Description of Request	
Is this item needed for: (check one) ☐ Program Expansion ☐ Attrition ☐ Other (explain)	
For what purpose(s) will the item be used?	
Why do you need to purchase the item(s)?	

If a vehicle purchase/lease is complete the following:

Year	Make	Model	Quantity Requested

If a specification was made, please attach a copy

Do you currently own/lease similar item(s) that this purchase will replace? ☐ Yes ☐ No

If the above is Yes, describe:

Item	Serial #/ Vin #	Purchase Price	Purchase Date	Fund Source	Present Value	Condition

Are you requesting disposal approval for the item(s) listed above? ☐ Yes ☐ No

Is the requested item budgeted in your DOE plan? **Note: Equipment purchases must be budgeted in Program Operations, i.e., this is not an allowable T/TA or Admin expense.**

If the above is Yes, describe:

Amount Budgeted	Program(s)	Estimated Cost	Date Needed

If a vehicle purchase, are you using any other vehicles for trade-in? ☐ Yes ☐ No

Item	Serial #/ Vin #	Purchase Price	Purchase Date	Fund Source	Present Value	Condition

It is not uncommon that trade-in allowances do not meet blue book value of the vehicle. Agencies are encouraged to provide other agencies with the opportunity to purchase vehicles being considered for replacement. Please indicate whether or not you have made this effort: ☐ Yes ☐ No

Estimated Cost of Purchase	Sales Tax	License/Registration
$	$	$

Will this vehicle be used for any other Program? ☐ Yes ☐ No

If Yes to above, explain how use by other agency programs/activities will be compensated for (e.g., mileage charges) and rolled back into the agency weatherization program:

Company/Dealership Lease ☐ Yes ☐ No	Agency Lease ☐ Yes ☐ No
Estimated Cost of Lease $ Monthly	Length of Lease Agreement (indicate mos. or yrs.)

Is there an additional charge per mile? (Explain)

OTHER ASSOCIATED COSTS OF LEASE

Item	$ Amount	Cost Included in Lease Payment
License/Registration Fee		☐ Yes ☐ No
Insurance		☐ Yes ☐ No
Maintenance		☐ Yes ☐ No
Sales Tax		☐ Yes ☐ No
Other:		☐ Yes ☐ No
Termination/Buy-out Fee		☐ Yes ☐ No
Explain above fee:		☐ Yes ☐ No

ATTACH COPIES OF AT LEAST THREE BIDS OF A PURCHASE OR LEASE AND DOE APPROVAL
NOTE: If you are NOT using the lowest bid, explain why not.

FOR MDHHS USE ONLY

DOE Grant No.	DOE Program Year	PY Dates

☐ Approved ☐ Denied	Signature	Title	Date

The Michigan Department of Health and Human Services (MDHHS) does not discriminate against any individual or group because of race, religion, age, national origin, color, height, weight, marital status, genetic information, sex, sexual orientation, gender identity or expression, political beliefs or disability.

AUTHORITY: State P.A. 230 of 1981, as amended. COMPLETION: Mandatory.
PENALTY: Unable to apply for Waiver.

CSBG PROGRAM

Equipment Waiver Request

Definition: As defined by OMB, "equipment" is an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of $5,000. Equipment purchases cannot be expensed directly to a federal grant without prior approval by the awarding agency.

Waiver Process: MDHHS/Bureau of Community Action and Economic Opportunity (BCAEO) will accept formal waiver requests, to authorize the purchase of equipment, as part of the grantee's CSBG CAP application or amendment process. Agencies submitting a request must do so by utilizing **this form** and by providing the required documentation. The request will be reviewed by MDHHS/BCAEO to determine if the cost would be a justifiable charge to the CSBG program. As part of the justification process, **the agency must substantiate that the equipment will meet the needs of the program in which it will be utilized and that the CSBG program income-eligible population will benefit.**

(Attach additional pages as necessary.)

FORMAL WAIVER REQUEST

Agency Name:

1. Identify the equipment and the total cost. **Attach** formal description and cost information from the potential vendor.

2. Is this to be a shared cost? ☐ No ☐ Yes

   If yes, indicate the amount to be charged to CSBG, identify the other funding/revenue source(s) to be charged and their relative portion of the cost.

3. Identify the program or activity in which it will be utilized.

4. Explain how the equipment will meet the needs of the program/activity in which it will be utilized.

5. Explain how the CSBG program income-eligible population will benefit from this purchase.

6. SIGNATURES: (Signatures indicate that the purchase has been approved by the Board and that the agency will follow its procurement procedures as documented in the agency's procedures manual.)

_____ _____ _____

Agency Executive Director Agency Board Chair Date:

☐ Approved ☐ Denied **FOR DHS/BCAEO USE ONLY**:

_____, _____ _____

Signature Title Date

COMPLETION: Mandatory PENALTY: Unable to apply for Waiver	The Michigan Department of Health & Human Services (MDHHS) does not discriminate against any individual or group because of race, sex, religion, age, national origin, color, height, weight, marital status, genetic information, sexual orientation, gender indentity or expresson, political beliefs or disability. If you need help with reading, writing, hearing, etc., under the Americans with Disabilities Act, you are invited to make you needs known to the MDHHS office in your area.

TANGIBLE PERSONAL PROPERTY REPORT
SF- 428

		Page	of Pages
1.Federal Agency and Organization Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned by Federal Agency	3a. DUNS	3b. EIN
4. Recipient Organization (Name and complete address including zip code)		5. Recipient Account or Identifying Number	
6. Attachment (Check applicable) ___ Annual Report (SF-428-A) ___ Final (Award Closeout) Report (SF-428-B) ___ Disposition Report/Request (SF-428-C)		7. Supplemental Sheet ___ Yes ___ No	
8. Comments			
9a. Typed or Printed Name and Title of Authorized Certifying Official	9c. Telephone *(area code, number, extension)*		
	9d. Email address		
9b. Signature of authorized Certifying Official	9e. Date report submitted *(Month, Day, Year)*		
	10. Agency use only		

Instructions for Tangible Personal Property Report: SF-428

The estimated annual public reporting burden for the collection of information on this form and its attachments is estimated to average 2.75 hours per respondent, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0043), Washington, DC 20503.

This is a standard form to be used by awarding agencies to collect information related to tangible personal property (equipment and supplies) when required by a Federal financial assistance award. The form consists of the cover sheet (SF-428) and three attachments to be used as required: Annual Report, SF428-A; Final (Award Closeout) Report, SF-428-B; and a Disposition Request/Report, SF- 428-C. A Supplemental Sheet, SF-428S, may be used to provide detailed individual item information.

A. General Instructions:

Tangible personal property means property of any kind, except real property, that has physical existence. It includes equipment and supplies. It does not include copyrights, patents or securities. For convenience, throughout this form and its attachments, the term property will be synonymous with tangible personal property. The terms equipment and supplies will be used when referring to specific requirements.

Property may be provided by the awarding agency or acquired by the recipient with award funds. Federally-owned property consists of items that were furnished by the Federal government.

Recipients of Federal assistance awards may be required to provide Federal awarding agencies with information concerning property in their custody annually, at award closeout or when the property is no longer needed. Specific requirements will vary based on award provisions, the type of property (equipment or supplies) and whether the property is Federally-owned. This reporting form and its attachments are intended to assist recipients to provide necessary information when it is required.

1. **Federal Agency and Organizational Element to Which Report is Submitted.** Enter the name of the Federal agency and the agency organization element identified in the award document or as otherwise instructed by the agency. The organizational element is a sub-agency within a Federal agency. For example, the Air Force Office of Scientific Research (AFOSR) is an organizational element within the Department of Defense.

2. **Federal Grant or Other Identifying Number Assigned by Federal Agency.** Enter the Federal grant, cooperative agreement or other Federal financial assistance award instrument number or other identifying number assigned to the Federal financial assistance award.

3a. **DUNS.** Enter the recipient organization's Data Universal Numbering System (DUNS) number or Central Contract Registry extended DUNS number. The DUNS number is also referred to as the Universal Identifier.

3b. **EIN.** Enter the recipient organization's Employer Identification Number (EIN) as assigned by the Internal Revenue Service.

4. **Recipient Organization.** Enter the name and complete address, including zip code, of the recipient organization.

5. **Recipient Account or Identifying Number.** Enter the account number or other identifying number assigned to the award by the recipient. This number is for the recipient's use and is not required by the Federal agency.

