focus on energy[sm]

Partnering with Wisconsin utilities

2011
Policies and Procedures Manual

Last Revised: March 7, 2011

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Terms and Definitions

Reference will be made throughout this document to specific terms related to the Program, as defined below:

- **CONTRACT ADMINISTRATOR:** The SEERA is the legal entity (non-profit) formed by the energy utilities to fulfill their obligations under Act 141. The SEERA creates and funds statewide energy efficiency and renewable energy programs. The SEERA also contracts, on the basis of competitive bids, with one or more organizations to administer the programs. The SEERA has no obligations regarding the statewide programs, other than creating, funding, and contracting for the program and its administration.

- **COMPLIANCE AGENT:** The Contractor that performs compliance audits to ensure Program Contractors comply with the policies and procedures outlined in this manual as well as all contractual requirements.

- **CONTRACTORS:** Refers to organizations contracted directly with the SEERA or the PSC with the exception of the Program Administrator.

- **COOPERATIVE ELECTRIC UTILITY (COOP):** A cooperative electric utility is established to be owned by and operated for the benefit of those using its services.

- **ENERGY UTILITIES –** term used to describe Municipal Electric Utilities, Electric Cooperatives, and Investor Owned Utilities

- **EVALUATOR:** Independent third party contractor that is hired by the PSC to evaluate the performance of all programs administered by the Program Administrator. This includes verifying their reports of energy savings.

- **FISCAL AGENT:** Contractor that receives, distributes, and accounts for statewide energy efficiency and renewable resource programs under Act 141.

- **INITIATIVES –** Specific program offerings developed by the program administrator and the sectors to achieve energy savings. Initiatives change as needed to meet market demands and program goals.

- **INVESTOR-OWNED UTILITY (IOU):** A form of electric and (or) natural gas utility owned by a group of investors. Shares of IOUs are traded on public stock markets.

- **LOCAL UNITS OF GOVERNMENT –** Section 23.24(4)(a) states Local government unit" means a political subdivision of this state, a special purpose district in this state, an instrumentality or corporation of the political subdivision or special purpose district, or combination or subunit of any of the foregoing. This includes cities, villages, towns, counties, school districts, and technical college districts. This definition was published in the *2009-2010 Bill Drafting Manual* published by the Wisconsin Legislative Reference Bureau.

- **PROGRAM ADMINISTRATOR**: Contractor hired by the SEERA to administer the Focus on Energy Program.

- **MUNICIPAL ELECTRIC UTILITY (Muni):** A municipal electric utility is a power utility system owned and operated by a city or other local jurisdiction.

- **PROGRAMS:** Focus on Energy is split into three primary programs: Business, Residential, and Environmental and Economic Research and Development (EERD). The term portfolio is sometimes used to describe Business and Residential because the programs are meant to be managed like a portfolio of investments. These investments will provide short term energy savings while providing a probability of high long term energy and demand savings.

- **PROGRAM CONTRACTORS:** This term is used inclusively to describe the Program Administrator, Contractors, and Subcontractors.

- **RENEWABLE PORTFOLIO STANDARD (RPS):** Amount of an electric provider's electrical capacity that is supplied from renewable resources.

- **SECTORS:** Each program (portfolio) except EERD is divided into smaller subcomponents, called sectors. An example of a sector in the business portfolio would be the Industrial sector.

- **SUBCONTRACTORS:** Organizations hired by Contractors or the Program Administrator.

About This Document

The purpose of this document is to provide guidance and a consistent reference for those interacting with the Focus on Energy Program This manual provides the policies and procedures of the Program and should be used as the primary reference when developing any contracts. In the event that there is any inconsistency between this manual and the contract, the contract be followed.

This document is organized by topic, with each section providing details to answer anticipated questions of the Program Administrator, Fiscal Agent, Program Evaluator, Subcontractors, utilities, legislators, and other users.

If you are unable to find the information you need within this manual, please contact the following individuals at the PSC:

PSC CONTACT	TITLE	PHONE NUMBER	E-MAIL ADDRESS
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Updates to This Manual

This manual is intended to be an evolving document. Updates will be made occasionally as deemed necessary and will be distributed to existing manual holders. Suggestions for changes will be accepted and reviewed by the PSC via e-mail at any time throughout the program year. Program Contractors are encouraged to offer suggestions on content, format, vague policies, etc. These can be sent directly to Greg Laubmeier and cc Jolene Sheil. All requests should; clearly outline the section of the manual being discussed, the problem, and the recommended change (if applicable)

Introduction

Wisconsin policy regarding energy efficiency and energy from renewable resources has been substantially shaped by three acts. 1993 Wisconsin Act 414 (Act 414) created a priority list of energy sources and required the Public Service Commission (PSC) and other agencies to implement the priorities in making all energy-related decisions and orders. It also addressed the efficient use of energy in public and private buildings, small scale solar and wind energy generation, and related topics.

1999 Wisconsin Act 9 (Act 9) established programs to promote energy efficiency and renewable energy and to provide energy assistance to low-income households, both administered by the Wisconsin Department of Administration (DOA). It also created a Renewable Portfolio Standard (RPS), a requirement that electric utilities and retail electric cooperatives sell minimum amounts of renewable electricity, expressed as a percentage of the total electricity a utility or cooperative sells. The original RPS established by Act 9 would have reached its maximum at 2.2% in 2011.

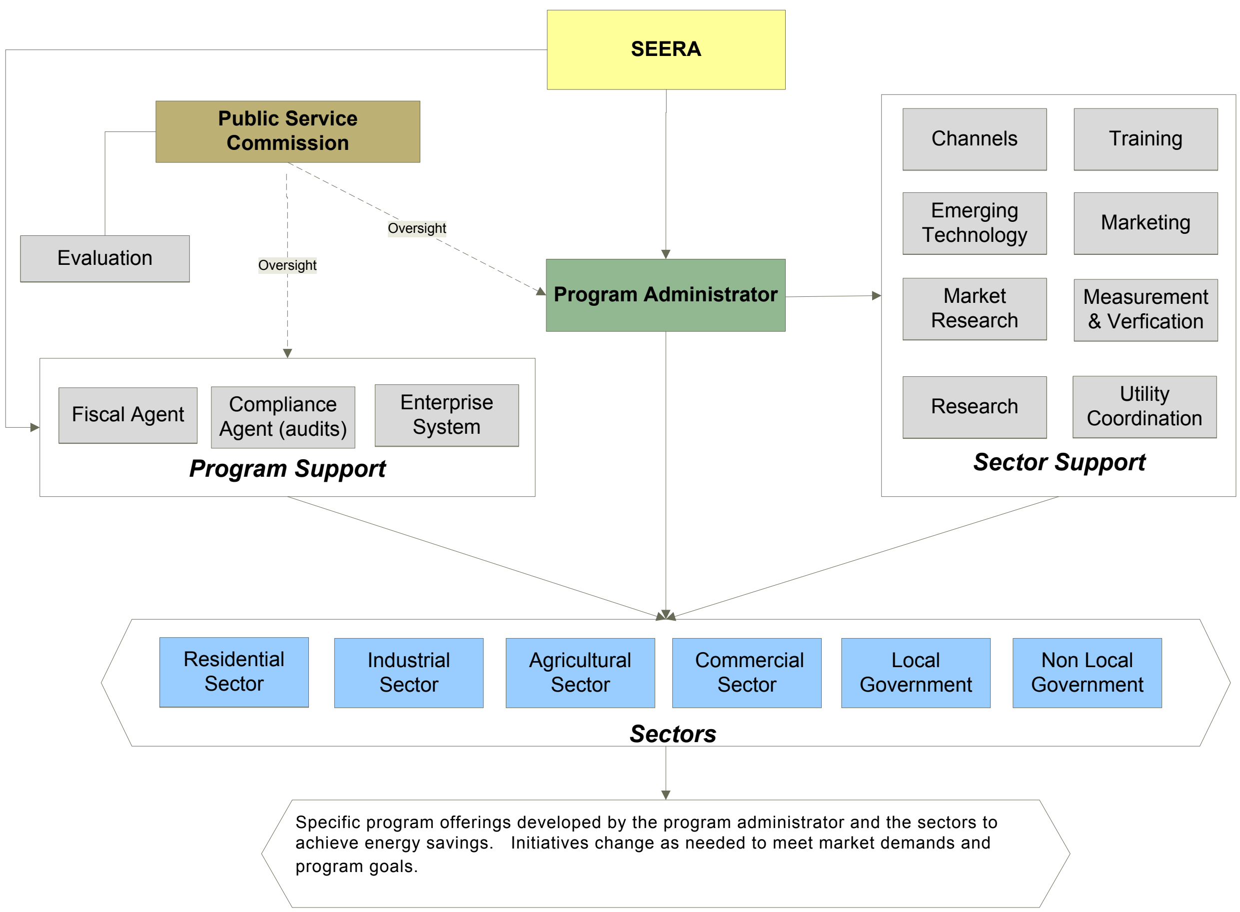
2005 Wisconsin Act 141 (Act 141) modifies and builds on the policies created by those acts, but does not establish distinctly new energy policies. This act:

- Replaces the DOA energy efficiency and renewable resource programs with programs that the utilities establish and fund. The utilities also contract with a Program Administrator to implement the programs.
- Establishes a new and more ambitious RPS, intended to result in 10% of state wide use of electricity being from renewable sources.
- Limits the application of Act 414's energy priority list in certain PSC proceedings.
- Creates new initiatives to promote the efficient use of energy in state facilities, intended to result in 20% of the state's own use of electricity being from renewable sources, and new requirements regarding energy codes for private buildings.

Focus on Energy works with eligible Wisconsin residents and businesses to install cost effective energy efficiency and renewable energy projects. Focus information, resources and financial incentives help to implement projects that otherwise would not get completed, or to complete projects sooner than scheduled. Its efforts help Wisconsin residents and businesses manage rising energy costs, promote in-state economic development, protect our environment and control the state's growing demand for electricity and natural gas.

