

## Contracting Workshop Questions

### Frequently Asked Questions: Fish and Wildlife Budgeting and Contracting

BPA's Division of Fish and Wildlife recently hosted a series of workshops to discuss changes we have implemented or will be implementing this fiscal year. Attendees raised questions at those workshops regarding accrual-based accounting, accrual (spending) caps, and other contracting topics. The questions and answers are presented here so that all contractors may benefit from the same information.

Questions may be submitted to Molly Moreland of BPA at 503-230-3501 or [mrmoreland@bpa.gov](mailto:mrmoreland@bpa.gov).

Questions and Answers are organized in the same order in which they were discussed in the Contracting Workshops:

**Topic 1:** Fiscal Year Accrual (spending) Caps

**Topic 2:** Exhibit A

**Topic 3:** Timely Contracting Issues, including Written Authorizations, Stop Work Order and Termination for Convenience Clauses

**Topic 4:** Year-End Accruals

**Topic 5:** Changes Being Considered for FY04 and Beyond

### TOPIC 1: FISCAL YEAR ACCRUAL (SPENDING) CAPS

#### 1. Is an "accrual cap" the same as an "accrual ceiling?"

Yes. "Cap", "ceiling" and "limitation" all mean the same thing for the purposes of Fish and Wildlife contract administration. The Accrual Ceiling Limitation clause in Fish and Wildlife contracts will restrict the amount of money the contractors can spend or commit for work performed prior to September 30 of a given fiscal year.

#### 2. Once the Council and BPA establish the FY03 accrual (spending) cap for my project, will someone contact me to let me know what it is?

BPA will not contact the contractor until the time of award for a new contract or renewal of an existing contract. Contractors should look up their accrual (spending) cap as soon as possible and contact the Northwest Power Planning Council with any questions or concerns. The accrual caps established for each project by the Council may be viewed by clicking [here](#), or accessing the Council's website at <http://www.nwcouncil.org/library/releases/2003/0221.htm> (click on "accompanying tables" link). If the accrual cap listed for your project does not seem adequate, please work with the Council through the Reconciliation process to see if the amount can be changed. Do not wait until it is time to award or renew the contract, as it will likely be too late to make any

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changes. The contact person at the Council is Mark Fritsch at 503-222-5161 or [MFritsch@nwppc.org](mailto:MFritsch@nwppc.org).

**3. Has a formal process been established for the Council's reconciliation of accrual (spending) caps?**

The Council is working on the formal process now. Contractors having questions about their recommended accrual caps should contact Mark Fritsch with the Council at 503-222-5161, or e-mail: [MFritsch@nwppc.org](mailto:MFritsch@nwppc.org).

**4. Is the Council's accrual cap for a 12-month period, or is it only for costs incurred between now and September 30, 2003?**

The FY03 accrual (spending) caps set for each project include all costs incurred during the 12-month fiscal year: October 1, 2002 – September 30, 2003. For most contractors, the accrual cap is made up of two parts: the costs that have been incurred since October 1, 2002 up to today and the costs that are expected to be incurred between now and September 30, 2003.

**5. I'd like to see my "number" – the amount I'm authorized to spend – when I get my contract or amendment.**

The amount a contractor is authorized to spend for the contract performance period and the fiscal year can be found in the contract, in the Accrual Ceiling Limitation clause. The fiscal year accrual cap will also appear in the cover letter for the contract.

**6. Once I have an accrual cap defined by Council, do I prepare my Statement of Work and budget for 6 months? Through the end of the fiscal year? Through the 12-month contract period?**

Statements of Work and budgets should be prepared for the contract performance period, which is usually a 12-month period.

**7. I have delays in billing dating back to FY01 over which I have no control. Will the accrual cap apply to those invoices when they come in, even though those costs were incurred at a time when there was no accrual cap?**

The length of the time between when work was performed and the when the invoice is submitted makes accounting for these costs more complicated. Below are the various scenarios that could apply to this situation. In two scenarios the payment would not count toward the FY03 accrual cap, and in the other two the payment would count toward the FY03 accrual cap.

- a) In a perfect situation, the FY01 costs would have been included in the year-end accrual estimates for both FY01 and FY02 if the invoice was not going to be submitted until

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FY03. If this happened, the payment of the invoice in FY03 would not be counted against the FY03 accrual cap.

b) If the costs were only included in the year-end accrual estimate for FY02, the payment of the invoice in FY03 would accrue to FY02 and would not be counted against the FY03 accrual cap.

c) If the costs were only included in the year-end accrual estimate for FY01, the accrual would not have carried forward through FY02, and the payment of the invoice in FY03 would be counted against the FY03 accrual cap.

d) If no accrual estimate was provided, the payment of the invoice in FY03 would be counted against the FY03 accrual cap.