6. **Attachment.** Check the applicable line to indicate the type of attachment being submitted. Use the Annual Report, SF-428-A, when required to provide annual inventory listings of Federally-owned property. Use the Final Report, SF-428-B, when required to provide property information in connection with the closeout of an award. Use the Disposition Request/Report, SF-428-C, when required to request disposition instructions for or to report the disposal of Federally-owned property or acquired equipment, at any time other than award closeout (i.e., during the award period or after award closeout as long as the Federal government retains an interest in the item).

7. **Supplemental Sheet.** Check the applicable block to indicate whether a Supplemental Sheet is attached. Recipients may use the SF- 428S or equivalent document such as a computer print out to provide required detailed individual item information.

8. **Comments.** Provide any explanations or additional information in this block. Attach additional sheets if necessary.

9a. **Typed or Printed Name and Title of Authorized Certifying Official.** Enter the full name and title of the recipient representative authorized to sign this report.
b. **Signature of Authorized Certifying Official**. Original signature of the recipient's authorized certifying official.
c. **Telephone.** Enter the telephone number of the individual listed in Line 9a.
d. **Email address.** Enter the email address of the individual listed in 9a.
e. **Date report submitted.** Enter the date the report is submitted to the Federal agency.

10. **Agency use only.** This section is reserved for Federal agency use only.

TANGIBLE PERSONAL PROPERTY REPORT
Disposition Request/Report SF-428-C

Federal Grant or Other Identifying Number Assigned by Federal Agency (Block 2 of SF-428)

1. **Request Disposition Instructions for**:	**For Agency Use Only**
a. **Federally-owned Property** *(Select one or more and attach Supplemental Sheet SF-428S or recipient equivalent)* (i) ____ Request Federal Agency disposition instructions (ii) ___ Other (Specify in Block 8 "Comments" or attach request)	Agency response to requested disposition of Federally owned property: (i) Recipient request approved____ denied ____. (ii) Dispose in accordance with attached instructions ____.
b. **Acquired Equipment with current fair market value of $5,000 or more** *(Select one or more and attach Supplemental Sheet SF-428S or recipient equivalent)* (i) ___ Request approval to trade-in or sell to offset costs of replacement equipment (ii) _____ Request Federal Agency disposition instructions	Agency response to requested disposition of acquired equipment: (i) Recipient request approved____ denied ____. (ii) Dispose in accordance with attached instructions ____.

Authorized Awarding Agency Official	
Signature:	Date:
Name:	Phone:
Title	Email

2. **Report Disposition by Sale or Retention**

a. _____ Retention of acquired equipment for use on non Federally supported projects

b. _____ Sale of acquired equipment

(Attach Supplemental Sheet SF-428S or recipient equivalent and complete worksheet below)

(i) Sale proceeds (or estimate of current fair market value).....$_____

(ii) Percentage of Federal participation....._____%

(iii) Federal share.....$_____

(iv) Selling and handling allowance.....$_____

(v) **Amount remitted to the Federal Government**.....$_____

3. **Report Loss, Destruction or Theft of Federally-owned Property**

___ Loss, Destruction or Theft of Federally-owned property

(Attach Supplemental Sheet SF-428S or recipient equivalent and describe the circumstances in Block 4)

4. **Comments**

Agency use only

Instructions for Disposition Request/Report: SF-428 Attachment C

A. General Instructions:

This Attachment is to be used by recipients when required to request disposition instructions or to report disposition of Federally-owned property or acquired equipment under Federal assistance awards at any time other than award closeout (i.e., during the award period or after closeout as long as the Federal government retains an interest in the item).

Recipients provided Federally-owned property for use under Federal assistance awards are required to request disposition instructions from the awarding agency when the Federally-owned property is no longer needed for the authorized purpose. Recipients may be required to request disposition instructions for equipment acquired with award funds (acquired equipment) when an item is no longer needed for use on Federally-sponsored activities. Recipients may also be required to provide compensation to the awarding agency when acquired equipment is sold or retained for use on activities not sponsored by the Federal government. This attachment is intended to assist recipients in providing appropriate information to the awarding agency. Note: If the Federal awarding agency has exercised statutory authority to vest title to acquired equipment in the recipient with no further obligation to the Federal government, you are not required to request disposition instructions or to report disposition (i.e., sale or retention for non Federal use) of those items of equipment.

Federal Grant or Other Identifying Number Assigned by Federal Agency. Enter the Federal grant, cooperative agreement or other Federal financial assistance award instrument number or other identifying number assigned to the Federal financial assistance award.

1. **Request Disposition Instructions for:** Use this section to request Federal awarding agency disposition instructions when required by the award provisions.

a. **Federally-owned Property.** Consists of items that were furnished by the Government. Check applicable blocks to indicate the requested Federal awarding agency action for items that are no longer needed for use on the award specified in Block 2.

(i) To request Federal agency disposition instructions.
(ii) To request a specific disposition, e.g., transfer to another award.

b. **Acquired Equipment with a current fair market value of $5,000 or more.** Note: Fair market value means the best estimate of the gross sales proceeds if the property were to be sold in a public sale. Check applicable blocks to indicate the requested Federal awarding agency action.

(i) To request approval to trade-in or sell to offset costs of replacement equipment.
(ii) To request Federal agency disposition instructions for equipment acquired with award funds.

2. **Report Disposition by Sale or Retention.** Use this section when required to compensate the Federal awarding agency for its interest in acquired equipment with a current fair market value of $5,000 or more that you have sold or retained for use on non Federally supported activities. Check applicable blocks to indicate the type of action being reported and complete the worksheet to calculate the amount of compensation due to the awarding agency for its interest in the equipment.

a. Retention of acquired equipment for use on non-Federally supported projects.
b. Sale of acquired equipment.

Worksheet

(i) Enter the total amount received if the equipment has been sold. Enter an estimate of the current fair market value if the equipment will be retained for use on non Federally funded projects.
(ii) Enter the percentage of Federal Government participation in the award under which the equipment was acquired.
(iii) Enter the dollar amount of sales proceeds (or estimate of current fair market value) multiplied by the percentage of Federal Government participation listed in (ii).
(iv) If the equipment was sold, enter the amount of selling and handling expenses. Enter zero if the equipment will be retained for use on non-Federally funded projects.
(v) Enter the amount of the Federal share in (iii) less the selling and handling expense listed in (iv). Indicate in Block 8 how the funds are being returned to the government. For example, attached check made out to the Awarding Agency/U.S. Treasury or electronic remission.

3. **Report Loss, Destruction or Theft of Federally-owned Property.** Use this section to notify the awarding agency. Check block to indicate that Federally-owned property has been lost, damaged or stolen, list the item(s) on SF-428S or recipient equivalent and describe the circumstances in Block 4.

4. **Comments.** Provide any explanations or additional information in this block. Attach additional sheets if necessary.

Agency use only. This section is reserved for Federal agency use only.

TANGIBLE PERSONAL PROPERTY REPORT – SUPPLEMENTAL SHEET (SF-428S)

Federal Grant or Other Identifying Number Assigned by Federal Awarding Agency (#2 on previous page)	Attachment Type ___ Annual Report ___ Final (Award Closeout) Report ___ Disposition Request/Report	Page	Of Pages

Complete one row for each item:

	Award Number (a)	**GP or ACQ (b)**	**Description of Item (c)**	**Identification Number (d)**	**Acq. Date (e)**	**Cond. Code (f)**	**Acq. Cost (g)**	**Disp. Req. (h)**
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								

TANGIBLE PERSONAL PROPERTY REPORT – SUPPLEMENTAL SHEET (SF-428S) INSTRUCTIONS

A. General Instructions

This is a standard form to be used by recipients to provide detailed individual item information in connection with required reports of tangible personal property under Federal assistance awards.

Federal Grant or Other Identifying Number Assigned by Federal Agency. Enter the Federal grant, cooperative agreement or other financial assistance award instrument number or other identifying number assigned to the Federal financial assistance award. If the Supplemental Sheet is submitted in connection with a Consolidated Annual Report Attachment, leave blank and enter individual award numbers in Column (a) for each item.