Act 141 requires that the investor-owned electric and gas utilities must collectively establish and fund the statewide energy efficiency and renewable energy programs. To fulfill their obligations under Act 141, the energy utilities have formed a non-profit entity called the Statewide Energy Efficiency and Renewable Administration (SEERA).

Organizational Chart



Section 1 – Act 141

1.1 Purpose: The purpose of this section is to summarize the important points of Act 141, the driving force behind the Program.

1.2 Overview: Act 141 substantially revises the structure of the statewide energy efficiency and renewable resources programs administered by the DOA and utilities. The revised structure is based broadly on the structure of the programs that existed prior to Act 9 and so is sometimes referred to as the "pre-Act 9 model." The Act is divided into two major elements.

1.3 Major Elements of the Act include:

1.3.1 *Statewide Programs*

1.3.1.1 Requires IOU's (electric and gas) in this state to collectively create and fund statewide energy efficiency and renewable resource programs.

1.3.1.2 Requires IOU's to contract with one or more organizations to administer the programs.

1.3.1.3 Statewide programs must include components to address the energy needs of residential, commercial, agricultural, institutional, and industrial energy users and local units of government, and initiatives to address market barriers to the offering of goods and services relating to energy efficiency and renewable resources.

1.3.1.4 Earmarks 10% of all program funds for components to reduce energy costs incurred by local units of government and agricultural producers.

1.3.1.5 Creates initiatives for research and development regarding the environmental and economic impacts of energy use in this state.

1.3.1.6 Requires Muni's and Coops to participate in Focus on Energy or run their own energy efficiency programs. Programs run by Muni's and Coops are called Commitment to Community (CTC) Programs.

1.3.2 *Utility-Administered Programs*

1.3.2.1 It allows an energy utility, with PSC approval, to administer or fund an energy efficiency or renewable resource program that is in addition to the statewide programs. This is also referred to as a voluntary program.

1.3.3 *Large Customer Programs*:

1.3.3.1 Definition: A large energy customer is a customer of an energy utility that owns or operates a facility in the energy utility's service area that has a monthly energy demand of at least 1,000 kilowatts of electricity or 10,000 dekatherms of natural gas and, in any month, has been billed at least $60,000 for electricity, natural gas service, or both, for all the facilities of the customer within the energy utility's service territory.

1.3.3.2 Act 141 allows a large utility customer to implement and fund an energy efficiency or renewable resource project on its own facilities and, with PSC approval, deduct the cost of the project from the amount the customer is required to pay the utility for cost recovery.

1.3.4 *Administration of the Program including*:

1.3.4.1 Overall management by the PSC with advice from the SEERA per the Memorandum of Understanding (MOU).

1.3.4.2 The SEERA contracts with the Program Administrator and Contractors to implement energy efficiency and renewable programs.

1.3.5 *Funding for the Focus on Energy Program is provided by*:

1.3.5.1 All IOU's are required to spend 1.2% of their gross annual operating revenues to fund the statewide program.

1.3.5.2 Munis and Coops that elect to participate will contribute an average funding level of $8 per meter annually.

Section 2 - Responsibilities of the Public Service Commission

2.1 Purpose: The purpose of this section is to clearly define the role of the PSC in order to help the Program Contractors understand the division of authority among PSC staff and to reduce to a minimum any potential misunderstandings. This section also provides insight into how the policy and procedures that follow fit into the overall objectives of the Program. Additional responsibilities may be outlined in a Memorandum of Understanding (MOU) between the PSC and the SEERA.

2.2 Overview: PSC has overall responsibility for setting policy and providing guidance for the Program. The PSC's authority to manage energy efficiency and renewable resource programs is derived from provisions in Act 141 and Act 9.

The PSC shall be the primary contact for the Program Administrator and specified Contractors. The role of the PSC includes planning, administration, oversight and evaluation. The PSC is also responsible for facilitating cross program cooperation among the stakeholders, including Wisconsin Energy Utilities, the Program Administrator, Contractors, Subcontractors, and other entities involved in energy efficiency and renewable resource programs.

The PSC will review and approve any Program Administrator prior to being contracted with the SEERA, contract with an independent party for evaluation, and assure a financial audit of the statewide program.

2.3 Responsibilities Set Forth in Focus on Energy Program Contracts: Additional language in contracts for the Program and sound business practices dictates the PSC will:

2.3.1 Provide a timely response to the Program Contractors regarding deliverables and requests.

2.3.2 Facilitate access to technical resources within its jurisdiction.

2.3.3 Provide tracking and financial data requirements to the Program Contractors in a timely manner.

2.4 Overall Contract Management: The PSC is responsible for the overall management of the Program contracts. The PSC will be responsible for, at a minimum, all items listed in this section as well as other potential items not listed.

2.4.1 *Monitoring Program Scope*: The PSC will oversee all phases of the Program to determine that planned contract projects are completed and will accomplish the overall goals of the Program.

2.4.2 *Contract Policy Enforcement*: The PSC and the SEERA are responsible for ensuring that the Program Contractors follow all clauses of their contract and must be knowledgeable with all portions of the contracts they oversee.

2.4.2.1 The PSC and the SEERA must take a proactive approach to ensuring that the Program Administrator and Contractors follow their contracts.

2.4.2.2 The PSC and the SEERA will act as a facilitator in any dispute resolution which arises from conflicts in the contract.

2.4.3 *Coordinating Payments to the Program Contractors:* The PSC is responsible for reviewing payments to the Program Contractors made by the Fiscal Agent for accuracy and reasonableness.

2.5 Reviewing Contractor Performance: The PSC shall review the Program Contractors performance and will investigate any negative findings and develop corrective actions.

2.5.1 *Monthly Activity Reports*: The PSC is responsible for reviewing monthly activity reports that Program Contractors are required to submit. These status reports are directed at providing greater detail about the amounts invested by the Program in the period covering the current invoice.

2.5.2 *Coordinating Program Evaluation*: The PSC will act as a facilitator between the *Program Contractors* and the Program Evaluator.

2.5.3 *Providing Program Information to the SEERA*: The PSC may be called upon to summarize and report information regarding the Program to the SEERA at any time. The PSC must have current information available from the Program Contractors sufficient to handle these requests.

2.6 Compliance Audits: Each contract with the SEERA and the PSC contains an article subjecting the Program Contractors to be subject to a compliance audit. Furthermore, each contract existing between the Program Contractors must contain an article subjecting them to a compliance audit if they are selected by the PSC.

2.6.1 *Audit Selection*: PSC will solicit input from the Program Administrator and Compliance Agent regarding the selection of which Subcontractors will be audited. The SEERA and the Program Administrator will be audited every year.

2.6.2 *Audit Schedule*: The PSC will review and approve the audit schedule

2.6.3 *Audit Information Gathering*: The PSC will intervene directly with parties that are not supplying information in a timely manner or not cooperating with auditors. This may include suspension of payments.

2.6.4 *Audit Review:* The PSC will review audit findings and, responses and action plans. Additional follow up will be done as needed.

2.7 Financial:

2.7.1 *Muni/Coop Invoicing:* The PSC will provide the Fiscal Agent the list of Muni's and Coops that will send in funding to the Program.

2.7.2 *IOU Invoicing*: The PSC will determine the annual contribution from IOU's and direct the fiscal agent to invoice accordingly.

2.7.3 *General:* All financial decisions regarding investments, reports, banking, check writing, and financial processes must be approved by the PSC prior to being implemented.

Section 3 - Responsibilities of the SEERA

3.1 Purpose: The purpose of this section is to clearly define the role of the SEERA to aid Program Contractors in understanding the division of authority between the PSC and the SEERA in order to reduce to a minimum any potential misunderstandings.

3.2 Overview: The SEERA is responsible for establishing and funding the statewide energy efficiency and renewable resource programs. The SEERA is responsible for contracting, on the basis of competitive bids, with an organization to administer the Program. The SEERA has no obligations regarding the statewide programs other than establishing, funding, and contracting for the programs and there administration.

3.3 Responsibilities Regarding Focus on Energy Program Contracts:

3.3.1 Work cooperatively with PSC staff to develop contracts with the Program Administrator, Fiscal Agent, and the Compliance Agent. Forward signed copies of the contracts to the PSC promptly.

3.3.2 Submit contracts that have been agreed to between the SEERA and the Program Administrator to the PSC for approval.

3.3.3 Act as final arbitrator should disputes arise between Program Contractors and the PSC on invoices.

3.4 Responsibilities Regarding Program Administrator(s) Performance:

3.4.1 Keep apprised of program activities through regular review of performance reports as submitted by Program Administrator to the PSC.

3.4.2 Keep apprised of program results by reviewing evaluation reports submitted by the Focus on Energy Evaluator to the PSC.

3.4.3 Work cooperatively with PSC staff should concerns arise about an entity's ability to perform and other related contractual problems.

Section 4 - Accounting Requirements

4.1 Purpose: The purpose of this chapter is to list the minimum requirements for the accounting of data related to the Program.

4.2 Overview Program Contractors receiving Program funds are required to have an effective financial management system that provides accountability and control of all property, funds, and assets related to the Program. Program Contractors under this Program must be able to define a process for recording, reporting and interpreting the financial data of their organization. Additionally, the PSC has input into how this particular data needs to be organized and secured.

The Program Contractors must account for Program financial data in accordance with generally accepted accounting principles, contract requirements, applicable laws and procedures, and their own internal accounting procedures. The Program Contractors must maintain records that adequately identify the source and application of funds provided by the Program, and maintains effective control over these funds.