In the cases where the payment of the FY01 invoice in FY03 counts against the FY03 accrual cap, the contractor should contact Mark Fritsch at the Northwest Power Planning Council as soon as possible to request an adjustment to the project accrual cap the Council has established for FY03. Contact information for Mr. Fritsch appears in the answer to Question 3.

**8. If my accrual cap is not adequate to cover the costs I have incurred or expect to incur under my current contract, do I need to modify my work plan? And, do I go through the Council's reconciliation process, or keep billing and hope BPA will cover the costs?**

Contractors who know that their FY03 costs have exceeded or are likely to exceed their FY03 project accrual cap set by the Northwest Power Planning Council should contact the Council as soon as possible to request an adjustment to their cap. (Contact information appears in the answers to Question 3.) Given the current funding constraints of the Fish and Wildlife program, it is likely that the contractor will need to modify the work plan to reflect a reduced level of spending. Should the contractor continue to incur costs above the contract accrual cap, the contractor should be prepared to assume full responsibility for these costs.

**9. What happens if contract costs exceed the accrual cap for the fiscal year?**

The contractor must notify the Contracting Officer (CO) in writing before exceeding the cap. Once the CO has been notified, BPA will discuss options with the contractor, which may include reprioritizing (delaying) the tasks planned in the Statement of Work, authorizing additional funds if they are available, or terminating the contract. If the contractor fails to notify the CO in writing in advance of exceeding the accrual cap, the contractor assumes full responsibility for costs incurred above the cap.

**10. Can we pre-bill for work that hasn't been done?**

No. Per Bonneville Purchasing Instructions, it is BPA's policy to make payments in arrears on contracts. If you look at section (a) of clause 25-2 Payment in Arrears (Jun 01)(BPI

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25.3.1) in your Intergovernmental Contract, you will find the following language: “The contractor-agency shall submit invoices...for work performed...”

**11. We have an amendment to extend our existing contract, which extends the date for work. Can we also get more money added to the contract if we need it?**

Yes, provided that you notify the BPA Contracting Officer in writing in advance of exceeding your accrual cap. However, because of BPA’s financial situation, it is unlikely that additional funds will be available in fiscal year 2003 (FY03).

**12. The contract states that a contractor must “give notice, in writing, to the Contracting Officer” when requesting changes to the authorized funding amount. Does email count as notice in writing?**

Yes, BPA will accept an email to the Contracting Officer (CO) as notice in writing. It is wise to cc the Contracting Officer’s Technical Representative (COTR) when writing or emailing the CO.

**13. This year we have the Council’s accrual cap numbers for projects, but what do we do about next year (FY04)?**

BPA plans to use the work schedules and estimate of expenditures (Exhibit A) submitted by the contractors prior to award to determine how much work can be accomplished by September 30 of any year and the amount of money needed to complete that work. Subsequent accrual caps will likely be set using that information.

## **TOPIC 2: EXHIBIT A**

**14. When is Exhibit A used? What should it reflect?**

Exhibit A will be required for all new awards and contract amendments. Exhibit A should show the contractor’s forecast of when costs will be incurred throughout the upcoming contract year, the proposed schedule for that work and the type of work being performed. This information will help ensure BPA and the contractor have a meeting of the minds as to when work tasks will be performed and how much of the budget estimate is allocated to the work being accomplished. In future years we hope to use this information to establish accrual (spending) caps that are more reflective of the amount of work that can be accomplished by September 30 of each year.

**15. Will BPA limit contractors to the monthly estimates of expenditures forecasted on Exhibit A? For example, what if a contractor estimated that \$10,000 would be spent in January, but was actually able to complete \$12,000 worth of work? Will BPA disallow the extra \$2000 billed for January?**

No. As long as the contractor stays within the spending cap established for the fiscal year, costs may fluctuate on a monthly basis. Exhibit A is a planning tool and does not establish monthly spending caps.

**16. Is Exhibit A based on what a contractor will actually spend each month, or what a contractor will bill BPA each month?**

Exhibit A should indicate the amount of work and the associated costs of that work the contractor expects each month whether billed or not. As an example, if the contractor plans to install a fence during April and the fence is estimated to cost \$10,000, then \$10,000 should show as the estimated expenditure during April whether the amount is actually billed or not.