Report Type. Indicate the type of report Attachment for which the individual item information is being provided.

a. **Award Number.** For Consolidated Annual Report Attachments, enter the Federal grant, cooperative agreement or other Federal financial assistance award instrument number or other identifying number assigned to the Federal financial assistance award. For all other Report Attachments (i.e., Individual Annual, Final, and Disposition Request/Report) leave blank.

b. **GP or ACQ.** Enter GP if the item is Federally-owned property. Note: Federally-owned property consists of items furnished by the Federal Government for use on the award identified in Block 1 or Column a, or equipment acquired with funds from that award when the award provisions specify that title to the property vests in the Federal Government upon acquisition. Enter ACQ if the item was acquired with award funds.

c. **Description of Item.** Provide a brief description of the item.

d. **Identification Number.** Enter the manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.

e. **Acq. Date.** Enter the date the item was acquired by the recipient. For items furnished by the Federal Government, enter the date received by the recipient.

f. **Cond. Code**. Enter the applicable condition code from the following list:

Code	Description
1	Excellent. Property that is in new condition or unused condition and can be used immediately without modification or repairs.
4	Usable. Property which shows some wear, but can be used without significant repair.
7	Repairable. Property which is unusable in its current condition but can be economically repaired.
X	Salvage. Property which has value in excess of its basic material content, but repair or rehabilitation is impractical and/or uneconomical.
S	Scrap. Property which has no value except for its basic material content.

g. **Acq. cost**. Enter the item acquisition cost.

h. **Disp. Req**. Indicate the type of disposition requested for each item by entering the corresponding number from Block 2 of the Final Report Attachment or Block 1 of the Disposition Request/Report Attachment. However, it is not necessary to enter this information when requesting the same disposition for all items of Federally-owned property or the same disposition for all items of Acquired Equipment (the disposition request indicated in the applicable Block(s) of the Final Report Attachment or the Disposition Request/Report Attachment will be sufficient). Not required for Annual Report Attachments.

405 – Travel Reimbursements

POLICY CHANGES

- Updated References section
- Updated Mileage Reimbursement section for mileage log requirements

REFERENCES

- Uniform Guidance
- MDHHS Agreements
- Civil Service Commission and Department of Technology, Management & Budget (DTMB) Standardized Travel Regulations.
- DTMB Travel Services Schedules of Travel Rates.

PURPOSE

To establish the Travel and Employee Expense Reimbursement Policy for MDHHS and to provide guidance in interpreting the Standardized Travel Regulations issued by DTMB and the Civil Service Commission.

POLICY

Reimbursement Rates for Grantees with a documented travel policy

1. The Grantee may be reimbursed for travel cost (including mileage, meals and lodging) budgeted and incurred related to services provided under BCAEO administered agreements.

2. If the Grantee has a documented policy related to travel reimbursement for employees, and if the Grantee follows that documented policy, MDHHS will reimburse the Grantee for travel costs at the Grantee's documented reimbursement rate for employees. Otherwise, the State of Michigan travel reimbursement rate applies.

3. When traveling for conferences, higher hotel rates may be allowed if employees are staying at the hotel holding the conference and proper documentation is retained (see documentation section below). If employees go to conferences and do not stay at the hotel holding the conference, sufficient documentation must be retained. See Hotel Reimbursement section below.

Reimbursement Rates for Grantees without a documented travel policy

The State of Michigan Schedule of Travel Rates can be found at the following web site:

https://www.michigan.gov/dtmb/0,5552,7-358-82548_13132---,00.html

Updates are posted immediately on the web site to maintain a current reference.

DOCUMENTATION REQUIRED

Grantees are responsible to retain all receipts and documentation according to their organizations internal policies and procedures.

The following documentation, when applicable, is required for travel reimbursement:

- Itemized vendor receipts for lodging and parking (to the extent possible) showing the city and individual amounts charged. Charge card statements are not acceptable as stand-alone documentation.
- Conference/Meeting agenda to document the purpose of the trip.
- Itemized meal receipts showing the name of the restaurant and city (upon request during monitoring) as well as individual items charged.
- Explanations, if needed, to justify reimbursement requests (e.g., hotel would not permit state rate due to the lack of a state I.D. card, etc.)
- Reimbursement for actual costs that are higher than the published state rate maximums will not be allowed unless: 1) program literature (such as an agenda noting the topic(s) are reasonable and allowable for the program(s)) and proper receipts are retained, and agency internal policy is followed or 2) Other pre-arranged meals occurring as part of a group function identified in official program literature with a receipt.

Failure to provide these receipts and other documentation upon request will result in the reimbursement being disallowed and due back if previously paid.

OFFICIAL WORKSTATION

The official workstation for office employees is defined as either the area where an employee's office is located (50 mile radius of the employees work address) or a specific agency-defined area. For remote work employees, with an approved remote work agreement, the area is defined by the agency in which the employee would normally work and further defined by the

agreement if necessary. For employees who have continual field assignments, the workstation is the city or town of the employees office, the city or town nearest to the area where the majority of the employee's work is performed, or other such agency designated area provided it is in the best interest of the state.

Reimbursement for meals and lodging are not eligible for reimbursement if purchased within the work station as described above.

GROUP MEETINGS

Group meal rates must be pre-approved by MDHHS and are reimbursable only under the following conditions:

- Attendees are required to eat together as a condition of conference/meeting/training attendance
- An itemized receipt must be provided
- An approved agenda must be attached to the travel reimbursement request
- The meeting lasts a minimum of 5 hours and occurs during mealtimes as listed in the state standardized travel regulations

HOTEL RESERVATIONS AND DOCUMENTATION

To make reservations for hotel rooms **associated with a conference**:

- The conference room rate is allowable, and contractors/grantees should book directly with the conference hotel

- The contractor/grantee should maintain documentation verifying conference name and activity, conference date, location, and room rate to support travel costs and reimbursements

- For DOE and CSBG agreements, if a conference site is not available, an agency may choose a hotel near the conference site. The agency must document the reason for not staying at the conference site and how they chose a different hotel for the conference:

  - Closest to conference venue
  - Most appropriate accommodations near conference venue
  - Most reasonably priced hotel near conference venue

To make reservations for hotel rooms **not associated with a conference**:

- When usual room rates do not exceed the State rate, contractors/grantees should book rooms directly with the hotel.

- For DOE and CSBG agreements, if it is found that the State rate is not available for a grantee, the grantee must document at least three prices for hotels in the area and show that the most reasonable rate was chosen. Grantees must document one of the following reasons for choosing a hotel outside of the State of Michigan travel guidelines:
    - Lowest cost available appropriate lodging
    - Required by client/partner

Internet access fees will be reimbursed during the hotel stay when the fee is listed on the hotel receipt.

Reimbursement will not be made for lodging at the homes or other locations owned by relatives and/or friends.

MEAL REIMBURSEMENT

Meal reimbursement requires an itemized, legible, and unaltered receipt and is limited to the maximum amount listed in the schedule of travel rates unless one of the circumstances outlined in the **Documentation Required** section above applies. Receipts cannot be either calculator tape or handwritten without sufficient justification on the travel reimbursement request. The required justification must include why a proper receipt was not provided to the employee and the document replacing the receipt must contain the required information, noted in the **Documentation Required** section on pages 2 and 3 above. Meal receipts may be retained by the employee but must be submitted upon request.

Failure to provide the requested meal receipt(s) will result in the meal reimbursement being disallowed.

Meals must be purchased on the day of and during the times of travel for which the employee seeks reimbursement and must be only for items consumed by the employee during the travel period. Meal reimbursement requests cannot include the purchase of food intended for someone other than the employee or for meal(s) outside of the travel period.

Meals within an employee's home city and county or their Official Workstation (OWS) are not reimbursable unless they are for official meetings; see **Official Workstation** and **Group Meetings** above in this item.

Employees attending pre-arranged meetings or conferences at their home or OWS can be reimbursed for their meals if the meeting or conference requires all attendees to eat together at the meeting site. The meeting must last a minimum of 5 hours and occur during the meal-times as listed in the current Travel rates and High Cost Cities documents here: DTMB - Travel (michigan.gov). An itemized receipt and a copy of the agenda are required for reimbursement.

Meal tips (maximum 20 percent) are included with the meal price in the maximum reimbursable amount. Tips on take-out or at fast food restaurants are not reimbursable.

MILEAGE REIMBURSMENT

Reimbursable business mileage consists of business miles incurred with a personal or agency vehicle while in official travel status. Mileage between an employee's home and their official workstation is personal commuting mileage and is not reimbursable. Mileage driven to an employee's home for lunch is considered personal and is not reimbursable.