4.2.1 *General Requirements*: The Program Contractors must:

- Maintain effective control over and accountability for all contract funds, property, and other assets. All such assets shall be used solely for the contract-authorized purpose.
- Maintain procedures for determining reasonableness of costs and whether costs are allowable or non-allowable in accordance with the contract provisions and the requirements set forth in this manual.
- Maintain claims for reimbursement of costs incurred with the appropriate invoice format.
- Make available all records pertaining to activities under this contract to representatives or appointees of the PSC for review and/or audit.
- Conduct and document reconciliation of costs reported to the PSC for reimbursement on a monthly basis.
- Produce financial information related to performance or productivity data, including the development of unit cost information as required in the contract agreement.
- Accommodate additional requests from the PSC if the organization is not conforming to the policy and procedures described in this manual, has a history of unsatisfactory performance, or is not financially stable.
- Ensure organizations they are contracting with conform to the policies and procedures in this manual.

4.3 Accounting Requirements: A primary requirement for the financial management of any program is a good accounting system. A good system includes records that show all financial transactions related to the program. The system must document all receipt and disbursement transactions, and these transactions should be traceable to source documents. The system should also be in a format in which output is easily obtainable and readable.

4.3.1 *General Requirements*: The following are generally accepted standards for an adequate accounting system:

- Recording of transactions pertaining to the Program should be all inclusive, timely, verifiable, and supported by documentation.
- The system must disclose the receipt and use of all funds relating to the Program.
- The system must identify all Program costs and differentiate between eligible and ineligible costs.
- The system must have the capability of producing output that management needs for tracking short and long-term goals.
- The systems should be able to clearly separate Focus program expenses, income, etc. from its other lines of business/customers.

4.3.2 *Required Records*: The following is a brief description of the books and records considered as the minimum required for recording transactions. The Program Contractors may establish additional accounting records that are necessary to provide adequate financial control of Program assets and liabilities and to account for Program costs.

- Receipts for the recording of funds received for the Program. All program income should be easily identified in an audit as Focus income versus other forms of income received by the organization.
- A check register to record checks issued for the Program.
- A general ledger should be maintained to record all transactions.
- A Program cost control ledger, which may be an account, or a series of subaccounts within the general ledger to accumulated costs applicable to the Program.
- A general journal for transactions not involving the receipt or disbursement of cash.
- Payroll records should be maintained to accumulate the data required by federal, state or local law with respect to each employee.
- Property records should be maintained for capital assets including a description of the property, serial or model numbers, date of purchase, original cost and location.

4.3.3 *Source Documentation*: Every entry in accounting records should be supported by appropriate source documentation. Supporting documents should contain all information necessary to explain every transaction and should be cross-referenced as to allow one to trace any recorded transaction directly to the source or vice-versa.

Minimum documentation should include the below:

- Hours worked, rates, dates, and type of work for each individual who worked on the program.
- Documentation of all equipment, materials, supplies and travel expenses.
- Inventory records and documentation for equipment purchases including purchase price and date of purchase.
- Documentation and justification of methodology used in any in-kind contributions.
- Rationale supporting allocation of space charges.
- Rationale and documentation of any administration costs.

- Documentation of contract services and materials.

Examples of Source Documentation:

- Invoices for goods and/or services purchased.
- Detailed cost records for production of materials.
- Detail of costs associated with training workshops including a description of topics covered.
- Detailed allocation of operating costs attributable to the Program.

4.4 Internal Control Objectives: The objectives of the compliance requirements related to internal controls for this Program are to ensure that:

4.4.1 *Recording of Transactions:* Transactions are properly recorded, as evidenced by the following:

- Reliable reports
- Maintain accountability over assets
- Demonstrate compliance with laws, regulations, and other compliance requirements.

4.4.2 *Execution of Transactions*: Transactions are executed in compliance with:

- Laws, regulations, and contract provisions that could have a direct and material effect on this Program.
- Other regulations as identified in this manual.

4.4.3 Security Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

4.5 Components of Internal Control: There are five components of internal control that should reasonably assure compliance with laws, regulations, and Program compliance requirements. Management of Program Contractors should consider each of these characteristics when developing a system of maintaining data related to this Program. An assessment of control procedures can be completed at any time throughout the duration of the contract.

The five components of internal control are listed below, along with the important elements of each:

4.5.1 *Control Environment:*

- Code of conduct
- Committee for ensuring that regulatory, audit (internal and external) and other similar recommendations are addressed
- Responsiveness to recommendations
- Respect and adherence to compliance requirements

- Responsibilities clearly defined
- Adequate knowledge and experience to discharge responsibilities
- Staff receives adequate training/direction to perform duties
- Management's support of adequate information and reporting system

4.5.2 *Risk Assessment*:

- Staff understand compliance objectives
- Organizational structure identifies noncompliance
- Process established to implement changes in objectives and procedures

4.5.3 *Control Activities*:

- Procedures clearly written and communicated.
- Management prohibits overriding established controls.
- Adequate segregation of duties exist.
- Controls exist for computer programs and data.
- Assets physically compared to recorded amounts.
- Financial information and program results are reviewed.

4.5.4 *Information and Communication:*

- Separate identification of Program transactions exist.
- Adequate source documentation exists.
- Record retention requirements are followed.
- Reports provided timely to managers.
- Reports reviewed to ensure accuracy.
- Established communication channels.

4.5.5 *Monitoring*:

- Built in monitoring through independent reviews.
- Site visits performed.
- Follow up on irregularities.
- Management meets with independent evaluators.
- Routine tests for noncompliance.
- Assess adequacy of corrective action.

Section 5 - Cost Principles

5.1 **Purpose:** The purpose of this section is to provide Program Contractors with clearly defined rules regarding; expense tracking and budget submittal.

5.2 **General Income and Cost Classification:** There are three classifications used to define the flow of money into and out of the program fund. Costs within the program fall under two broad definitions; direct and indirect. Once costs are allocated to one of these definitions, they must be given consistent treatment throughout the duration of the Program.

5.2.1 *Direct Costs* - A direct cost (aka program cost) is any cost that relates specifically to the Program. For example, the salary of an employee who devotes all of his/her time to the performance of program objectives can be charged as a Program cost.

All direct cost purchases and activities funded by Program dollars are subject to full recovery by the Program.

5.2.2 *Indirect Cost* - An indirect cost, is any cost incurred which benefits common activities in the organization and therefore cannot be readily assigned to a specific direct or program cost. Examples of indirect costs may include rents, accounting staff, utilities, etc. Indirect costs must be assigned by some systematic allocation method and must be allocated to each program/line of business on a consistent and equitable basis. This will be reviewed during an audit.

5.2.3 *Program Income* – This includes all income that an organization receives due to Focus on Energy related activities or on behalf of Focus. This could be but is not limited to training fees, product subsidies, etc. Estimates of Program Income are to be a part of all budget submittals. Any program income brought in by Program Contractors is to be clearly identified on all invoices. All program income is to have a unique account coding/account in the organization receiving it, so it is easily identified in an audit as Focus Program income. Failure to report program income is considered program fraud. Financing initiatives are exempt from this provision and will follow the reporting requirements approved in their respective plan.

Program income may be handled in one of the below methods. The PSC will make the determination of which method is used.

5.2.3.1 Method 1: The PSC may allow an invoice offset process upon request. Under an invoice offset process, the program income is deducted from the invoice expenses that are submitted. All invoice offsets must be specifically tracked by the Program Administrator.

5.2.3.2 Method 2: Program Income is sent into the Fiscal agent every quarter. All funds must be held in an FDIC insured account until they are sent in. All interest received from program income belongs to the Focus program and must be turned in every quarter. Any income received under this method will be reallocated at the discretion of SEERA and the PSC.

5.3 **Line Items:** Below are the line items all Program Contractors will utilize upon execution of their next contract.

<u>NOTE: All Program Contractors with contract extensions from 2010 may continue to utilize existing line items/methods until the execution of a new contract. New contracts will also contain</u>

language requiring the use of electronic payments instead of paper checks for all contracts exceeding $5000 annually.

The below line items are based on those used by the federal government and will be used by all organizations contracting with the program. Budgets and invoices must utilize these line items. Additional cost breakouts by sector, initiative, or task may also be required and will be detailed in the respective contract.

- Labor - this includes compensation to staff in the form of wages and fringe benefits. This line should also include the organizations markup/profit. Companies will not be asked for a specific dollar breakout of what makes up their labor rate. However, they must disclose the types of costs included. An example would be a bonus. Any bonus structure should be disclosed to the appropriate contracting agency.
- Indirect Costs - any cost incurred which benefits common activities in the organization and therefore cannot be readily assigned to a specific direct or program cost. Examples of indirect costs may include rents, accounting staff, utilities, etc. Indirect costs must be assigned by some systematic allocation method and must be allocated to each program/line of business on a consistent and equitable basis. The methodology used will be reviewed during a program audit.
- Supplies - consumable items with short useful lives, equipment under $500.
- Travel –mileage, meals, hotel rooms, etc. See Pocket Travel Guide
- Marketing – costs for advertising, sponsorships, brochure printing, etc.
- Equipment and Other Capital Expenditures – any type of tangible equipment or item that is specifically purchased and used for the Focus on Energy Program work. Items that are $500 or greater will need to be tracked and inventoried (See reporting section). Focus on Energy retains the ownership rights to equipment at this price level if purchased solely with Focus on Energy funds. Any equipment purchased with Focus funding (regardless of the cost) cannot be used for any other program, customer, line of business, etc.
- Incentives - Expenditures that directly result in lower costs for the customer. These can be product buy downs, instant rebates, mail in rebates, etc. Alternative incentives such as spiffs (salesperson incentive) should be included here too, but listed as a sub line. e.g. customer incentives and spiff incentives.
- Subcontractors – individuals or organizations hired for program activities.
- Other Direct Costs - miscellaneous costs that do not fit into any other line item. Example: trade association memberships.

