



Department of Community & Economic Development

## FINANCIAL MANAGEMENT CENTER

**Title:** Contract Amendments and Budget Modifications

**Directive #** 2014-03 (1)

**Effective:** April 4, 2016

To: All Weatherization and CSBG grantees

From: Kevin M. Rowland , DCED, Chief Financial Officer

A handwritten signature in black ink, consisting of the letters 'KMR' with a stylized flourish underneath.

### 1.0 Purpose

This directive is to provide instruction for requests for amendments and/or budget modifications for Weatherization and Community Service Block Grants (CSBG) contracts. This guidance is being provided in conjunction with the zero dollar contracts (also referred to as 'Master Agreement').

### 2.0 Revision History

This Financial Management Center (FMC) Directive replaces, in its entirety, FMC Directive 2014-03, dated January 1, 2014. This directive applies to all Weatherization and CSBG requests for budget modifications and/or amendments.

### 3.0 Policy

The Pennsylvania Weatherization Program is funded by the United States Department of Energy (DOE) and the United States Department of Health and Human Services through the Pennsylvania Department of Human Services (DHS) that oversees the Low Income Home Energy Assistance Program (LIHEAP). While these sources have similar purposes within the Weatherization Program, the reporting requirements may differ. In addition, the Pennsylvania Community Service Block Grant is funded by the United States Office of Community Services (OCS).

Due to changes in the reporting requirements for all Weatherization and CSBG funding, agencies must adhere to specific rules outlined in this directive. Failure to do so may result in affecting the agency's current or future funding until compliance is achieved.

**BUDGET CATEGORIES**

The following budget categories are reported by the sub-grantees to DCED for DOE, LIHEAP, and CSBG funding and are defined in the application instructions as:

<b>DOE &amp; LIHEAP</b>	<b>CSBG</b>
Administration	Machinery & Equipment
Financial Audit	Operational Costs/Working Capital
Direct Services <i>(includes Program Operations &amp; Support)</i>	Related Costs
Health & Safety	Other <i>(must be specified/itemized)</i>
Liability Insurance	
Training & Technical Assistance (DOE only)	

If an agency would like to change or move funds between categories, they must request a budget modification and have it approved prior to spending the funds. Failure to do this may result in an invoice request rejection as budget categories must match the most recently approved funding release or modification.

**AMENDMENTS**

Beginning with the institution of the ‘Master Agreement,’ the only time an amendment request must be made is to change the termination date of the contract, to change the contract activity period, to amend the contract terms and conditions, or to make major changes in the approved program scope (i.e. Appendix A), objectives or methods. All other changes should be made by requesting a budget modification.

**BUDGET MODIFICATIONS/CHANGES TO THE WORKPLAN**

Revisions to the work plan or budget attached to an executed Funding Release Form may be requested (by the agency) in writing; however, it cannot be implemented until receiving written approval from DCED. Revisions to the work plan or budget must be requested and approved prior to the termination or expiration of the contract. (see Article XVIII of the contract)

In order for DCED to comply with federal reporting requirements, all agencies must report any change to a budget category. Budgets, although initially considered to be proposed or planned, should be a true reflection of expenditures. Agencies are expected to report allowable expenditures in the correct budget category. This process requires consistent reconciliation and may require an agency to submit a budget modification request. This will ensure that all invoiced expenditures are complete and accurate.

***Specific requirements for DOE and LIHEAP funding include but are not limited to:***

- Agencies may request a budget modification in writing up to four times a program year
- Reduction of any line item that exceeds the cumulative amount invoiced for or reported in the Hancock Energy System (HES), whichever is greater, will not be permitted
- The Administration budget line item (for DOE funding) cannot exceed more than the allocated amount assigned to the specific program year
- The Administration budget line item (for LIHEAP funding) cannot exceed 5% of the total allocated funds
- Training and Technical Assistance (T&TA) funds cannot be reallocated
- The Health and Safety line item (for DOE funding) cannot be increased above 15% of the per unit cost; requests for budget modifications above this threshold will be denied
- The Health and Safety line item (for LIHEAP funding) cannot be increased above 20% of the per unit cost; requests for budget modifications above this threshold will be denied
- All final budget modifications (near the end of the program year) must be submitted no later than the 25<sup>th</sup> of the last month of the fourth quarter; requests after this date will not be accepted
- Funds provided under this contract must be expended within the time frame of the expenditure period listed on the most current funding release, unless otherwise directed by DCED

***Specific requirements for CSBG funding include but are not limited to:***

- Agencies should review and revise their work plan and/or budget, as necessary, each time a funding release form is executed; agencies will be notified in advance of the funding release
- When an agency requests a budget modification, the budget must be presented on the form, as provided with the funding release
- All final budget modifications (near the end of the program year) must be submitted no later than the 25<sup>th</sup> of the last month of the fourth quarter; requests after this date will not be accepted
- Funds provided under this contract must be expended within the time frame of the expenditure period listed on the most current funding release, unless otherwise directed by DCED
- Funds provided under this contract may not be used for the purchase or improvement of land, or the purchase, construction or permanent improvement of any building or facility (other than low-cost residential weatherization of other energy related home repairs)
- Funds provided under this contract may not be used for any political activity

## 4.0 Procedure

To request a change to the original budget or work plan (attached to the first funding release) and any subsequent approved modifications, the agency must submit their request in writing and should include the following information:

- A revised, *cumulative* budget, along with a revised narrative (if applicable)
- A brief explanation of why the modification is needed
- Identification of which funding source your request is for
- The DCED contract number

If a budget modification is requested at the time of a funding release, the executed Funding Release Form (for the specific funding source) will reflect the approved changes. Please allow ten business days for the modification to be processed. Additionally, the agency should not submit invoices against a modification request until the modification has been processed and approved, unless the agency is submitting a zero invoice as directed in the invoicing instructions. Once the modification is approved, the agency will receive notification from DCED; and, at that time, can begin to invoice using the most recently approved budget.

Budget modifications and any changes to the budget or work plan should be requested at the time of each funding release or quarterly (for Weatherization contracts). This reduces the need for multiple interim modifications. However, if additional modifications are needed, outside the quarterly timeframe, the agency may request such modifications as defined above.

All modifications must be submitted electronically, clearly identified as a modification request in the subject line of the email, and submitted to one of the following addresses:

- For Weatherization contracts, send all information to [ra-wxmail@pa.gov](mailto:ra-wxmail@pa.gov)
- For CSBG contracts, send your modification request along with your monthly invoice and/or FSR to [ra-dcedinvoicing@pa.gov](mailto:ra-dcedinvoicing@pa.gov)