**17. Isn't Exhibit A really an estimate of expenditures by month, rather than a monthly accrual estimate?**

Yes. Exhibit A is a forecast of costs and work schedule for the contract year. It is a planning tool that BPA will use to ensure agreement between the contractor and BPA on when the work will be performed and how much of the contract budget is allocated to specific work tasks. BPA hopes to use this information in the future to establish future spending caps that are consistent with the amount of work that can be performed by September 30 of each year and the amount of money needed to complete that work.

**18. Does BPA really need a forecast of monthly expenditures? Could a contractor make quarterly estimates instead?**

In order to plan adequately for the next fiscal year, BPA needs a forecast of monthly expenditures. A quarterly estimate would not provide the amount of detail BPA needs to compare costs with deliverables.

**19. How accurate do we have to be when estimating monthly expenditures in Exhibit A?**

BPA expects that the monthly expenditures identified in the Exhibit A document are accurate enough to be used for planning purposes. BPA will not hold contractors to monthly accrual caps based on Exhibit A. Accrual caps are set for the 12-month fiscal year, not individual months.

**20. Is the work schedule that will be required for all new awards and amendments associated with Exhibit A?**

Exhibit A should include the forecasted work schedule that shows when work is expected to be performed and the amount of the contract budget allocated to performance of each work task.

**21. Wouldn't it make sense to have the Statement of Work, Budget, and Exhibit A due all at once?**

Yes. BPA asks Fish and Wildlife contractors to submit the Statement of Work and budget estimate at the same time, in advance of negotiation and award, and will ask contractors to include Exhibit A, once revised, in this package. . We realize that most recently we were asking for Exhibit A after contracts (or amendments) were already awarded. We have revised this process to require all of the documents prior to award so they can truly be used as planning tools and ensure agreement between BPA and the contractor on the work to be done, the schedule on which will be completed, the overall budget estimate, and the amount of the budget estimate allocated to the work tasks on the work schedule. For more information about the steps and accompanying documents needed to support a new award or the modification of an existing contract, please refer to the Contracting Workshop handout titled "[New Awards and Renewals through FY 03](#)".

**22. Is it true that a contract is not fully executed until Exhibit A has been submitted?**

No. BPA is in the process of modifying Exhibit A based on contractors' suggestions. In the interim, contracts may be signed and executed without Exhibit A. However, BPA strongly suggests that contractors with previously awarded contracts review the revised Exhibit A in anticipation of completing it upon their next contract renewal.

**TOPIC 3: TIMELY CONTRACTING ISSUES, including Written Authorizations, Stop Work Order And Termination For Convenience Clauses**

**23. Is CO synonymous with COTR?**

No. CO stands for Contracting Officer, and COTR stands for Contracting Officer's Technical Representative. Only the Contracting Officer has the authority to commit BPA contractually. The COTR is the person with whom project sponsors most frequently interact. The COTR manages most technical aspects of a Fish and Wildlife contract on behalf of BPA. COTRs are authorized to inspect and review work performed, interpret technical specifications, approve deliverables, reports, and invoices. However, the COTR is not authorized to award contracts, approve contract modifications or change orders, authorize actions that result in a change in the contract price, technical specifications, or time of performance, approve subcontractors, or terminate the contract for default or for BPA convenience. Such actions require the approval of the Contracting Officer. Also, any changes in the project objectives, scope, or key personnel, including any proposed transfer of expenditures between all approved budget line items above 5% of the contract total must be approved by the Contracting Officer. The roles and responsibilities of the CO and COTR are defined in the [Bonneville Purchasing Instructions \(BPI\)](#).

**24. I have received a written authorization from the Contracting Officer. Will I be reimbursed for costs incurred for work performed under the authorization?**

Yes. A written authorization is a contractual commitment from BPA to cover all reasonable costs for continuing work for the limited term of the written authorization. If funds are remaining in your contract, you may invoice for the work. If there are no funds remaining in your contract, you may invoice for the work as soon as a fully executed funding amendment is in place. Contract documents must be in place and fully executed (signed by both parties) before payments can be processed.

**25. Who receives the written authorization, and how do I get one? Could written authorizations be sent to more than one person?**

A contractor may request a written authorization through the Contracting Officer's Technical Representative (COTR); however, only a Contracting Officer (CO) can issue a written authorization. If the COTR agrees that it is in the best interest of BPA to issue a written authorization, the COTR (with approval from his/her manager) will send a request to the CO to issue a written authorization for a specific period of time. The CO will then issue the written authorization. The written authorization will be sent to the contractor's designated administrative contact. If you need a copy of the written authorization to go to more than one person, please inform the CO of your need.

