



RIVERSIDE COUNTY
ECONOMIC DEVELOPMENT AGENCY

POLICIES & PROCEDURES

Date: March 8, 2004

Number: 18-03

SUBJECT: PROFIT DETERMINATION AND ALLOWANCE

PURPOSE: To provide for the allowance of and to establish policy and procedures for profit determination for Riverside County Economic Development Agency (EDA) Workforce Development Division (WDD) staff and service providers funded by, but not limited to, the Workforce Investment Act (WIA).

REFERENCES: 48 FAR (Federal Acquisition Regulations), Subpart 31.2
48 FAR, Subpart 15.4
29 CFR (Code of Federal Regulations), Part 95, Subpart C, §95.45 and §95.46
29 CFR, Subpart C, §97.36 (f)(2)
20 CFR, Part 652, Subpart B, §667.200, (c)(5)
Office of Management and Budget (OMB) Circular A-133, §.210 (e)

LOCALLY IMPOSED REQUIREMENTS: Locally imposed requirements are indicated in ***bold, italic*** type.

EFFECTIVE DATE: January 30, 2004

BACKGROUND:

Entities identified as commercial or “for profit” and funded by federal employment and training resources are guided by federally established standard guidelines used for profit allowance. These standard guidelines have numerous factors that must be weighed before consideration for profit allowance can be given. The following policy regarding profit determination and the profit analysis factors is established for the Riverside County EDA Workforce Development Division employment and training programs.

DISTRIBUTION: WDB; SP; ADMIN; PPD; FISCAL; PROG.COMP.; CUST.SERV.

POLICY:

Revenue in excess of program costs for commercial or private for profit service providers for EDA Workforce Development programs is considered to be profit and is allowable as defined and allocated within the program agreements. The percentage of profit on all cost reimbursement contracts will be based upon the contractor's effort, investment and performance associated with the effectiveness and efficiency in attaining the contract objectives in relation to the amount of the contract.

EDA Program Development staff shall be guided in this process by the Federal Acquisition Regulations (FAR), as noted in WIA Section 667.200 (c)(5).

PROCEDURES:

The EDA WDD Planning and Development (PD) staff will apply this policy and cited FAR references at time of contract negotiations to determine the percentage of profit when applicable. PD staff shall determine reasonable and/or appropriate profit levels and substantiate proposed costs and will consider that negotiated profit may differ from actual just as estimated costs vary from actual. PD staff will use the following factors to assist in profit percentage determination:

Contractor Effort

Expertise

This applies to the difficulty of the work to be performed and takes into consideration the effort required for positive performance. The rate of profit shall consider the degree of expertise or management skills required for performance of the contract. For example, do positions require credentialed or degreed staff? Does the contractor have years of experience in the field of services offered? Is the contractor starting this program from an existing foundation, or is it a whole new experience for the contractor and contractor staff?

Staff or Labor Hours

Hours and diversity of staff required to implement the services shall be reviewed, and the rate of profit shall be determined on the amount and quality of supervision and coordination necessary to perform contract tasks. This shall take into consideration the existence of subcontractors and the management responsibilities entailed. Consideration should be given to the amount of time actually spent on the contract in relation to indirect costs. Does the cost merit only limit profit consideration because of routine nature?

Investment

Capital Investment

The level of contractor capital investment that should lead to efficient and economical contract performance will be considered in determining an appropriate rate of profit. How great is the risk for the contractor to provide services, especially if time and performance are elements?

New and Innovative Programs

The cost risk is greater with the complexity of services to be performed, especially when there is a time frame in which the services are to be completed. Plus, the uncertainty in providing new and innovative services or programs are significant factors in determining a profit percentage, particularly for novice service providers. Comparisons of experienced program operators who have demonstrated creative solutions benefiting program participants should be considered.

Performance

Consideration for profit shall be given to service providers who, within the last 5 years, have previously demonstrated successful program outcomes and a capacity to undertake new and difficult programs and/or demonstrate a significant improvement in outcomes in numbers as well as in quality of program. This shall be weighed at program end and paid accordingly.

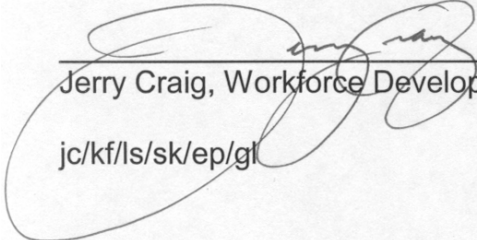
Determining Profit Percentage Rates

The following profit factors table shall be referenced in determination of the total profit percentage. Application of the various listed factors as a percentage of the total contract amount shall be used in determining the amount of profit attributed to the total contract amount. It is possible the percentage rate may vary or increase, dependent upon contract circumstances.

PROFIT FACTORS	PERCENTAGE RATES
CONTRACTOR EFFORT	
Expertise <ul style="list-style-type: none"> • Degree or credentialed staff required • Experienced staff available • Number of years in existence • Facilities and assets conducive to economical contract performance 	0 to 2% .50% .50% .50%
Staff or Labor Hours <ul style="list-style-type: none"> • Number of subcontracts and fiscal duties related to management of such • Management required for subcontracts • Contractor's indirect or in-kind cost contributes to performance of contract scope of work 	0 to 2% .75% .75% .50%
INVESTMENT	
Capital Investment <ul style="list-style-type: none"> • Price is cost effective • Cost is fixed-price (predetermined cost with services to be provided within a specified time frame) • Risk to contractor to provide efficient performance 	0 to 2% .75% .75% .50%

<p>New and Innovative Programs</p> <ul style="list-style-type: none"> • New program for contractor • Contractor to implement innovative program • Complexity of work to be performed 	<p>0 to 2% .75% .75% .50%</p>
PERFORMANCE	
<p>Past Performance</p> <ul style="list-style-type: none"> • Previous successful program within last five years in Riverside County • Demonstrated capacity for success with limited resources • Shown ability to take on new and difficult programs with positive outcomes for performance • Demonstrated the ability to improve performance with experience 	<p>-2 to 2% -.50% to .50% -.50% to .50% -.50% to .50%^ -.50% to .50%</p>

Please refer any questions regarding this policy and procedures to the Riverside County EDA Workforce Development Division's Planning and Development Program Manager.



Jerry Craig, Workforce Development Administrator
jc/kf/l/s/sk/ep/gl