



RIVERSIDE COUNTY
WORKFORCE DEVELOPMENT BOARD

Profit Determination and Allowance
POLICY and PROCEDURES

Date: September 17, 2015

Number: 18-03

PURPOSE: To provide guidance to Riverside County Economic Development Agency Workforce Division (EDA/WD) staff and for-profit service providers pertaining to profit determination and allowance procedures associated with Workforce Innovation and Opportunity Act (WIOA) funds.

EFFECTIVE DATE: Upon Release

REFERENCES: 48 FAR (Federal Acquisition Regulations), Subpart 31.2, Subpart 15.4
Federal Register, Volume 78, Number 248, Thursday, December 26, 2013; Part III; Office of Management and Budget, 2 Code of Federal Regulations (CFR), Chapter I, Chapter II, Part 200, et al. Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards; Final Rule
2 CFR, §200.323 (b)
Federal Register Notice of Proposed Rulemaking §683.295(a) (3)

LOCALLY IMPOSED REQUIREMENTS: N/A

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 Riverside County EDA/WD employment and training programs

POLICY: Revenue in excess of program costs for commercial or private for profit service providers of EDA Workforce Division 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/WD staff shall be guided in this process by the Federal Acquisition Regulations (FAR), as noted in 2 CFR, §200.323 (b).

PROCEDURES:

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

Contractor Effort

This applies to the difficulty of the work to be performed and takes into consideration the effort and resources required for positive performance. The rate of profit shall consider the degree of expertise or management skills required for performance and duration of the contract. 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. For example, do positions require credentialed or degreed staff? Does the contractor have years of experience in the field of services offered? Will services be offered for an extended period of time?

Risk, Program Design and Target Populations

This factor measures the degree of responsibility and associated risk that the contractor assumes, such as in the administration of sub-agreements, the program design elements, the necessity to attain or maintain a quality rating certification, and the degree of support the contractor must provide to achieve the desired performance results. 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. Consideration should also be given if the contractor utilizes materials or technologies which have been developed outside the scope of the agreement and leads to improved outcomes for the program.

Past Performance and Demonstrated Ability

Consideration for profit shall be given to service providers who, within the last 5 years, have demonstrated successful program outcomes and a capacity to undertake new and/or 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. The total profit percentage rate shall only be applied to the contractor's non-direct participant cost portion of the contract amount in determining the amount of profit attributed to the contract. It is possible the percentage rate may vary or increase, dependent upon contract circumstances. The percentage rate may not be applied to any Direct Costs.

PROFIT FACTORS	PERCENTAGE RATES
CONTRACTOR EFFORT 0-3%	
<ul style="list-style-type: none"> • Complexity of the Work Performed • Duration of the Agreement • Expertise Needed • In-kind/Additional Resources Provided 	.75% .75% .75% .75%
RISK, PROGRAM DESIGN AND TARGET POPULATIONS 0-4.75%	
<ul style="list-style-type: none"> • Fixed Price plus profit performance-based contract • Profit earned by meeting or exceeding performance requirements • Administration of sub-agreements • Development and Utilization of materials/technologies outside the scope of the agreement • Serves specific socioeconomic target population • Required to attain or maintain a quality rating certification 	1.0% .75% .75% .75% .75% .75%
PERFORMANCE 0-2.25%	
<ul style="list-style-type: none"> • Previous successful program within last five years in Riverside County • Demonstrated capacity to administer the agreement for success with limited resources • Demonstrated the ability to meet performance requirements 	.75% .75% .75%

Please refer any questions regarding this policy and procedures to the Riverside County EDA/WD Administration Unit at (951) 955-3100.

REVISION HISTORY:

Revision Dates: 09/17/09; 09/17/15

Original Policy Date: 03/08/04



Loren Sims, Administration Manager