5.4 Expense Type: All Focus expenditures can be classified into one of the below types.

5.4.1 Oversight Administration: Costs incurred by the PSC and the SEERA

5.4.2 Program Administration: These are costs incurred by the Program Administrator for administration of the Focus Program areas: (Residential, Business, EERD). The primary duties involved in program administration are:

- Program development: (design, planning, monitoring activities including energy savings goals, targets, other metrics)

- Contract Management with the SEERA, PSC, Contractors, and Subcontractors
- Reporting on program activities as specified in the contract..
- Financial management activities: (i.e. income & expense tracking, invoicing, budget development and monitoring)
- Communication and Coordination between programs and with stakeholders, which includes:
  - Marketing coordination and oversight
  - Utility communication on program offerings and coordination on voluntary programs
  - State and Federal program entities (OEI, DOE, EPA etc.)
- Incentive Payment Management (form development, processing and quality control, customer services)
- Database management and quality control (related to WISeerts, WECC systems)

  All costs related to interaction with the Fiscal Agent, Auditor/Compliance Agent and Program Evaluator. Subcontractors hired solely to provide any of the above functions should be listed as Administration.

5.4.3 Program Delivery Costs: These are costs incurred by the Program Contractors for activities necessary to achieve program energy saving goals, market effects or other deliverables described. In general program implementation refers to interaction, either in person, by phone, or by email with customers, trade allies, utilities, and others who are on the receiving end of program activities. These costs also include education and training activities, assisting with research, outreach and information services (website, call center), and marketing labor costs, which are not always directly attributable to a specific goal, but assist in delivering the program nonetheless.

5.4.4 Incentives: Expenditures that directly result in lower costs for the customer. These can be product buy downs, instant rebates, mail in rebates, etc. Alternative incentives such as spiffs (salesperson incentive) should be included here too, but listed as a separate line. e.g. customer incentives and spiff incentives.

5.4.5 Marketing: These are for costs paid directly to marketing subcontractors, advertisers, sponsorships, brochure printing, etc. Only subcontractors hired solely for marketing should be listed here.

5.4.6 Program Support: Costs incurred by the Fiscal Agent

5.4.7 Program Compliance: Costs incurred by the Compliance Agent

5.4.7 Program Evaluation: Cost incurred by the Evaluation Contractor

5.4.8 Other: Used for costs incurred directly by the SEERA that do not fit into one of the previous mentioned categories

Section 6 – Allowable and Non Allowable Costs

6.1 Overview: The following principles are general guidelines to be applied in determining whether costs are allowable. Failure to mention a particular item of cost is not intended to imply that it is non-allowable; rather, determination of allowable costs for a specific case should be based on the treatment or principles provided here for similar items of cost.

The specific authority for direct costs allowed or prohibited under this Program are found in provisions of contract agreements and as otherwise determined by the PSC. This guidance does not dictate or limit the amounts which Program Contractors may spend. However, it does specify what direct costs may or may not be reimbursable from the PSC. Any expenses that the Program Contractors consider unusual should be discussed with the appropriate contracting agency prior to incurring the cost

6.1.1 *General Allowable Cost Principles:* The general principles determining whether direct costs are allowable under this Program include but are not limited to the following:

- Costs must be incurred subsequent to the date of a signed contract agreement, except as authorized in writing by the PSC. If a Program Administrator or Contractor is given a letter of authorization from the PSC, that entity can provide authorization to its subcontractors to commence work and incur costs. Subcontractor authorizations must be for the same time duration.
- Costs must be reasonable and necessary for the performance and administration of Program objectives.
- Costs must be given consistent treatment through application of generally accepted accounting principles appropriate to the circumstances.
- Costs must conform to any limitations or exclusions set forth by sound business practices, arms-length transactions, State or local laws, contract agreements, or other governing regulations as to types or amounts of cost items.
- Costs must be documented in accordance with the accounting requirements set forth in this manual.
- Costs must be auditable, i.e., supported by proper documentation (itemized receipt, invoice, etc.) Note exceptions in the Pocket Travel Guide (PTG) and in the following bullet. All direct expenses incurred that are less than $75 for materials, supplies, equipment or capital related items will not require a receipt.
- Costs cannot be duplicative.
- Total costs charged cannot exceed the authorized budget and cannot exceed actual expenses incurred.
- Costs may not be charged to the Program based on available contract amounts or amounts received to date. Extra or additional costs outside of the contract are the responsibility of the Program Contractors.

6.2 Specific Allowable Costs: Information on specific allowable costs is listed below:

6.2.1 *Audits*: Costs for an independent audit are allowable and are considered normal business operating expenses. However, independent audit costs must be assigned by some systematic allocation method and must be allocated to the Program on a consistent and equitable basis. Costs incurred related to compliance audits required by the PSC are allowable.

6.2.2 *Bid and Proposal Costs*: The costs incurred in preparing and reviewing bids or proposals to subcontract a portion of the Program are generally allowable if the Program Contractors follow the provisions established in this manual.

6.2.3 *Communication Costs:* Costs incurred for the following are allowable; Telephone services, including local and long distance telephone calls, faxes, and telegrams, postage, E-business, including internet service and web site maintenance. Communication costs (i.e., personal telephones, cellular phones, internet access, etc.) must be assigned based on some systematic allocation method between Program, non Program, and personal use.

6.2.4 *Educational Activities and Special Event Costs:* The term educational activities and special events costs means the costs of hosting or participating in training, workshops, seminars or other events related to the Program objectives. This includes all reasonable costs related to the event, provided the event's primary purpose is to meet Program objectives. The following are generally considered allowable costs:

- Costs of renting space to hold the event.
- Salaries for necessary staff who are actively working at the event.
- Costs of educational materials that accompany the event.
- Salaries and/or allowances for presenters at the event, provided that presenters are qualified in relation to the Program objectives.
- Costs to use equipment at the event, i.e., equipment used to assist presenters in disseminating information.
- Costs associated with marketing the activity or event.
- Co-sponsorship of an event with other organizations.
- Other costs reasonable and necessary for a successful event.

6.2.5 Equipment and Other Capital Costs*:*

For the purposes of this section, "equipment" means an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the capitalization level of $500. This section includes only direct purchases of equipment and not those items included as part of an entity's indirect charge rates.

Acquisition cost means the net invoice unit price of an item of equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in-transit insurance, freight, and installation shall be included when determining if the $500 threshold has been met.

Capital expenditures for equipment directly related to the Program are allowable as Program costs, provided that items with a unit cost of $5,000 or more in aggregate have prior approval from the PSC. All equipment items purchased with Program funds are property of the Program. In the event of a dissolution or withdrawal from the Program, all property purchased with Program funds will be retained by the Program.

Capital expenditures for land or buildings are non-allowable as a program cost except with prior written approval from the PSC.

Capital expenditures for improvements to land, buildings, or equipment that materially increase their value or useful life are non-allowable as a program cost except with the prior written approval of the PSC.

6.2.6 *Maintenance and Repair*: Costs incurred for necessary maintenance, repair, or upkeep of buildings and equipment which neither add to the permanent value of the property, nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements that add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures.

6.2.7 *Evaluation Costs*: Contracts under the Program include an allowance for costs incurred to aid the Evaluator in performing duties for the Program. Examples include:

- Development of ongoing evaluation plan
- Evaluation of energy-efficiency programming efforts
- Reporting-related requirements
- Coordination with selected advisory groups
- Costs incurred to collect data for evaluation

6.2.8 *Fringe Benefit Costs*:

- Regular Compensation: Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable, provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.
- Employer Contributions: Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, worker's compensation insurance, pension plan costs, and the like, are allowable, provided such benefits are granted in accordance with established written organization policies. Such benefits whether treated as administration costs or as program costs, shall be distributed to in a manner consistent with the pattern of benefits accruing to the individuals or group of employees whose salaries and wages are chargeable to such activities.
- Self-Insurance: Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. Provisions for self-insured liabilities which do not become payable for more

than one year after the provision is made shall not exceed the present value of the liability. Where an organization follows a consistent policy of expensing actual payments to, or on behalf of, employees or former employees for unemployment compensation or workers' compensation, such payments are allowable in the year of payment with the prior approval of the awarding agency, provided they are allocated to all activities of the organization.

6.2.9 *Lobbying*: Any activity specifically authorized by statute to be undertaken with funds from the grant, contract, or other agreement may be allowable with prior PSC approval.

6.2.10 *Marketing and Public Relations Costs*: The term marketing costs means the costs of full service marketing services, concepts and campaign strategy planning, media placement, print products development, electronic/multi-media production, business to business marketing, advertising media, etc. Advertising media includes magazines, newspapers, radio and television programs, direct mail, exhibits, and other similar items. The typical allowable marketing costs are:

- Costs of developing a marketing plan, timeline and budget and submitting progress reports to the PSC.
- Costs of coordination of all marketing activities, including scheduling events, media buys, style guide, etc.
- Costs of promotional materials for education and training events, providing that materials include the required notation identifying the Program.
- Costs for web site management.
- Costs of preparing and submitting detailed progress reports on marketing to the PSC.
- The procurement of goods and services for the performance of contract obligations.
- Developing a request for proposal for procuring contracts.
- Other specific purposes necessary to meet the requirements of the Program.

6.2.11 *Public Relations Costs:* The term public relations includes community relations and means those activities dedicated to maintaining or promoting understanding and favorable relations regarding particular Program elements with target audiences, the public at large or any segment of the public. Typical allowable public relations costs are:

- Costs specifically required by the contract.
- Costs of coordinating all public information releases through a marketing Contractor
- Costs of communicating with the public and press pertaining to specific activities or Program accomplishments.
- Costs of obtaining PSC approval for all press releases.
- Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of contract awards, financial matters, etc.
- Costs of obtaining PSC approval for and implementing a public image management strategy.

- Costs of preparing and submitting detailed progress reports on public relations to PSC.

6.2.12 *Materials and Supply Costs:* The costs of materials and supplies necessary to carry out contract objectives are allowable. Such costs should be charged at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received by the organization. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing consistently applied. Incoming transportation charges may be a proper part of material cost. Materials and supplies charged as a program cost should include only the materials and supplies actually used for the performance of the contract and due credit should be given for any excess materials or supplies retained, or returned to vendors.

6.2.13 *Memberships, Subscriptions, and Professional Activity Costs:* Expenses for membership dues, subscriptions and sponsorships of organizations and events to support activities that further and complement the work of the Program may be allowable.