Mileage between an employee's home and a second office may be reimbursable but taxable (for IRS purposes) and is reviewed on a case-by-case basis. Sufficient detail must be contained on the mileage log to justify the proper allocation of the mileage expense (dates of travel, reason for trip, etc.).

Mileage (both standard and premium rates) will be paid in accordance with the current Travel Rates and High Cost Cities and Standardized Travel Regulations documents located here: DTMB - Travel (michigan.gov)

Charges for gasoline, lubrication, repairs, antifreeze, towage, and other expenditures will not be allowed as reimbursable items when privately owned vehicles are used as these are included in the mileage reimbursement rate.

BOARD OR COMMITTEE MEMBER TRAVEL

All board and committee members are required to follow the State of Michigan Standardized Travel Regulations, and DTMB Schedule of Travel Rates.

Payment vouchers for travel expenditures for board and committee members must clearly state on the payment voucher that the traveler is a member of the board or committee as well as the board or committee name.

PER DIEM

Per diem status still requires an employee to submit meal and lodging receipts for 24-hour periods of travel or longer.

Per diem includes meals, lodging, taxes, tips, and incidentals. Per diem does not include parking.

Employees may switch between the per diem reimbursement basis and the actual reimbursement basis one time per year.

Per diem reimbursement rates can be found in the current Travel Rates and High Cost Cities located on the DTMB-Travel website (link provided above in **Mileage Reimbursement**).

RECEIPTS

Itemized, unaltered receipts that show the name of the vendor and city are required for all lodging, meal, and non-metered parking reimbursements. Meal receipts may either be submitted with the reimbursement request or be retained by the employee until requested. Credit card receipts are not acceptable as they do not itemize costs.

Lodging receipts must show the hotel name and address, room rate and the tax amount separate.

Along with receipts conference/meeting agendas, as applicable, must be retained to document the purpose of the trip.

Public transportation receipts are required for all taxi-cab and shuttle claims. The actual cost of the transportation and tips (maximum 20 percent) will be reimbursed provided the amounts are included on the receipt.

Alcohol and tobacco are never allowable and must not be included in the reimbursement request.

OVERPAYMENTS

MDHHS has the right to require repayment of any excess reimbursement of travel expenses and to recover those excess reimbursements.

Any travel related issues not addressed in this policy will be handled on a case-by-case basis and may require MDHHS prior approval and reference to Federal regulation and/or guidelines before reimbursement is considered.

Limitations

The OMB Uniform Guidance require that travel costs be reasonable and necessary, and payment of rates higher than pre-established limits, without adequate documentation to support a higher and allowable amount, could be determined to be unreasonable and result in a questioned cost.

The extension of services available to contractors/grantees through the State of Michigan contracted travel agency are intended for activities related to MDHHS contracts/agreements only. Use of these services for any other activity is not permitted.

406 – Audit Confirmation

POLICY CHANGES

- Updated References section

REFERENCES

- BCAEO Agreements
- Uniform Guidance 2 CFR 200 and 45 CFR 75

PURPOSE:

To provide guidance on Audit confirmation letters.

POLICY

An auditor may confirm from a funding source to assure proper grant/contract payment information.

Audit confirmations for programs funded by MDHHS can be obtained from MDHHS - Contractor and Subrecipient Resources (michigan.gov). This website includes Subrecipient Payment information and Contractor Payment information which will be updated quarterly. The website also includes instructions and report column definitions to help users navigate the information.

407 – Income Producing Activities

POLICY CHANGES

- Updated References section

REFERENCES

- Uniform Guidance 2 CFR 200 and 45 CFR 75
- Weatherization Program Notice 23-1: Grant Application
- BCAEO Grant Agreements

PURPOSE

The Grantee may, at times, engage in income-producing activities related to the Community Services Block Grant (CSBG) or Weatherization Assistance Program (WAP). This item outlines the accounting procedures to be followed for income-producing activities.

POLICY

Gross income earned by the non-Federal entity from non-Federal sources that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance, is considered program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. This program income must be used for additional program activities in accordance with grant program rules and must be treated as an addition to program funds and is subject to the same rules as appropriated funds. The activity must be accounted for as a separate program or sub-program to weatherization.

Grantees opting to participate in income-producing activities must submit a description of how they will account for activity funds, to be incorporated into their Weatherization Plan.

Uniform Guidance must be followed regarding program income (45 CFR 75.307 and 2 CFR 200.307).

Program Income for Weatherization

If income from the income-producing activity is considered to be program income for WAP, 100% of the income generated must be utilized for WAP. All DOE guidelines (e.g., average cost per unit, NEAT requirements and income eligibility for clients) will apply to income generated by the activity.

DOE considers program income as any funds earned by Grantees from non-Federal sources during the course of performing DOE WAP activities. The income generated must be used to complete additional dwelling units in accordance with DOE rules. It must be treated as an addition to program funds and is subject to the same rules as appropriated funds. Property owner (i.e. landlord) contributions and leveraged resources (e.g. Grantee funds) are NOT considered to be “program income” for the purposes of WAP.

All Grantee administrative costs used for the activity generating program income, not to exceed the amount of income generated by the program, can be charged to DOE. If the Grantee incurs a deficit in the activity, the deficit amounts must be charged to a program other than DOE.

Program Income for CSBG

Funds generated as a result of CSBG activities will be considered program income. Program income shall be deducted from the Grantee’s allowable expenditures prior to reporting allowable expenditures to MDHHS. OMB Uniform Guidance can be referenced for further information on program income.

The use of interest earned on CSBG funds must be in compliance with OMB Uniform Guidance.

NOTE: CSBG Income as a result of low-interest loans to clients must be received within the two-year parameter of the CSBG Allocation.

Unrestricted Agency Income

Program income earned after the period of performance may be used without Federal requirements unless: 1) otherwise stated in the awarding agency regulations or the terms and conditions of the award or 2) negotiated during the grant closeout process.

Fee for Service

Per BCAEO Administrative Rule 400.19507, A grantee shall not deny or limit a service to eligible low-income persons who do not contribute to the cost of the service unless authorized by specific state law or federal regulation.

408 – Line-Item Transfers/Line-Item Flexibility

POLICY CHANGES

- Updated LIHEAP Funds section to remove COVID Mitigation from line items

REFERENCES

- BCAEO Agreements

PURPOSE

Grantees must follow and adhere to MDHHS approved expenditure plans and budgets. However, as explained below under "Policy," some expenditure flexibility is allowed.

Grantees receiving BCAEO funds that need to exceed the allowed flexibility must first obtain prior written approval from MDHHS on a Line-Item Transfer Request (LITR) form, found here: CSBG, CARES & CSBGD LIT ONLY (CM-4074) rev 8-20.docx , WAP (LIHEAP) LIT (CM-4074) rev 02-2021.docx , WAP16 (DOE) LIT (CM-4074) rev 07-2017.docx. The approval process, to increase a line-item expenditure amount, is outlined below.

POLICY

CSBG Funds

Expenditure Flexibility

Expenditures up to a 15% increase or $10,000, whichever is greater, above the individual direct cost line item category are permissible provided the sum of all expenditures does not exceed the total amount of the Agreement. ***Example**: If an approved line item is $10,000, the Grantee may expend up to $20,000 in the line item without prior approval as long as the overall budget is not exceeded for the agreement.*

CSBG Discretionary Funds

Expenditure Flexibility

Expenditures up to a 5% increase or $1,500, whichever is greater, above the individual direct cost line item category are permissible provided the sum of all expenditures does not exceed the total amount of the Budget. ***Example**: If an approved line item is $11,000, the Grantee*

may spend up to $12,500 in the line item without prior approval as long as the overall budget is not exceeded for the agreement.

DOE Funds

Expenditure Flexibility

Expenditures up to a 5% increase or $3,000, whichever is greater, above the individual direct cost line item category are permissible, in the indicated categories below, provided the sum of all expenditures does not exceed the total amount of the Budget. ***Example**: If an approved line item is $11,000, the Grantee may spend up to $14,000 in the line item without prior approval as long as the overall budget is not exceeded for the agreement.*

The Labor & Materials category has a higher flexibility than other categories. Expenditures up to 15% or $10,000, whichever is greater, above the approved category limit are permissible, provided the sum of all expenditures in all categories does not exceed the total amount of the budget.