**26. Is the "5% rule" and procedure for line item transfers of funds within a budget still in effect?**

Yes. The Contracting Officer's Technical Representative (COTR) may approve budget line item transfers of dollar amounts less than 5% of the current contract year budget. Line item transfers over 5% of the total current contract year budget must be approved by the Contracting Officer (CO).

**27. Does BPA have full discretionary authority to invoke a Stop Work Order or Termination for Convenience?**

If the clause is in the contract, BPA has the contractual right to use it at its discretion. However, Stop Work Order and Termination for Convenience clauses are used cautiously and only in those situations where it is necessary to protect BPA's interests. Any reasonable costs incurred as a result of issuing a Stop Work Order or terminating the contract for convenience will be reimbursed by BPA. In the case of a termination for convenience, BPA will negotiate a settlement schedule with the contractor that will clearly describe the duration and costs that will be allowed.

**28. If I have a wildlife project with multiple contracts, could BPA authorize a Stop Work Order on the entire project?**

The Contracting Officer may suspend all or part of the work of a contract through a Stop Work Order. It is highly unlikely that work would be stopped on an entire project, although it is possible.

**29. If BPA invokes a Stop Work Order or Termination for Convenience, do we still invoice?**

You may continue to invoice for work performed up to the date the Stop Work Order or Termination for Convenience takes effect. Costs that continue to accrue during the period of suspension of work due to a Stop Work Order may also continue to be invoiced. Costs claimed on a contract beyond the date of Termination for Convenience become part of the termination claim and are resolved through a negotiated settlement. BPA will negotiate a settlement schedule that will clearly describe the duration and costs that will be allowed, including costs incurred in the ramp down/closeout of the contract.

**30. How long does it take to get a contract renewal? A new award?**

Before a contract arrives in Procurement, the contractor and COTR negotiate a new or amended Statement of Work and budget. It is advisable for contractors to submit Statements of Work and budgets for the new contract performance period well in advance of their contract expiration date, to allow enough time for COTR review and approval. Once the request arrives in BPA's Procurement department, a contract renewal usually takes up to 30 days and a new award takes up to 60 days. Currently Procurement is processing the backlog that accumulated when BPA temporarily put a hold on processing contract amendments and new awards pending the Council-led reprioritization process, so times may be slightly longer. BPA expects these times to shorten considerably once the backlog is processed. If you have questions about the status of your contract, please contact your CO or COTR.

## **TOPIC 4: YEAR-END ACCRUALS**

**31. What is the difference between the contract year and the fiscal year?**

The Federal fiscal year is the 12-month period that begins October 1 of one calendar year and ends September 30 of the next calendar year. The contract year, or contract performance period, is the period that begins when the contract is signed and ends on a date agreed upon by BPA and the contractor, specified in the contract. Most Fish and Wildlife contracts have a 12-month contract performance year. A contract may run from January 1 to December 31, or May 1 – April 30, or October 1 – September 30, but the Federal fiscal year will always be October 1 – September 30.

**32. When will we have to submit our estimated end-fiscal-year accrual for FY03? Will BPA notify us when these estimates are due?**

BPA will send a request in writing in August 2003 for all contractors to provide their fiscal year-end accrual estimates.

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**33. If we have work performed before September 30 and a bill comes in after September 30, to which fiscal year does it accrue?**

It depends. Did you notify BPA that an invoice for work performed in the previous FY would be arriving after September 30? Did you accurately estimate the amount of the invoice? If so, the invoice will accrue to the previous fiscal year, and will be applied to the spending cap for the previous fiscal year. However, if you did not notify BPA of the expected accrual, the invoice will be paid out of the current fiscal year's funds and applied to the current fiscal year's spending cap. If you underestimated the accrual, BPA will pay the amount you estimated out of the previous fiscal year's funds. The remainder will be paid out of the current fiscal year's funds and will be applied to the current fiscal year's accrual cap. If you overestimated the accrual, BPA will pay the invoice out of the previous fiscal year's funds. The contract does not keep the remaining funds.

**34. If actual billing is delayed a full year, what year is it paid in?**

Say the work was performed in September 2001 but was not invoiced until August of the following year. If the invoice was adequately estimated in the FY01 year-end accrual, then the August 2002 invoice will accrue to the previous year (FY01).

What if the invoice was not sent in until November 2002? In that case, the invoice amount would again have to be estimated in the fiscal year-end accrual in September of 2002. If everything is done correctly, the November invoice would accrue to FY01.