- In general, membership dues, subscriptions and sponsorships should be held in the name of the Focus on Energy Program. However, the Program Contractors may propose a representative or point of contact. Any membership held by the PSC will be held for the benefit and use of all Program Contractors under the Program, regardless of which vendor the appointed representative is associated with.
- In some situations, Program Contractors may wish to maintain and fund their own business memberships, subscriptions or sponsorships. Program funds will not be available to fund such expenses.
- See Reporting Requirements for specific dollar limits and approval processes.

6.2.14 *Pension Plan Costs*: Costs of the organization's pension plan which are incurred in accordance with the established policies of the organization are allowable, provided:

- Such policies meet the test of reasonableness.
- The methods of cost allocation are not discriminatory.
- The cost assigned to each fiscal year is determined in accordance with generally accepted accounting principles (GAAP), as prescribed by the American Institute of Certified Public Accountants.
- The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are allowable.

6.2.15 *Related Party Transactions*: A related party transaction occurs when one party to a transaction can influence the management or financial operating policies of the other party or a transaction is not performed at arm’s length. Examples of related party transactions include transactions between:

- Affiliates or divisions of an organization.
- Principal owners of the organization.
- Management of an organization.
- Organizations under common control through officers or directors.

- Immediate family members of owners or management.
- Others parties that may prevent the other party from pursuing separate interests.

Related party transactions may be allowable if the parties act in a manner consistent with the public interest, which includes spending funds in a cost-effective manner. These types of transactions are allowable if:

- The cost meets criteria for allowable expenses outlined in this manual.
- The Program Administrator, Contractor or Subcontractor follows procurement and sub-contracting guidelines.
- Dollars exchanged are similar to the market rate for goods and services; and there is no intent to personally profit from the transaction.

6.2.16 *Salary and Wage Costs*: Except as otherwise specifically provided in this manual, the costs of compensation for salaries and wages are allowable to the extent that:

- Total compensation to individual employees is reasonable for the services rendered and conforms to the established policy of the organization and is consistently applied to both Program and non-program activities.
- Charges whether treated as program delivery or program administration costs are determined and supported with appropriate documentation.
- When the organization is predominantly engaged in activities other than those sponsored by the Program, compensation for employees on Program-sponsored work will be considered reasonable to the extent that it is consistent with compensation paid for similar work in the organization's other activities.

In cases where the kind of employees required for these activities are not found in the organization's other activities, compensation for employees in the Program will be considered reasonable to the extent that it is comparable to compensation paid for similar work in the labor markets in which the organization competes for the kind of employees involved.

Documentation:

- Charges for salaries and wages, whether treated as program delivery costs or administration costs, will be based on documented payrolls approved by a responsible official(s) of the organization.
- All salaries and wages charged to the Program shall be supported by timesheets indicating the number of hours worked by each employee, the number of hours related to the Program, the employee’s signature or appropriate electronic approval and proper documentation of approval from the employee’s supervisor or equivalent.
- In order to support the allocation of administration costs, payroll records must be maintained for employees whose work involves two or more functions or activities and the distribution of the compensation between such functions or activities is needed to determine the organization's administration cost rate(s) (e.g., an employee engaged part-time in administration cost activities and part-time in a direct function).

- Reports maintained by organizations to satisfy these requirements must meet the following standards:
  - > The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the Services are performed) do not qualify as support for charges.
  - > Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
  - > The reports must be approved by the individual employee, or by a responsible supervisory official having first-hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

6.2.17 *Trademark Costs:* Expenditures which are necessary to maintain the Focus on Energy trademark are allowable.

6.2.18 *Transportation Costs:* Transportation costs include freight, express, cartage, and postage charges relating either to goods purchased, in process, or delivered.

6.2.19 *Travel Costs:* Program Contractors are subject to reasonably follow the program's travel guidelines, as summarized in the Focus on Energy Pocket Travel Guide reproduced in Appendix A of this document. Reimbursement claims must represent actual, reasonable and necessary expenses incurred while conducting official business in conjunction with Program. Foreign travel requires prior written approval by the PSC.

6.3 Specific Non Allowable Costs: Information on specific non allowable costs is listed below. The following are general guidelines for expenses that will not be reimbursed by the PSC. Non-allowable expenses include but are not limited to the following:

6.3.1 *Alcoholic Beverages*: Costs of alcoholic beverages are non-allowable and must be credited from other indirect costs in computing the overall individual cost rates.

6.3.2 *Automobile Costs (Organization Furnished*): That portion of the cost of organization-furnished automobiles that relates to personal use by employees (including transportation to and from work) is non-allowable as fringe benefit or administration costs regardless of whether the cost is reported as taxable income to the employees.

6.3.3 *Bid and Proposal Costs:* Costs incurred by a bidder to prepare a proposal are non-allowable.

6.3.4 *Capital Expenditures:*

- Capital expenditures for land or buildings are non-allowable as a program cost except with prior written approval from the PSC.
- Capital expenditures for improvements to land, buildings, or equipment that materially increase their value or useful life are non-allowable as a program cost except with the prior written approval of the PSC.

6.3.5 *Entertainment:* Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are non-allowable.

6.3.6 *Educational Activities and Special Event Costs*

- Costs for an event that benefits a Program Administrator, Contractor or Subcontractor in activities unrelated to the Program are non-allowable.
- Costs to attract presenters strictly for entertainment purposes are non-allowable.

6.3.7 *Fines and Penalties*: Costs of fines and penalties resulting from violations of, or failure of the organization to comply with federal, state, and local laws and regulations are non-allowable except when incurred as a result of compliance with specific provisions of the contract or instructions in writing from the PSC.

6.3.8 *Goods or Services for Personal Use*: Costs of goods or services for personal use by the organization's employees are non-allowable.

6.3.9 *Labor Relations*: Costs incurred in maintaining satisfactory relations between the organization and its employees, including costs of labor management committees, employee publications, and other related activities are non-allowable.

6.3.10 *Lobbying:* The costs associated with the following activities are non-allowable.

- Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity.
- Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections.
- Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature (including efforts to influence State or local officials to engage in similar lobbying activity), or with any Government official or employee in connection with a decision to sign or veto enrolled legislation.
- Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation by preparing, distributing or using publicity or propaganda, or by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fundraising drive, lobbying campaign or letter writing or telephone campaign.
- Any attempt to influence: Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in non-allowable lobbying.

6.3.11 *Marketing, and Public Relations Costs*: The cost of advertising, marketing and public relations designed solely to promote the contracted organization are non-allowable under any circumstances.

6.3.12 Meal Costs – Meals purchased for clients, customers, business associates, etc. are non allowable costs. See Pocket Travel Guide for additional detail.

6.3.13 *Organization Costs*: Expenditures, such as incorporation fees, brokers fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the organization, in connection with establishment or reorganization of an organization, are non-allowable except with prior written approval of the PSC.

6.3.14 *Pension Plan Costs*: Increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assigned are non-allowable.

- Late payment charges on Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are non allowable.
- Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are non-allowable.

6.3.15 *Trademark Costs*: Expenditures in connection with obtaining a trademark are non-allowable. The exception is the Focus trademark.

6.3.16 *Travel Costs:* The reimbursed amount for mileage or other travel costs that employees receive must equal the exact amount charged to the Program. Organizations can not add an administration portion to the mileage reimbursement rates. See Pocket Travel Guide.

Section 7 – Procurement

7.1 **Purpose**: The purpose of this section is to aid Program Contractors in complying with the procurement policies relevant to procuring goods and services for the Program.

Note: The Focus program is funded by Wisconsin electric and natural gas ratepayers, and is not an agency of the State of Wisconsin. Accordingly, Focus RFPs and the Focus contracting process are not subject to State of Wisconsin or any governmental or public procurement statutes or regulations.

7.2 **Solicitation**: Program Contractors are required to solicit for proposals in a manner that provides for fair competition and gives reasonable notice of all solicitations. The notice will include the purpose, the selection criteria, application process, and all applicable solicitation deadlines. Note the guidelines under “Serial Purchasing” in following pages. Serial purchasing applies to all three procedures.

7.3 **Procedure for Procurements:** All opportunities to become a Focus contractor/subcontractor must appear (at a minimum) in an easily accessible location on the Focus on Energy website. The below describes the general process for the different purchasing tiers. Bidders will not be allowed to view other bidders proposals.

7.3.1 Bids >$25,000: Program Contractors as agents of the SEERA, are required to follow the guidelines for procurement as established in this manual for all Program contracts amounts $25,000 or higher. Competitive negotiation is used where an award cannot be made strictly on specifications or price and several firms are qualified to furnish the product or service. However, price is always a major consideration. All RFP’s will be posted (at a minimum) on the Program (Focus) website in an easily accessible and noticeable location.

Proposal Scoring

- Accepted proposals may be evaluated using a one or two tier process. Tier I will include review by an evaluation committee and will be scored against the stated evaluation criteria. A Proposer may not contact any member of the evaluation committee. The committee may review references, request interviews, and/or conduct on-site visits and use the results in scoring the proposals. The evaluation committee's scoring will be tabulated and proposals will be ranked based on the numerical scores received.

- The Tier II scoring process may be used, at the RFP issuers sole discretion, for the highest scoring vendors; that may include participating in an interview after proposals have been scored under Tier I by the evaluation committee.

Evaluation Criteria

Tier 1
- The following elements will be weighted as described in scoring a proposal for Tier I:
  - Overall Price
  - Qualifications and financial soundness of the Proposer based, among other things, upon Proposer's prior experience and Responsiveness to the RFP
  - Technical feasibility and quality of the proposed work plan
  - Other factors as deemed important by the RFP issuer.

Tier 2
- The following elements will be weighted as described in scoring a proposal for Tier II, if applicable:
  - Interview
  - Other elements as deemed important by the RFP issuer.

All quotes and bids will be submitted and filed with the Program Administrator. Bidders have the opportunity to appeal a selection. See the appeals process and criteria.