For purposes of determining budget flexibility each budget category is considered one line item. For purposes of DOE limits and restrictions, some category limits cannot be exceeded, as indicated below. **NOTE: Certain budget categories are no longer lumped together as one line item.**

- Labor & Materials will be considered one line item. This budget line has a higher flexibility limit than other lines.
- Support will be considered one line item but cannot be increased over the allowable limit and is excluded from the flexibility limits noted above.
- Vehicle Purchase will be considered one line item. All costs in this line item must be pre-approved by BCAEO and DOE using the DHS-551 form, which can be found at the end of CSPM 404.
- Administration will be considered one line item but cannot be increased over the allowable limit and is excluded from the flexibility limits noted above.
- T/TA will be considered one line item but cannot be increased over the allowable limit and is excluded from the flexibility limits noted above.
- Liability Insurance will be considered one line item.
- Financial Audit will be considered one line item.
- Health & Safety will be considered one line item but cannot be increased over the allowable limit and is excluded from the flexibility limits noted above.
- Weatherization Readiness Funds will be considered one line item but cannot be

increased over the allowable limit and is excluded from the flexibility limits noted above.

LIHEAP Funds

Expenditure Flexibility

Expenditures up to a 5% increase or $3,000, whichever is greater, above the individual direct cost line item category are permissible provided the sum of all expenditures does not exceed the total amount of the Budget. ***Example**: If an approved line item is $11,000, the Grantee may spend up to $14,000 in the line item without prior approval as long as the overall budget is not exceeded for the agreement.*

The Labor & Materials category has a higher flexibility than other categories. Expenditures up to 15% or $10,000, whichever is greater, above the approved category limit are permissible, provided the sum of all expenditures in all categories does not exceed the total amount of the budget.

For purposes of determining budget flexibility each budget category is considered one-line item. **NOTE: Certain budget categories are no longer lumped together as one line item.**

- Labor & Materials will be considered one line item. This budget line has a higher flexibility limit than other lines.
- Support will be considered one line item but cannot be increased over the allowable limit and is excluded from the flexibility limits noted above.
- Administration will be considered one line item but cannot be increased over the allowable limit and is excluded from the flexibility limits noted above.
- Health & Safety will be considered one-line item but cannot be increased over the allowable limit and is excluded from the flexibility limits noted above.
- T/TA will be considered one line item but cannot be increased over the allowable limit and is excluded from the flexibility limits noted above.
- Client Education will be considered one line item but cannot be increased over the allowable limit and is excluded from the flexibility limits noted above.
- Liability Insurance will be considered one line item.
- Financial Audit will be considered one line item.
- Vehicle Purchase will be considered one line item. All costs in this line item must be pre-approved by BCAEO using the DHS-551 form, which can be found at the end of CSPM 404.
- Deferral Reduction will be considered one line item but cannot be increased over the

allowable limit and is excluded from the flexibility limits noted above.

General Information

- When a Grantee determines that a line-item expenditure will exceed the flexibility noted above, a line-item transfer request must be completed and approved prior to billing for expenditures that exceed the flexibility. All line-item transfer requests must be submitted to the MDHHS Mailbox/Grant Manager with an updated budget. A signed, approved/denied copy of the LITR will be returned to the Grantee within 30 days.

- Copies of the correct LITR form may be obtained from the Grant Manager.

- The deadline for submittal of a Line-Item Transfer Request is thirty (30) days prior to the Agreement ending date.

- If a transfer of funding into a Line Item that previously had a zero-dollar balance is needed, an amendment to the agreement is required (this only applies to agreements fully administered in EGrAMS).

Allowable Line-Item Transfers

1. Each line-item increase must be accompanied by an equal amount of line-item decrease. The increase or decrease may be spread across a number of line items, as long as the total of all decreases equals the total of all increases.

2. Each line-item transfer request must include an explanation for the change to each line item. Requests for increases will be evaluated on the basis of allowability, reasonableness and need.

Unallowable Line-Item Transfers

1. Requests for transfers where the amount of increase does not equal the amount of decrease will be returned for correction.

2. Line-item transfers covering the cost for service, activity, etc. that is not allowed under the program will be denied.

3. Retroactive line-item transfers requested for expenditures that have already been made.

4. Last minute transfers in an obvious attempt to unnecessarily commit funds.

SUBMITTAL PROCESS

The Line-Item Transfer Request shall be submitted electronically, in the original format, along with an updated budget to the MDHHS-BCAEO@Michigan.gov Mail Box with a copy to your grant manager.

409 – Weatherization Contractor Procurement, Selection and Job Award Process

POLICY CHANGES

- None

REFERENCES

- Uniform Guidance 2 CFR 200 and 45 CFR 75
- 10 CFR 440, WAP Regulations
- DOE Agreements
- BCAEO Agreements

PURPOSE

Uniform Guidance 2 CFR 200.319 and 45 CFR 75.328 require all procurement transactions for the acquisition of property or services required under a Federal award be conducted in a manner providing full and open competition consistent with the standards of this section.

This item provides the procedures for weatherization contractors to apply and qualify to provide services for the Weatherization Assistance Program. This item and associated attachments further describe the specification for weatherization work, and the bidding and award procedures for procuring contractor services.

All procurement, WAP Contractor or otherwise, must follow CAA internal policy and not be in conflict with Uniform Guidance or any other applicable authoritative guidance.

Methods for Contractor Procurement

Method 1: A Grantee may choose to average the labor and material prices submitted by all contractors on their roster. If this method is chosen, contractor contracts can be two years in length and may include an option to extend for a third year. The Grantee must maintain a list of interested contractors throughout the contract timeframe and inform those contractors when the next Request for Proposal is posted.

Method 2: A Grantee may choose to build a roster of contractors and create individual audit libraries for each contractor rather than average pricing among all contractors. If this option is chosen, the Grantee must outline this in the bidding process and in contractual

language. The Grantee must establish a roster of contractors and add to the roster at least every two years.

Procurement by sealed bid (formal advertising) is the preferred method for procuring construction contracts. A Request for Proposal (RFP) must be developed and adequately publicized to enable the selection of a pool of eligible contractors. Contractors will be determined eligible to bid on single-family and/or multi-family weatherization jobs. A list of the eligible contractors will be maintained by the Grantee and referred to as the "Roster." Once the roster is established, the Grantee will then follow either Method 1 or 2 as described above for pricing of those contractors on the roster for the program year. Agencies must define the process of how jobs will be awarded to contractors.

RFP Not Continuously Posted: In the event an agency does not receive adequate response to build a roster (i.e. only one eligible contractor), the agency must post additional RFP's to ensure an adequate number of bids and allow additional contractors to be added to the roster. Agencies must define the process of how jobs will be awarded to the contractor(s) and what steps will be taken to obtain more qualified contractors in internal policy.

RFP Continuously Posted: In the event the agency does not receive adequate response to build a roster the agency may do other postings in addition to the continuous posting that has already been made available. Agencies must define the process of how jobs will be awarded to the contractor(s) and what steps will be taken to obtain more qualified contractors in internal policy.

In the event that an agency is seeking to contract with other Local Weatherization Operators for contracted mechanical, energy auditor, or quality control inspector, the agency can utilize the procurement by small purchase procedures (2 CFR 200.320 and 45 CFR 75.329) if the total amount expected to spend is not over the federal simplified acquisition threshold (currently set by FAR in 48 CFR Part 2.1 at $250,000 or the amount defined in the agency's procurement policies, whichever is less). If the contract will exceed the threshold, a sealed bid (RFP) process is required. Procurement processes must follow, and contract information must provide detail as to how the jobs will be awarded in accordance with, Subpart D Procurement Standards contained in 2 CFR 200 or 45 CFR 75 as applicable.

To foster great economy and efficiency, in accordance with efforts to promote cost-effective use of shared services across the Federal government, the non-Federal entity is

encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement, use of common or shared goods and services and use Federal excess surplus property in lieu of purchasing new equipment or property whenever feasible. (2 CFR 200.318 or 45 CFR 75.327 as applicable).