What happens if the invoice amount is not included in the September 2002 fiscal year-end accrual and the work is invoiced in November? In that case the November invoice would accrue to FY03 even though the work was actually performed in FY01.

**35. I have delays in billing dating back to FY01 over which I have no control. Will the accrual cap apply to those invoices when they come in, even though those costs were incurred at a time when there was no accrual cap?**

Invoices for work performed prior to September 30, 2002 will accrue to FY02 if the contractor reported these costs to BPA in the FY02 fiscal year-end accrual estimate exercise. Invoices for work performed in FY01 would accrue to FY01 if they were included in the FY01 fiscal year-end accrual estimate. If the contractor included the outstanding FY01 invoices in the FY02 fiscal year-end accrual estimate, the FY01 invoices would accrue to FY02. If the contractor failed to provide an FY02 year-end accrual estimate, then any FY01 and FY02 invoices submitted after 9/30/02 will be applied to the contract's FY03 accrual (spending) cap, which could significantly reduce the amount of funds available to the contract for FY03 work. In this case, the contractor should contact Mark Fritsch at the Northwest Power Planning Council as soon as possible to request an adjustment to the project accrual cap the Council has established for FY03. Contact information for Mr. Fritsch appears in the answer to Question 3.

**36. If an invoice has been submitted to BPA, but BPA has not yet responded, do I include those amounts in my fiscal year-end accrual estimate?**

Check with your COTR to find out if the invoice has been entered in the BPA financial system. If the BPA financial system shows the invoice, the invoice amount should not be included in the accrual estimate. However, if the COTR determines that the invoice is not in the BPA financial system, the invoice amount should be included in the accrual estimate.

**37. How accurate do we have to be when estimating fiscal year-end accruals?**

Fiscal year-end accrual estimates must be as accurate as possible. If a contractor underestimates the year-end accrual, or fails to provide a year-end accrual, BPA will not reserve sufficient funds to cover invoices that arrive after the end of the fiscal year, and those invoices will be paid out of the next year's funds. For example, suppose a contractor estimates that \$5000 in costs from FY 03 will be invoiced after September 30, 2003. In December 2003, the contractor submits FY03 invoices totaling \$8000 to BPA. The extra \$3000 that BPA did not reserve from the previous FY will be applied to the contract's FY04 accrual cap. In effect, the contract must operate in FY04 with a \$3000 lower accrual cap than had the contractor correctly estimated the year-end accrual. If the contractor did not provide a fiscal year-end accrual estimate for FY03, the \$8000 in FY03 invoices will be applied to the contract's FY04 accrual cap, and the contract will have to operate with \$8000 less in FY04.

**38. What happens if I didn't submit a year-end accrual estimate, yet I had costs that crossed fiscal years?**

Currently we have to apply the payment of FY02 costs that are invoiced in FY03 against the FY03 accrual limit. BPA is working with the Council to determine if there is a way to provide relief to the entities who didn't submit a year-end accrual estimate at the end of FY02.

**TOPIC 5: CHANGES BEING CONSIDERED FOR FY 04 AND BEYOND**

**39. Can BPA make all projects start on Oct. 1 and end Sept. 30?**

The Fish and Wildlife Division has considered this option. Because there are approximately 600 contracts in place supporting the Fish and Wildlife program, the workload associated with modifying all contracts to coincide with the fiscal year would add an untenable burden to both contractors and BPA staff. However, while we do not plan to align all contracts with the fiscal year, we are evaluating other contract improvement options, including multi-year contracting tied to the Provincial Review process.

**40. When do you anticipate putting multiyear contracts in place?**

Contracts currently being renewed or awarded will be 12-month contracts. Use of multi-year contracts is one of the contract improvements we are evaluating. We will discuss our future plans for multi-year contracts when we have our next round of workshops in July 2003.

**41. I'm wondering if a fixed price contract would be appropriate for my project. How does a fixed price contract work, and how does a project qualify?**

A firm-fixed-price contract may be used for acquiring services that are reasonably well defined and for which the Contracting Officer can establish a fair and reasonable price at the outset.

A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. The contractor assumes 100% of the cost risk because the price is fixed. Payment is either made after contract deliverables are received and accepted, or based upon percentage of completion (progress payments).

This is one of the improvement initiatives that BPA will be evaluating over the next couple of months. BPA will develop a set of criteria that will be used to determine whether fixed price contracts are appropriate. Those criteria and how fixed price contracts will be used in the future will be discussed in the next round of BPA workshops in July 2003.