7.3.2 Bids $5000-$24,999: The PSC has approved the following simplified bid process; any variations to this process must be prior approved by the PSC. Use of a multiple simplified bid processes as a way to get around a formal bid process is considered serial purchasing, and is prohibited.

A simplified bid shall contain:

- A minimum of three (3) bids/price quotes.
- Specific details on what is being bid upon.
- All bidders receiving the same information.
- Bids that are in written or e-mail form.

All quotes and bids will be submitted and filed with the Program Administrator. There is no opportunity for appeal by potential bidders.

7.3.3 Procurements under $ 4,999: The Program Contractors can proceed with whatever procurement process best suits their needs. There is no opportunity for appeal by potential bidders.

7.4. Contractor and Subcontractor Selection: The Program Administrator shall solicit, select, hire and oversee Subcontractors. Records will be kept documenting the bid process (i.e. bidders, price quotes, other pertinent information, and evaluation criteria results for selecting the chosen firm). The Program Administrator or Contractor shall notify the Commission of any change in a Subcontractor status or of any key individual staffing changes being made either by the Program Administrator, Contractor, or Subcontractor.

7.5 Subcontract Terms and Conditions

7.5.1 The PSC must approve the terms and conditions of the subcontract agreement to be used between Program Contractors. The Program Administrator or Contractor must execute an approved subcontract agreement or the award will be withdrawn.

7.5.2 The subcontract agreement will include the following minimum terms and conditions:

- Quantifiable goals and/or performance measures.
- A requirement to cooperate with independent evaluators, financial auditors and the Compliance Agent. This includes prompt responses to questions and requests for information. Failure to do so may result in payments being suspended.
- The Subcontractor must follow all policy and procedures as set forth in the Policies and Procedures Manual.
- Contract should be assumable by the SEERA or an organization appointed by the SEERA in the event the issuer is no longer part of program or their role has changed.
- Labor rates are considered confidential. Contracting agencies will not disclose the billing rates of their subcontractors without a business purpose for doing so.

7.5.3 The subcontract agreement shall specify payment according to the standard line items listed in this manual (see exceptions in the line item description section). There can be no duplicative costs.

7.5.4 If a contract or subcontract will not be extended or renewed, the Program Contractor shall provide a full accounting of all items purchased and allow an inventory by a SEERA representative for full recovery by the Program.

The SEERA has full recovery rights to all direct cost purchases by Program Contractors. The direct cost purchases shall be transferred to the contracting agency’s custody within 45 days of the contract terminating.

If the SEERA chooses not to recover residual inventory, such as unused supplies or other expendable property, the Program Contractor may retain or sell the unused product, upon direction of the SEERA, and shall compensate the SEERA for its share. The amount of compensation shall be computed in the same manner as the inventory was purchased based on current market value.

7.6 Waiver of Bidding Process: The PSC may provide for a waiver of bidding when certain circumstances exist which preclude bidding. Although PSC has the ultimate decision in this process, all requests should be made through the Program Administrator, who will coordinate the request with the PSC.

7.6.1 *Inspection*: Program Contractors will maintain records for all waivers and exceptions per the records retention policy

7.7 Serial Contracting (aka Serial Purchasing):

7.7.1 *Definition*: "Serial contracting" is the practice of issuing a series of purchase orders in a 90-day period, to the same vendor for the same commodity or service. By writing several smaller orders, the Program Contractor avoids the procurement policy and process. Avoiding the policy indicates the Program may not be receiving the best value and/or is being defrauded by that Program Contractor.

An inappropriate process could include: A) independent contracts with a number of persons, instead of one contract with the company that employs them, B) contracting with a service provider without documenting the uniqueness of that product or service, C) breaking a project down into components or phases versus one project.

7.7.2 *Prohibited*: Serial contracting is prohibited.

7.8 Non-Collusion Statement: Where more than one bid is solicited, each bid solicitation package must contain the following non-collusion statement:

"In signing this bid, you also certify that you have not, either directly or indirectly, entered into any agreement or participated in any collusion or otherwise taken any action in restraint of free competition; that no attempt has been made to induce any other person or firm to submit or not to submit a bid; that this bid has been independently arrived at without collusion with any other bidder, competitor or potential competitor; that this bid has not been knowingly disclosed prior to the opening of bids to any other bidder or competitor; that the above statement is accurate under penalty of perjury

7.9 Unlawful Benefits to Contractors: Program Contractors are prohibited from accepting anything of value from Subcontractors.

7.9.1 *Definition*: "Anything of value" means any money or property, favor, service, payment, advance, forbearance, loan, or promise of future employment, but does not include compensation and expenses paid by the PSC, fees, honorariums, political contributions, or hospitality extended for a purpose unrelated to Program business by a person other than an organization.

7.9.2 No Personal Gain: No Program Contractors may use his or her position or office to obtain financial gain or anything of substantial value for the private benefit of himself or herself or his or her immediate family, or for an organization with which he or she is associated.

7.10 Award Notification: The winning bidder will be notified first. They will have 3 business days to indicate that they want to move forward with the work detailed in the RFP. Upon acceptance, other bidders will be notified of the outcome.

7.11 Appeals: Any organization involved in the procurement process may submit an appeal to the organization that the released the RFP

1.11.1 Criteria for an Appeal:

- There is clear evidence of a procedural irregularity in the RFP process or
- There is clear evidence supporting a lack of competitiveness that affected the integrity of the RFP process.

All other requests to appeal will be rejected

1.11.2 Procedure for an Appeal

- Proposers may appeal an award decision by sending a written (email) appeal within five business days of receipt of notification of the intent to award decision. The appeal must: 1) specify the basis of the appeal and provide all evidence to support such basis; include the signer's name; include a mailing address; include a daytime telephone number; and be submitted to the issuer of the RFP.
- An Appeals Committee will initially review the appeal to determine if it qualifies and it provides sufficient specific facts to support the appeal.
- If the request for an appeal review is denied because it did not meet one of the steps of the appeal stated above, the Proposer will have one additional opportunity to file an amended request within five days of receipt of the notice of denial. If the amended request is denied, the Proposer will have no further administrative recourse.
- If the appeal is accepted, it will be reviewed by an Appeals Committee, comprised of persons who were not directly associated with the evaluation of the proposals.
- Following review and investigation, the Appeals Committee will submit its recommendations to the Focus Director of Energy Programs for final review and approval. Within 10 business days from receipt of the appeal, the Appeals Committee will issue a final written decision, with notification to the PSC. Following the final decision of the Appeal Committee, there will be no additional consideration of the subject appeal.
- A Proposer that fails to file an appeal within the time limits established above will be deemed to have waived its right to be heard by the Appeals Committee.

Section 8 - Invoices and Check Writing

8.1 Purpose: The intent of this section is to supply Program Contractors with the information they need to obtain payment for services provided.

8.2 Overview: In order to receive payment for services provided, Program Contractors must adhere to specific requirements for submission of invoices related to contact information, invoice format, and timing. The Program utilizes two check runs per month in order to minimize the time it takes customers to receive their incentive.

- The Program Administrator may request hand delivery of incentive checks in excess of $25,000 by notifying the Fiscal Agent and the PSC prior to the check run. A small number of staff will be preauthorized for check pickup. Any staff picking up a check must sign a log at the Fiscal Agent. Due to holidays and weekends, the Program Administrator will develop a schedule at the start of every program year to determine submittal deadlines and check payment dates for the year. The schedule will be a collaborative effort between the Program Administrator, Contractors, and the Fiscal Agent. The schedule must be reviewed and approved by the PSC prior to being implemented.
- All payments to Program Contractors must come from the Fiscal Agent regardless if the contract is with the Program Administrator or a Contractor of the Program Administrator. No payments may be made directly by the Program Contractors without approval from the PSC. All requests should be made in advance and include justification why the standard process will not work.

8.3 **10th Check Run:** This check run pays incentives only. Contractors submitting invoices directly to the PSC may also be paid on this check run at the PSC's discretion. The incentives currently are posted on ftp sites hosted by the PSC and the Program Administrator. WECC maintains the residential database. The PSC maintains the business database (WISeerts).

8.4 **28th Check Run:** This check run pays the incentives and Program Contractors

8.4.1 The Program Administrator and Contractors (contracting with the SEERA or the PSC) are required to submit month end invoices to the PSC for approval by the 21st of the following month.

8.4.2 Contractors and Subcontractors are required to submit month end invoices for the period in which the work performed is being invoiced or as determined by their contract. Example: The Program Administrator's invoice for April should contain the cost of work done by the Program Administrator, their Contractors, and their Subcontractors for that April. April expenses would then be paid on the May 28 Check Run.

8.4.3 Budgets will be updated during this process. All budget shifts will be indicated on the invoice. The Program Administrator may move Program funds within the budget categories of the Business and Residential Portfolios. Funding shifts of amounts greater than $100,000 per adjustment require prior written approval from the PSC.

8.4.4 The PSC shall have 5 days after receipt to review the invoice. The PSC will either approve the invoice for payment or inform the Program Contractors in writing of any disputed amount and the basis for such dispute. Any undisputed amounts shall be approved for payment by the PSC. All payment approvals will be sent by e-mail from the PSC to the Fiscal Agent.

8.4.5 The Fiscal agent will have 2 business days to process the checks. Ideally checks will be sent out on the 28th of the month received. Due to the holiday and weekend schedules, this date may vary slightly.

8.4.6 All invoices must be received by the deadline for the last check run of that program year. Invoices received after this date will be paid at the sole discretion of the PSC. Request for these types of payments must be made in writing to the Program Administrator who will forward the request to the PSC.

8.5 Invoice Disputes: If an invoice is disputed by the PSC, the Program Administrator, Contractor, or Subcontractor shall answer the PSC's concerns in writing within 5 business days of the receipt of written notice from the PSC. If the parties cannot resolve the dispute within 10 business days after receipt of the reply, both parties shall attempt to resolve the dispute in a written request to the SEERA. If the SEERA and the Program Administrator, Contractor, or Subcontractor cannot resolve the dispute within 10 business days after receipt of the written request, each party may pursue its available judicial or other remedies.