CONTRACTOR APPLICATION AND QUALIFICATION PROCEDURES

This section provides an overview and guidance for the development of the contractor application and qualification assessment process used to determine the roster of qualified contractors. The solicitation should include at a minimum the following information (as applicable):

- WAP requirements- The RFP must indicate that selected contractors will be placed on a roster. It must reference mandatory compliance with State of Michigan, U.S. Department of Energy rules and regulations.
- Clear and accurate description of the technical requirements for material, product or service to be rendered.
- Minimum qualifications (e.g., Quality Control inspector certification for final inspection contractors, proof of training aligned with experience and knowledge in the Job Task Analysis defined by DOE)
- Licensing requirements
- Certification Requirements
- Insurances
- Criminal background check (CAA Policy needs to define passing the background check and this policy cannot be in conflict with the verbiage contained in the grant agreement and the policy is subject to review). Please see MDHHS contract agreement for details on the requirements for background checks.
- Reporting requirements
- Scope of work
- Tracking process to evaluate contractor performance
- Selection criteria
- Material price list
- Labor price list
- Required equipment
- Training requirements
- Planned liquidated damages schedule for failed inspections, late job completions
- The number of contractors the Grantee anticipates selecting
- Appeal or protest procedures

- Appeal committee composition (if applicable)

The application should include at a minimum the following items to be completed by the bidding contractor(s):

- Contractor name and contractor company
- Contractor WAP experience and references
- Contractor capacity
- Contractor experience working with Grantee

The RFP may also include:

- Proper procedure for bidders to submit questions
- A process to respond to all bidders with Q & A feedback.

SELECTION CRITERIA

The selection criteria must clearly identify all required elements that MUST be met in order for a bidder to qualify as a contractor to be included on the Roster. The selection criteria may include the following:

- Licenses/Certification
- Experience in the program
- Experience with the Grantee
- Experience working in the service area
- Insurances
- Equipment
- Training
- Capacity

NOTE: The selection criteria MUST include points for woman and minority-based businesses.

<u>Restrictions</u>

The Grantee cannot make it a requirement to attend a pre-bid conference. The Grantee may instead, make an orientation session meeting attendance mandatory for all selected contractors.

Contractor location CANNOT be used as selection criteria. Points cannot be awarded because a contractor is located in a city within the Grantee service area. However, points can be awarded for previous program experience in the area(s).

Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal contracts. Grantees must verify contractors are not on the debarment list annually.

SOLICITATION PROCEDURE

All RFPs must comply with MDHHS' non-discrimination policy (see MDHHS contract language for details) and ensure that proactive efforts will be made to identify and encourage the participation of minority-owned and women-owned businesses, and businesses owned by persons with disabilities in contract solicitations.

All RFPs must be adequately publicized and identify all evaluation factors and their relative importance. Selection of advertising methods determines the success of receiving responses from qualified vendors. Advertising helps determine the free and open competitive nature of the solicitation. Sufficient publication efforts include newspaper ads, Public Service Announcements, online website postings including posting on County/Municipality websites, online job boards, continuous posting on CAA website, etc. Continuous posting on the CAA website is allowable but must not be the only method of advertising. If continuous posting is utilized, then internal policy (and the posting as applicable) must document items including, but not limited to:

- Timeframes for review/approval of proposals submitted.
- The circumstance(s) that would require the continuous posting to be removed and the steps involved.
- The circumstances that would require the continuous posting to be put up and the steps involved.
- Outline what other advertisement is required in order to ensure sufficient advertising is accomplished and Uniform Guidance is adhered to.

The CAA must be able to support that sufficient advertising was/is being performed when requested for a monitoring or audit engagement.

RFP Price Lists

Materials shall be installed in accordance with the specifications and policies outlined in the Michigan Weatherization Field Guide, Community Services Policy Manual, State and local law, and 10 CFR 440 Appendix A, Standards for Weatherization Material. Bidding contractors must be able to provide all measures - labor and materials - specified in the Weatherization Measure Unit Price list in accordance with all applicable federal, state, county, and local standards and specifications. All prices are for weatherization measures installed according to industry and program standards and include labor, material, permits, job site cleanup, overhead, and all other costs. Prices should reflect all costs associated with the contractor's delivery, installation, and administration of the weatherization program. All materials used in the weatherization program must meet the specifications of the various funding authorities. All prices for cellulose insulation materials shall meet federal recycled materials specifications. Contractors must indicate a price for each item on the list. If any required items are left blank, the proposal will be considered incomplete and the proposal may be rejected.

The prices submitted should be set at a rate which allows the contractor to install all measures to meet Federal, State, County and local standards and specifications regardless of the techniques or methods used. A warranty must be provided on materials and labor for a period of eighteen (18) months from the date of the Grantee’s acceptance of the work (the work has passed inspection).

See the required Unit Price List elements in the NEAT and MHEA Setup Library Measures sections in Attachment A of this policy item.

RFPs for energy auditor, mechanical, and quality control inspector should have relevant pricing for each role i.e. initial inspection, deferrals, final inspection, return inspections, etc.

Special Provisions

RFP price list language should include provisions for material/labor costs not included on the RFP price list. For example:

> "Other materials may be substituted on a case-by-case basis with the Grantee's prior approval."

If the Grantee exercises procurement method 1, language should be added to indicate the procedure. In addition, if the RFP states the possibility of time and materials-based costing, there also must be language stating there is a cost maximum that limits the average amount of funding that can be spent on each job during the program year which the contractor may exceed at their own risk. For example:

> "All prices submitted by awardees of this RFP will be averaged. Contractors submitting RFPs must agree to averaging prices. "All weatherization measures not specified on the price list will be negotiated with the contractor on a job-by-job basis (e.g., time and materials) or prices will be requested through a supplemental bid. The Grantee reserves the right to delete any such measure if the price is deemed to be inappropriate, because the Weatherization program has average job cost maximums for the program year, calculated as total job costs for all jobs divided by number of jobs closed, set at the Federal level that need to be adhered to at the end of the program year."

If the Grantee utilizes procurement Method 2, language should be added to indicate the procedure. In addition, if the RFP states the possibility of time and materials-based costing, there also must be language stating there is a cost maximum that limits the average amount of funding that can be spent on each job during the program year which the contractor may exceed at their own risk. For example:

> "All weatherization measures not specified on the price list will be negotiated with the contractor on a job-by-job basis (e.g., time and materials) or prices will be requested through a supplemental bid. The Grantee reserves the right to delete any such measure if the price is deemed to be inappropriate, because the Weatherization program has average job cost maximums for the program year, calculated as total job costs for all jobs divided by number of jobs closed, set at the Federal level that need to be adhered to at the end of the program year."

CONTRACTOR SELECTION PROCESS

The Grantee will convene a selection committee to review all RFPs for completeness and to rate each for the various selection criteria. The committee will determine the contractors deemed eligible for the Roster.

Notification to Contractor

When the evaluation process is complete, the Grantee will inform the contractor(s) of the qualification decision. The Grantee will notify the selected contractors of the placement on the Roster. The Grantee will notify the contractors not selected and explain why they were not selected. These notifications will be done in writing.

Notification to BCAEO

Agencies are required to provide a copy of the contract for any subcontract of $25,000 or greater. If the agency anticipates utilizing the professional service of a contractor at a cost of $25,000 or greater, the agency has up to 30 days to provide a copy of the signed contract after approval. The copy of the signed contract must be uploaded into BCAEO's external SharePoint.

Job Awards/Assignments

All work must be awarded to contractors on the roster in a fair manor. This process should be outlined in the contract. The Grantee can establish a list of reasons that they would deter from the established method of job awarding. This must be documented in the contract. Reasons can include:

- Work Capacity

  The contractor must be able to complete the work within the time specified. For single unit jobs, the contractor will have 45 calendar days from the time of the preliminary award notice to complete the work so that it is ready for final inspection and approval by the Grantee.

- Financial Capacity

  The Grantee monitors the dollar amount of work outstanding at any given time with each Contractor. The Grantee will not issue a contractor additional work beyond its financial capacity, until some work currently outstanding is completed, inspected, and paid.

  If the next contractor on the roster has $50,000 or more work outstanding at the time of the bid, the Grantee may award the job to the next contractor.

- Inspection Passage Rate

  The Grantee tracks each contractor's rate of passing final inspections of jobs completed over the preceding 3-month period.

  If the contractor has an inspection rate passage below 90% for jobs completed over the preceding 3-month period, the Grantee may award the job to the contractor on the roster.

- Job Completion Timeliness

  The Grantee tracks each contractor's record of completing jobs over the preceding 3 months within the timeline specified at the time of the award.

- If the contractor has not completed at least 90% of jobs awarded within the previous 3 months within the timeline specified, the Grantee may award the job to the next contractor. Refusal of Work

  When a contractor is preliminarily awarded a job, he/she has the right to refuse the work. However, the Grantee assumes that the reason for refusal is that the contractor does not have the capacity to complete the work within the required timeframe.

