**Underrun Utilization During COVID-19**

The impact of Job Corps Spring Break covering March 16 and extending through May 10, 2020 along with the transition to virtual operations in response to the COVID-19 national emergency has resulted in costs savings in contracts. The savings are most prevalent in areas such as, Food (PRH Form 2181, line 07), Clothing (line 08), Dorm Supplies (line 10) and Utilities (line 23).

At the same time, unplanned expenditures in certain lines are necessary to facilitate distance learning and to prepare centers for reopening in accordance with the protocols being prepared by Humanitas. For example, per the directive of PIN 19-18, Job Corps centers are purchasing Personal Protective Equipment (PPE) and these unplanned expenditures have been recognized in Other Medical/Dental Expense (Form 2181, line 12). PIN 19-17 directed operators to fully support Job Corps basic health care responsibilities while students are participating in virtual learning, which has led to additional unexpected yet necessary costs, also booked to Other Medical/Dental Expense.

Further, as centers prepare their facilities for the reentry of students and staff, additional expenditures to facilitate social distancing and safety are necessary, but not yet authorized, as allowable expenditures. Operators will incur costs that are necessary to mitigate the transmission of the coronavirus such as: face masks, disinfectant solutions and wipes, hand sanitizing products, soap, paper products, non-exam gloves, floor and wall markers, signage, plexiglass shields, forehead thermometers, etc. Job Corps contractors also expect to incur additional labor costs such as classroom instruction, recreation, food services, etc. to promote social distancing while also effectively managing both on-site training and remote learning during the re-entry phase.

**Existing Policy Provides for Flexibility in Managing Budget Line Variances**

Existing contract language and policy in the PRH already allows for the reallocation of funds between the different lines of PRH Form 2181 within the estimated cost clause without explicit approval from the Contracting Officer. For example, PRH [5.7R8b](https://prh.jobcorps.gov/Management%20Services/5.7%20Financial%20Management/Pages/default.aspx) encourages centers to “use maintenance and available under-run funds ….. to address unfunded Operations and Maintenance (O&M) deficiencies.”[[1]](#footnote-1) Appendix 502 states:

“It is generally appropriate to accomplish a **formal** revision to the 2181 budget **only when**: (i) there is a need to change the net amount for center operations expense in the estimated cost clause of the contract and the change affects the current contract year; or (ii) a realignment of existing line-item amounts is clearly needed to resolve a gross misallocation of costs.”[[2]](#footnote-2) (Emphasis added)

However, in the absence of clearer national guidance, some Contracting Officer Representatives (CORs) and Contracting Officers have begun requesting additional documentation on these variances and new (albeit reasonable, allowable, and allocable) COVID-19 related expenditures. This may create unnecessary delays as contractors wait for approvals on purchases necessary to adequately serve and safeguard students.

**Recommendation**

Given the extraordinary circumstances of COVID-19 and the necessity to be timely in our obligations to meet the needs of students and staff, operators are seeking:

1. Official guidance to regional offices/CORs AND Contracting Officers to clarify that justifications and approvals for budget variances in PRH Form 2181 should only be required and sought when such variances necessitate a change to the estimated cost clause of the contract in the form of a Request for Equitable Adjustment or a reallocation across contract line item numbers (CLINs). In order to facilitate national budgeting, contractors could be required to notify CORs of unusual expenses within the estimated cost clause, but approval should not be required for any expenditures that are reasonable, allowable, and allocable.
2. Further national guidance to clarify what expenditures are allowable, for example related to preparing centers for student reentry and information technology. PIN 17-16 states that: “Job Corps may make some limited investments as necessary to support these students. Additional details about the implementation of this interim investment in IT equipment will be provided separately.” In the absence of further guidance, it is unclear to both contractors and CORs what expenditures are allowable.
3. Guidance that operators whose contract year ends prior to August 31, 2020 should, as appropriate, submit a carry-over request to utilize current underrun funds obligated to the contract to be used to procure goods and services in support of reentry in their next contract year or otherwise request a reallocation of underrun funds (excluding fee variances) to support additional operations expenses to prepare to centers for the students return (e.g. plexiglass shields, face masks, etc.) and non-CRA capital equipment needs (e.g. sprayers, IT equipment, partitions, etc.)
4. Guidance that OA/CTS cost reimbursable contract operators may utilize existing underruns, or if in their last quarter of a contract year, to request a reallocation of underrun funds to the new contract year for the purpose of supporting local newspaper, magazine, TV, and radio advertising within its estimated cost clause (CLIN) to expand prospects in preparation for re-entry of Job Corps students.

1. PRH Chapter 5.7 R8 b. [↑](#footnote-ref-1)
2. PRH Appendix 502 B.6 [↑](#footnote-ref-2)