8.6 Invoice Requirements:

8.6.1 The PSC shall be responsible for maintaining the appropriate invoice templates for the Program Administrator and Contractors contracting directly with the SEERA or the PSC.

8.6.2 No modifications to the invoice templates may be made without prior written consent from the PSC.

8.6.3 The Program Administrator and Contractors are required to inform the PSC immediately of any problems with the invoice template.

8.6.4 Contractor and Subcontractor Invoice Requirements*:*

8.6.4.1 Contractors and Program Administrator are required to have their Subcontractors to use a standard invoice template for their invoice submittal. At a minimum, all invoices will contain billing rates (labor/fringe), hours worked by individual, the program/sector worked on, travel expenses, and any subcontractors. Program Administrator(s) and Contractors are responsible for maintaining appropriate invoice templates for all their respective Subcontractors.

8.6.4.2 The contracting agency is responsible to determine the reasonableness of submitted expenses given the program objectives and the contractors/subcontractors role in the program.

8.6.4.3 A submittal of travel receipts is not required with the monthly invoice. However, receipts should be kept on file at the agency being reimbursed. This will be reviewed in a compliance audit.

8.6.4.4 The contracting agency can do random checks on subcontractors and request the receipts of the submitted expenses for any given month.

8.7 Check Writing: All checks issued to the Program Contractors, and Customers will be from the Fiscal Agent unless the PSC approves an alternative plan. If approval for an alternate delivery method is given, all non fiscal agent issued customer checks must prominently mention Focus on Energy. It is preferable to have the actual logo present. It should be readily apparent to any customer that the incentive they are receiving is coming from the Focus on Energy Program.

Section 9 - Reporting:

9.1 Performance Reports: Program Contractors are required to submit performance reports as determined by their respective contract. The format and content will be determined by the appropriate contracting agency (PSC and /or Program Administrator). The PSC reserves the right to require additional reporting as needed.

9.2 Expense Reports: The Fiscal Agent will supply a program expense report to the Program Administrator(s) within six business days of the 28th check run. The Program Administrator is responsible for notifying the PSC/Fiscal Agent of any discrepancies and assisting in their resolution. These reports may be distributed to sector staff as appropriate. Program Contractors should utilize the Fiscal Agent's reports for all reporting, planning, carryover estimating, etc. The information and reports generated by the Fiscal Agent are considered the official record and will be used for all yearend results and evaluations. Due to timing issues, the Program Administrator may utilize internal reports as needed.

9.3 Equipment List: Any direct equipment purchases greater than $500 shall be tracked by the Program Administrator, Contractors and Subcontractors using the approved template.

The template must be distributed to Program Contractors as part of any executed contract and must be maintained in perpetuity until the dissolution of all program contracts. The template will be used to track all equipment items with an original purchase price greater than $500 that will need to be returned to the Program upon dissolution or withdrawal from the Program in addition to tracking all equipment items greater than $2,500 that will need to be capitalized and recorded in the SEERA's annual financial reports.

Please note, this template will be reviewed by the Compliance Agent during each compliance audit.

Each Subcontractor must submit their updated equipment tracking template monthly. The Program Administrator shall bear the responsibility of incorporating its Subcontractors' information into the equipment list (master). The equipment list will be sent to the PSC semi annually. The template is not to be modified without permission from the PSC.

9.4 Additional Reporting Requirements: In addition to invoices, financial, and performance reports; other special reports may be required in the provisions of the contract agreements. The PSC retains the right to request reports that may help in administering the Program at any time throughout the contract. The following additional reports are currently required by the PSC:

9.3.1 Work Scope Revisions– Any changes to the scope of work for the program must be submitted to the PSC and the Program Administrator/ Contractors for approval.

9.3.2 Market Research Plans: Annual market research plans are required by contract agreements. These plans will contain descriptions and timelines for all market research planned for the current contract period. This allows for coordination and lessens the chance of redundancy.

9.4.3 Membership, Sponsorships, Subscriptions – A master list of all items will be maintained that contains the:

- Name of membership, sponsorship, and subscription
- Focus member accountable for the membership, sponsorship, and subscription
- Justification
- Annual Cost

At the start of every program year, the Program Administrator will provide a master list that will include all recurring items above and below $1000 (annual costs). This will help to ensure no overlap or unnecessary duplication occurs. The list will be submitted by the Program Administrator(s) to the PSC within 30 days of the contract signing and annually after that. After the initial list is submitted, only items over $1000 will need to be reviewed by the PSC for approval.

9.4.4 Other: Program Contractors may be required by contract agreements to submit research and development plans, data collection plans, white papers, and other reports.

Section 10 – Service Standards

10.1 Purpose: The purpose of this section is to provide Program Contractors with the expectations regarding service to customers and interactions within the program

10.2 Standards for Customer Service

Program Contractors will strive to:

- continually improve the program.
- provide exceptional service.
- deliver unbiased and accurate information.
- develop thoughtful and appropriate solutions to customer energy needs.
- welcome/invite customer feedback on program improvement.
- deliver incentives to the customer within the time frame stated.
- effectively coordinate with other program organizations.

10.3 Standards for Program Administrator, Contractors, and Subcontractors.

10.3.1 General Guidelines

Program Contractors will:

- be prompt, courteous and professional.
- always try to exceed expectations.
- keep our commitments.
- be clear and upfront about any potential conflicts of interest.
- aim for win-win situations.
- encourage feedback on how to improve our service.

10.3.2 Phone Calls

Program Contractors will provide prompt, courteous and professional service.

- When a message is left, staff will respond within 2 business days.

- If unable to respond fully within 2 business days, staff will provide an estimate of time based on the complexity of the inquiry.

10.3.3. Written Communication

Program Contractors will respond to your correspondence within 10 business days. If unable to fully respond within 10 business days, staff will provide an estimate of time based on the complexity of the inquiry.

10.3.4 E-mail

Program Contractors will acknowledge an e-mail within 2 business days. If unable to fully respond within 2 business days, staff will provide an estimate of time based on the complexity of the inquiry.

10.3.5 Customer Incentives

Customers will receive their incentive checks as specified in the literature and by their adviser. The goal is for the customer to have the check in hand within 8-10 weeks of from when the application is correctly submitted or signed off by the customer. Any delays beyond this timeframe will be communicated to the relevant Contractor, Subcontractor, and PSC staff. Advisors will notify customers of incentive processing timelines consistent with current policy/procedure/forms/literature.

Section 11 – Customer Confidentiality

11.1 Purpose: The purpose of this section is to provide Program Contractors guidelines for how to treat the confidentiality of customer information. Requests for information beyond that already approved, either per the terms below or through prior written consent from PSC staff, should be sent to the PSC. All customer information is considered confidential unless otherwise noted.

11.1.1 Business and Residential Customers:

- Program Contractors may request information from a utility for a specific customer if they obtain a signed release from that customer. This information is often needed to determine before and after measure implementation energy usage. The specific information that can be released is listed below for business and residential customers.

- Program Contractors may provide customer information/energy savings to a utility for that utility's customer only. Energy savings information is restricted to the energy type that the specific utility provides. Ex. A natural gas provider (not electric) can only request therm related info, not electric usage. In the event that a measure saves both electricity and natural gas (or neither fuel, such as a blower door test or water heater venting repairs), the data may be included in reports to both the electric and natural gas providers serving the customer.

- Any request from a utility to see other utilities' customer information should be forwarded to the Commission. No information should be sent without authorization from the Commission. The only exception to this information sharing process is when Business Programs customers indicate they do not wish their information to be shared with utilities by checking the appropriate box on the Utility Data Request form. All release forms must allow for this option.

- The Program Administrator may request energy usage information from utilities for a larger population of customers, without obtaining signed release forms for each customer. This information may not include specific energy usage for each customer, but may group these customers into usage ranges to support activities including portfolio and program planning, program pilots and target marketing. The Commission must be notified and approve any request prior to it being made. See the PSC's Electronic Regulatory Filing (ERF) system to view the complete order. Docket 9501-GF-101, http://psc.wi.gov

- The Program Administrator may provide high level summary information to each utility that shows a % of contributions to the total Focus budget and % of total incentive paid that went to their customers. For example, Utility A contributed 2% of the total Focus budget during July-December 2009 and during that same time, Utility A customers received 3.5% of the total incentives paid by Focus. This information is not allowed to be shared with other utilities unless authorized by the PSC.

11.1.2 Business Customers Only:

- If Program Contractors provide information to utilities; the information is limited to: customer name, address, city, state, zip, program, measure, measure quantity, therm savings, kwh savings, kw savings, incentive amount, fuel type saved, measure type, energy advisor, measure status, and status date. This information sharing is allowed due to the large impacts these customers can have on a utilities load and demand. The names and address are also already considered public information.

- The Program Administrator may release energy calculations for a specific project to a utility only after that project has been completed and a new release signed by the customer. The new release should be specifically for the energy calculations data.

All utility information requests should be forwarded to the Program Administrator. The Program Administrator should notify the appropriate Contractor or Subcontractor via e-mail whenever a request like this is received and responded too.

- Customers may request copies of and share their projects' energy calculations with utilities at any time.

11.1.3 Residential Customers Only:

- If Program Contractors provide information to utilities; the information is limited to: program, measure, measure quantity, therm savings, kwh savings, kw savings, incentive amount, fuel type saved, measure type, measure status and status date. The information is provided in aggregate for all residential customers of the utility. Specific customer information, such as name or address, cannot be released. Any request from a utility to see specific customer detail is sent to the Commission. The Commission will make a decision on a case by case basis.

Section 12 - Program Ethics

11.1 Purpose: The purpose of this section is to provide an overview of the ethics policies that must be followed by all Program Contractors.