  If a contractor refuses one job, the Grantee may assume that the contractor does not have the capacity and may choose not to offer the next job to that contractor.

PROCUREMENT PROCESS

The following is a step-by-step process to use to procure contracted work.

1. Certified energy auditor completes the audit and derives the scope of work for a job. Scope of work is reviewed/approved by agency staff and is entered into the FACSPro database- Wx Module- work order queue.
2. If awarding jobs exercising procurement Method 1, award the job by the fair method the agency has established in the RFP, contract language, and internal policy.
3. If awarding jobs utilizing procurement by Method 2, bid process is run in WA 8 database, using current unit prices of each contractor for the quantities of work in the project scope. The Grantee will also apply the non-price eligibility criteria described above. The total, cumulative costs of all audits, the selected contractor, and the reason the job/bundle was awarded to chosen contractor shall be entered into the "Comment" section of the Audit Information page of WA8.
4. The selected contractor is notified through the preliminary award notice, which specifies the job location, scope of work, Quality Control Checklist, contract award price and deadline for completion of unit.
5. Contractor who receives the preliminary award notice contacts the Grantee within three (3) business days of receipt of the preliminary award notice, to confirm its acceptance of the job or to refuse the job. This is accomplished by signing and returning the preliminary award notice. See Preliminary Award Notice.
    a. The contractor may contact the Grantee with all job-related questions.
    b. The contractor may visually inspect the job location by doing a "drive by" of the site.
6. If the contractor refuses the job, the Grantee will send a preliminary award notice to the next contractor, and that contractor begins at step 5.
7. Once the contractor accepts the job by signing and returning the preliminary award notice, the Grantee moves the job to Job Assigned queue. The contractor then arranges the work with the occupant.
8. During the course of the job, the Grantee is encouraged to complete an in-progress inspection of the work to ensure it is being carried out according to specifications. The Grantee will arrange such inspections with the contractor, and normally, the contractor's presence is required.
9. The contractor completes the work within the timeframe specified and notifies the Grantee when the work is ready for final inspection.
   Effective July 1, 2015, certified Quality Control (QC) Inspector inspects the work.
    a. If all work passes inspection, QC inspector approves the job for payment.
    b. If work does not pass inspection, QC inspector specifies additional work to be done to bring work up to specifications. The contractor has five (5) business days to make the necessary modifications/corrections and arrange for

reinspection.

10. The contractor submits its invoice for payment.
    a. The scope of work showing the measures and prices (including change order items-see below) must be submitted with the contractor's invoice, and the amounts must match.
    b. Along with the invoice, the contractor submits other documentation required by the Grantee (Contractor's Warranty, Certificate of Insulation, Lien Release, etc.).
11. The Grantee shall pay approved invoices for work that passed inspection within 30 days of receipt and document on the invoice what job (FACSPro ID#, etc.) the entire invoice, or each itemized cost, relates to.

Unit Price List Updates

The Grantee uses unit price lists provided by the contractors to calculate the contract award amount for each given job/bundle. Contractors may update their price lists periodically for their own business reasons (e.g., changes in material prices, competitiveness of bids, etc.). Grantees utilizing procurement Method 1, may allow pricing to be updated as necessary. Grantees utilizing procurement Method 2, may allow pricing to be updated as necessary.

The Grantee shall provide BCAEO technical staff with all WA 8 NEAT/MHEA library prices before incorporating into the audit. Staff will review, approve or deny and inform the Grantee to proceed or assist with any required corrections/modifications.

Change Orders

Due to the nature of the work, there may be cases where changes to the scope of work are necessary during the course of a job. Typical causes of such change orders include:

- Items that could not have been assessed accurately by the contractor or Grantee staff until walls were opened, access areas added, wiring exposed, etc.
- Items that the client refuses part way through the job.

These items are handled through change orders, according to the following procedures:

- Change orders must be authorized by the Grantee in advance in WxPro. Authorization can be initiated verbally but must ultimately be in writing and signed off by the Grantee and contractor on the IWC Change Order tab.
- Change orders must be comprised of measures on the unit price list and will be paid at the same rates as the contractor's unit prices.

- If applicable, a new QC checklist may need to be created.
- Exception: If repairs are required beyond the normal installation of items on the unit price list, they are to be completed on a time and materials basis. All weatherization measures not specified on the unit price list will be negotiated with the contractor on a job-by-job basis (e.g., time and materials) or prices will be requested through a supplemental bid. The Grantee reserves the right to delete any such measure if the price is deemed to be inappropriate.
- Because the contractor may change unit pricing during the course of a job (e.g., if the job starts in one quarter and continues into the next), pricing on change orders are handled as follows:
    - *Deletions* of items in part or whole that existed in the original scope of work will be made using the prices at the time of the bid.
    - *Additions* of items that did not appear on the original scope of work, or additional quantities of existing items, will be made using the unit prices at the time the change order is approved.

In the event of a change order, the Grantee will send out a revised scope of work showing all additions and deletions, including quantities and prices. The contractor will include this revised scope of work along with its final invoice, and all totals must match.

Liquidated Damages for failed inspections, late job completion

The Grantee incurs the cost for repeat inspections and job delays. Therefore, the Grantee may deduct the following from contractor invoices:

- A set amount for each failed inspection. If the work fails again at re-inspection, the Grantee reserves the right to call on another contractor to correct the defects, and not pay the original contractor for the measures that did not pass inspection.
- A set amount per business day that the work is not completed by the deadline specified, unless it is for reasons beyond the contractor's control (e.g., client non-responsiveness or non-cooperation). The contractor must notify the Grantee in advance of any conditions preventing timely completion of work.

410 – Procurement Policy

POLICY CHANGES

- Updated References section
- Updated Methods of Procurement section for 48 CFR references and sealed bids
- Updated Contract Provisions section to align with Uniform Guidance

REFERENCE:

- Uniform Guidance 2 CFR 200, 45 CFR 75, and 10 CFR 600

PURPOSE

In the case of any conflict between Uniform Guidance, other federal laws or policy, and state laws or policy involving federal funds, the federal law or Uniform Guidance will prevail.

In the case that State policy is more specific or stringent than Uniform Guidance, the more specific State policy will prevail.

BCAEO makes every effort to align with federal rules to reduce the number of conflicts between state and federal policies.

POLICY

CAAs must use their own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in the Uniform Guidance. CAAs must also maintain written standards of conduct covering conflicts of interest as outlined in 2 CFR 200.318(c)(1) and 45 CFR 75.327(c)(1).

GENERAL PROCUREMENT STANDARDS

General Procurement Standards found at 2 CFR 200.318 (eCFR :: 2 CFR Part 200 Subpart D - Procurement Standards) and 45 CFR 75.327 (eCFR :: 45 CFR Part 75 Subpart D - Procurement Standards) must be followed. This includes conflicts of interest as outlined in 2 CFR 200.318(c) and 45 CFR 75.327(c).

Note: A labor surplus area is defined by the U.S. Department of Labor as generally an area with an annual unemployment rate 20% or more above the average annual unemployment rate for all states.

- The non-Federal entity must maintain written standards of conduct covering conflicts of interest regarding employees and any parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe. Conflict of interest requirements are further outlined in 2 CFR 200.318(c)(1) and 45 CFR 75.327(c)(1).

- CAAs must maintain records sufficient to detail the history of the procurement. The records will at least include: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and basis for price.

Competition

All procurement transactions must:
- Be conducted in a manner providing full and open competition.
- Prohibit the use of geographical preference, except where applicable Federal statutes expressly encourage geographic preference.
- Follow written procedures in accordance with the requirements at 2 CFR 200.318 – 200.327 and 45 CFR 75.327-75.335.

METHODS OF PROCUREMENT

1. Micro Purchase:

   a. Aggregate dollar amount per purchase does not exceed the micro-purchase threshold (set by FAR at 48 CFR Subpart 2.1 and currently set at $10,000 or the amount listed in internal policy, whichever is lesser).

   b. To the extent possible, the CAA must distribute micro-purchases equitably among qualified suppliers.

   c. May be awarded without soliciting competitive quotes if the price is reasonable.

2. Small purchase procedures:

   a. This procedure may be used only on those services, supplies, or property that do not exceed the Simplified Acquisition Threshold (set by FAR at 48 CFR Subpart 2.1

and currently set at $250,000, or the amount listed in internal policy, whichever is lesser).

b. CAA must establish a clear, accurate description of the specifications for the technical requirements of the material, equipment, or services to be procured; and

c. CAA must obtain written/documented price or rate quotations from an adequate number of qualified sources. An adequate number is, at a minimum, three different sources.

3. Publicly solicited sealed bids and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. This is mandatory for procurements that exceed the Simplified Acquisition Threshold (set by FAR at 48 CFR Subpart 2.1 and currently set at $250,000, or the amount listed in internal policy, whichever is lesser):

   a. In order for sealed bids to be feasible, the following conditions should be present:
      A. A complete, adequate, and realistic specification or purchase description is available;
      B. Two or more responsible bidders are willing and able to compete effectively for the business; and
      C. The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

   b. If sealed bids are used, the following requirements apply:

      A. Bids must be solicited from an adequate number of known suppliers (3 or more responsible bidders), providing them sufficient response time prior to the date set for opening the bids;
      B. The invitation for bids, which will include complete, adequate, and realistic specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
      C. CAA must formally advertise, for a minimum of three (3) days, in newspapers or through notices posted in public buildings throughout the service area or another method that ensures adequate notice. Advertising beyond the CAA's service area is allowable. The advertisement should include, at a minimum, a response time of fourteen (14) days prior to the closing date of the bid request. Cities and counties must comply with the

statutorily imposed publication requirements in addition to those requirements stated herein;

D. All bids will be opened at the time and place prescribed in the invitation for bids, local and tribal governments must open the bids publicly;
E. A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder;
F. Any and all bids may be rejected if there is sound documented reason; and
G. When advertising for material or labor services, the CAA shall indicate a period for which the materials or services are sought (e.g. for a one-year contract with an option to renew for an additional two (2) years). This advertised time period shall determine the length of time which may elapse before re-advertising for services, except that advertising for labor services must occur at least every five (5) years

4. Competitive proposals are normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

   a. This procedure may be used when services, supplies, or property that exceeds the Simplified Acquisition Threshold (currently $250,000 or the amount listed in internal policy, whichever is lesser) to publicly solicit and award either a cost reimbursement or a fixed price contract;

   b. Request for Proposal (RFP) must be publicized and identify all evaluation factors and their relative importance. The preferred method of advertising is the local service area newspapers, however other methods are allowable as long as sufficiency and reasonableness can be demonstrated. This advertisement should, at a minimum, allow fourteen (14) calendar days before the RFP is due. The due date must be stated in the advertisement;

   c. The time period for services may be one year, plus two (2) additional years at a maximum;
   d. Proposals must be solicited from an adequate number of qualified offerors. An adequate number is, at a minimum, three (3) different offerors;

   e. The CAA must have a written method for conducting evaluations of the proposals and for selecting vendors; and

f. Contracts must be awarded to the responsible party whose proposal is most advantageous to the non-Federal entity, with price and other factors considered.

5. Non-competitive proposals (Sole Source) can only be awarded if one or more of the following circumstances apply:

   a. The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold;

   b. The unique service, supply, or equipment is available only from a single source; **NOTE:** Agency must be able to support this determination and provide necessary documentation upon request.

   c. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

   d. BCAEO authorizes noncompetitive proposals in response to a written request from the Grantee; or

   e. After solicitation of a number of sources, competition is determined inadequate (i.e. only one proposal received).

Note: Sole source contracts should be negotiated, to the extent that such negotiation is possible, to provide the most cost-effective contract reasonably possible. Agency must be able to support the sole source justification is in compliance with applicable guidance and regulation and be able to provide such documentation upon request.

Note: If non-competitive (sole source) methods will be used, the CAA must submit documentation to support why the non-competitive method of procurement will be used and why competitive methods are not possible or more beneficial. BCAEO approval is required prior to utilizing non-competitive procurement methods and these required documents, plus the official request, must be sent to MDHHS-BCAEO@michigan.gov.

CONTRACT PROVISIONS

The following provisions or conditions are required and shall be included in procurement contracts or subcontracts:

1. Contracts in excess of the simplified acquisition threshold shall include contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances where subcontractors violate or breach the contract terms, and provide for such remedial actions as may be appropriate;

2. All contracts in excess of $10,000 shall include suitable provisions for termination by the recipient, including the manner by which termination shall be affected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for cause (such as default), conditions where the contract may be terminated because of circumstances beyond the control of the CAA, and the manner by which the termination will be affected and the basis for settlement;

3. The vendor/contractor on all contracts equal to or exceeding $25,000 need to be checked for suspension and debarment on SAM.gov. If the vendor/contractor is found to be an excluded party, then they should not be a party to the contract unless an exception is granted under 2 CFR 180;

4. Contracts shall include a provision with regard to independent subcontractor status to hold harmless and indemnify the CAA from and against any and all claims, demands and course of action asserted by any third party arising out of or in connection with the services to be performed under contract;

5. Contracts shall include a provision regarding conflict of interest as defined and outlined at 2 CFR 200.318 or 45 CFR 75.327. CAA's employees, officers, and/or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from subcontractors, or potential subcontractors; and

6. Contracts shall include a provision to prevent waste, fraud, and abuse.

    a. CAA shall establish, maintain, and utilize internal control systems and procedures sufficient to prevent, detect, and correct incidents of waste, fraud, and abuse in all BCAEO funded programs and to provide for the proper and effective management of all program and fiscal activities funded by this contract. CAA's internal control systems and all transactions and other significant events must be clearly documented, and the documentation made readily available for review by BCAEO.

b. CAA shall give BCAEO complete access to all of its records, employees, and agents for the purpose of monitoring or investigating the program. CAA shall fully cooperate with BCAEO's efforts to detect, investigate, and prevent waste, fraud, and abuse. CAA shall immediately notify the BCAEO of any identified instances of waste, fraud, or abuse.

c. BCAEO will notify the funding source upon identification of possible instances of waste, fraud, and abuse or other serious deficiencies.

d. CAA may not discriminate against any employee or other person who reports a violation of the terms of this contract or of any law or regulation to BCAEO or to any appropriate law enforcement authority, if the report is made in good faith.

7. Contracts shall include a provision to the effect that any alterations, additions, or deletions to the terms of the contract which are required by changes in federal law and regulations or state statute are automatically incorporated into the contract without written amendment hereto, and shall become effective on the date designated by such law and or regulation; and any alterations, additions, or deletions to the terms of the contract shall be amended hereto in writing and executed by both parties to the contract.

8. Contracts shall include the following provision assuring legal authority to sign the contract.

a. Subcontractor represents that it possesses the practical ability and the legal authority to enter into the contract, receive and manage the funds authorized by the contract and to perform the services subcontractor has obligated itself to perform under the contract.

b. The person signing the contract on behalf of the subcontractor warrants that he/she has been authorized by the subcontractor to execute the contract on behalf of the subcontractor and to bind the subcontractor to all terms set forth in the contract.

c. BCAEO shall have the right to suspend or terminate the contract if there is a dispute as the legal authority of either the subcontractor or the person signing the contract to enter into the contract or to render performances

thereunder. Should such suspension or termination occur, the subcontractor is liable to the CAA for any money it has received for performance of provisions of the contract.

9. Contracts shall include all information necessary to be legally enforceable and to sufficiently outline the entire agreement (scope of service (deliverables), timeline, budget, etc.) **NOTE:** BCAEO monitors will request supporting documents showing deliverables were met.

10. Contracts shall include any other provisions as required in BCAEO Agreements.
    a. Contracts must include all required components for subcontracts per MDHHS contract language (BCAEO recommends reviewing all contract language to identify these requirements. This review may also be supported by using the Find command (Ctrl + F) and search for key words in the MDHHS contract to determine the components that must be assured in subcontract language);

Best Practices

- Determine how proposers will be scored before the RFP is issued.
  – Significant factors to include:
  - Expertise and knowledge of your industry
  - Demonstrated experience
  - Methodology for accomplishing goals of project
  - Ability to meet timelines
  - Minority, small, women-owned business, labor surplus area if applicable
  - Cost
- Document procurement decisions, as well as the reasoning behind them, to the extent possible. This will help if/when they need to be referenced later for an audit, monitoring, etc.
- Maintain a file that includes
  - Scoring grids documenting the attributes used and the resulting score for each contractor
  - List of people who participated in the decision
  - Contract with vendor, along with any referenced attachments (pricing sheets, etc.)
  - Ensure Procurement Standards, at 2 CFR 200.318-200.327 45 CFR 75.327-75.335 as applicable, are followed.