11.2 Overview: Program Contractors in the Program are expected to act in the highest ethical manner possible.

11.3 General Rules: As a general guideline, Program Administrator, Contractors and Subcontractors and their employees are prohibited from using their position as agents of the Program to:

- Accept or retain any transportation, lodging, meals, food or beverages.
- Solicit or accept rewards (directly or indirectly) if the reward could reasonably be expected to influence or reward action or inaction by the Program Contractors.
- Offering a local public official anything of value if it could be expected to influence the official's action or judgment.
- Using the Program contract for private benefit.
- Accepting any discount on admission (including skyboxes) at a stadium exempt from general property taxes.
- Taking action on a matter in which it is privately interested.
- Using confidential information in a way that could result in the acceptance of anything of value.

11.4 Issue Resolution: Program Contractors are required to seek advice regarding any questionable ethical issues. All inquiries should be solicited directly to the PSC who will then be responsible for responding in a timely manner.

Section 13 - Records Management and Retention

12.1 Purpose: This section discusses the requirements for retaining records pertinent to the Program contract, including unlimited access to documents, type and acceptable format of required records, and a retention period.

12.2 Overview: In order to protect the legal and financial interests of the Program participants, Program Contractors shall retain full and complete records concerning Program operations. Just keeping records, however, is not enough. Records must be created, organized, and disposed of systematically and efficiently, or they become a burden to the Program Contractors.

12.3 Access to Records: All data and records kept for the Program are the property of the Program. Records shall be so arranged, filed, and indexed that they may be readily identified and made available to representatives of the PSC.

12.3.1 The PSC or its designee shall have access at any time and the right to examine, audit, excerpt, transcribe and copy on the Program Contractors premises any directly pertinent records and computer files involving transactions relating to the contract. Similarly, the PSC shall have access at any time to examine, audit, test and analyze any and all physical programs subject to the contract.

12.3.2 If the material is held in an automated format, the Program Contractors shall provide copies of these materials in the automated format or such computer file as may be requested by the PSC.

12.4 **Open Records Law**: All requests for records under the Wisconsin open records law are to be submitted to:

Carol Stemrich
Assistant Administrator, Gas and Energy Division
Public Service Commission
P.O. Box 7854
610 N. Whitney Way
Madison, WI 53707-7854
Office: 608.266.8174

12.5 **Required Records:**

12.5.1. The minimum acceptable financial records for the Program consist of:

- Documentation of employee time;
- Documentation of all equipment, materials, supplies and travel expenses;
- Inventory records and supporting documentation for allowable equipment purchased to carry out the Program scope;
- Documentation and justification of methodology used in any in-kind contributions;
- Rationale supporting allocation of space charges;
- Rationale and documentation of any administration costs;
- Documentation of contract services and materials;
- Documentation of competitive procurement practices for products and services purchased as a result of the award; and
- Any other records which support charges to Program funds.

12.5.2. *Services Performed by Subcontractors*: The Program Contractors shall assure the availability of records of services performed by Subcontractors for the periods indicated herein, in a manner similar to its own financial records.

12.5.3. *Legal Records*: Program Contractors must also retain records relating to appeals, disputes or litigation arising out of the performance of the Program.

12.6 **Format of Records:** For the purpose of these regulations, the records constituting the information associated with the Program may be retained in readable hard copy form or any of the generally accepted electronic, magnetic, micrographic or optical forms.

12.6.1 *Segregation*: Program Contractors must maintain sufficient segregation of Program-related account records from other projects or programs.

12.6.2 *Electronic Information*: If the form of the record retained is other than a readable hard copy, then the equipment, index, and procedure or program necessary to locate and display or print the record in readable form shall be provided by Program Contractors for reference.

Electronic information must be stored in a format that can be retrieved using current technology. For example, information kept on a floppy disk drive may or may not be retrievable in the future.

12.7 Protection and Storage of Records:

12.7.1 *Record Environment*: Program Contractors shall provide reasonable protection for program and financial information from damage by fires, floods, and other hazards and, in the selection of storage spaces, safeguard the records from unnecessary exposure to deterioration from excessive humidity, dryness, or lack of proper ventilation.

12.7.2 *Non Paper Records*: Records maintained in electronic, magnetic, micrographic, optical and other similar methods should be stored in a controlled environment with temperature and humidity ranges within reasonable guidelines.

12.7.3 *Backup*: Program Contractors shall be diligent in the backup procedures used to maintain financial information. Backups should be rotated regularly and kept in a secure, climate controlled facility.

12.8 Retention of Records

12.8.1 *Financial Records*: Program Contractors shall retain financial records related to the Program for five years following final payment on the contract.

12.8.2 *Legal Records*: Legal records shall be retained by the Program Contractors until all litigation, claims or audit finding involving the records have been resolved, or for a period of five years from the date of final payment on the contract, whichever is later.

12.9 Destruction of Records: When the retention period has expired, the destruction of the records may be performed in any manner elected by the Program Contractors. Appropriate precautions should be taken, however, when destroying information that is forbidden by law to be divulged to unauthorized persons.

12.9.1 *Premature Destruction or Loss of Records*: When records are destroyed or lost before the expiration of the prescribed period of retention, a certified written statement shall be filed with the PSC within 90 days of discovery of such destruction or loss. The statement shall include a list of the records destroyed or lost, as near as can be determined, and a report describing the circumstances related to the premature destruction or loss.

Section 14 - Compliance Audits

13.1 Purpose: The purpose of this section is to provide a description of what Program Contractors can expect during compliance audits, and what they can do to assist with them.

13.2 Overview: As outlined in each contract, the PSC has the right to perform compliance audits on Program Contractors and to select which Program Contractors are to be audited. The PSC will provide a list to the Compliance agent listing the organizations to be audited.

13.2.1 *Audit Time and Location:* The compliance audits are to be completed by the Compliance Agent and are expected to take several days. For the Program Contractors, the audit will be performed on-site. In some instances, the Program Contractors may accompany the Compliance Agent for all or a portion of the time the audit is taking place. This is at the discretion of the PSC and the Compliance Agent. For some Program Contractors located outside of the State of Wisconsin, the audit may be conducted by mail, with written documentation for the Subcontractor to complete and return.

13.2.2 *Records*: Program Contractors are required to maintain all records pertaining to the Program for five years after the final payment on the relevant contract. The minimum acceptable financial records for the program consist of:

- Documentation of employee time.
- Documentation of all equipment, materials, supplies and travel expenses.
- Inventory records and supporting documentation for allowable equipment purchased to carry out the Program scope.
- Documentation and justification of methodology used in any in-kind contributions.
- Rationale supporting allocation of space charges.
- Rationale and documentation of any administration costs.
- Documentation of contract services and materials.
- Any other records which support charges to Program funds.
- Program Contractors must maintain sufficient segregation of Program-related accounting records from other projects, programs, and funding sources.

13.2.3 Other Tested Items: In addition to structuring the audit to verify compliance with items on the above list, other general items to be tested by the Compliance Agent will include:

- Compliance with Program and Cost principles.
- Accounting functions, including internal controls.
- If applicable, review prior audit findings and corrective action plans to verify changes have occurred. Failure to make corrections may result in contract termination.

13.3 Audit Preparation

13.3.1 *Audit Assistance*: Program Contractors are required to assist the Compliance Agent in completing the audit. The following is a brief list of potential items that will need to be completed by the Program Contractors before the Compliance Agent arrives to perform the audit:

- Providing copies and supporting documentation for all costs claimed on invoices charged to the PSC.
- Having available payroll and disbursement journals.

- Pulling supporting documentation for random payroll and disbursement testing.
- Providing documentation of bidding process for awarding contracts to Subcontractors.
- Preparing memos or flowcharts documenting internal controls.
- Providing support for the allocation of rent/overheads charged to the Program.

13.3.2 *Audit Schedule Notification*: After receiving a list from the PSC of Program Contractors to audit, the Compliance Agent will notify WECC and the PSC of the Audit Schedule.

13.4 Audit Completion

13.4.1 *Letter*: A representation letter will be requested from management of the Program Contractors at the conclusion of the audit. Among other things, the letter will state that the Program Contractors has provided the Compliance Agent with all records relating to the Program and, to the best of their knowledge, the Program Contractors has complied with all laws regarding the Program.

13.4.2 *PSC Notification*: The Compliance Agent will be responsible for reporting to the PSC upon completion of the audit. The report to the PSC will address the scope of the work performed as well as discuss any findings noted in the audit. If findings are noted during the audit, they will be discussed with Program Contractors before the draft audit report is created. The Program Contractors will have the opportunity to provide a written response to the findings that appear in the final report. This written response should include an explanation and if necessary a corrective action plan for the finding. The PSC will approve or disapprove the plan.

13.4.3 *Audit Timeline*: The Compliance Agent and Program Contractors should follow the below timeline to ensure efficient completion of the compliance audit:

- Performance of audit and exit interview 1 – 3 days
- Follow up on preliminary findings. 10 days
- (Auditee will have the opportunity to provide feedback before the draft audit report is created.)
- Audit report is drafted by Compliance Agent and sent to auditee 4 weeks
- Draft audit report is reviewed by auditee 10 days
- After the auditee has reviewed and responded to the draft audit report, it will be sent to the Program Administrator for review 5 days
- Final preparation of the report by Compliance Agent/transmission of report to the PSC 10 days
- PSC audit report review and approval of corrective action plan 5 days

Note 1: Audits of out-of-state Program Contractors should allow 2 more weeks for the request and transmission of audit information.

Note 2: All days are considered business days.

13.4.4 *Report Distribution*: Copies of the audit reports will go first to the PSC with a copy then being distributed to the Program Contractors.

13.4.5 *Expense Reimbursement*: Should the Compliance Agent find that the Program Contractors has invoiced the PSC of a non-reimbursable expense, the Program Contractors shall reimburse the Program via a correction on the next invoice or a check made payable to the SEERA and sent to the Fiscal Agent.

13.4.6 *Sample*: See appendix E for a sample compliance audit.

Section 15 – Other Policies and Procedures

15.1 Electronic Signature Types:

15.1.1 *Scanned Signatures* - Customer signs his name and that signature is scanned and then can be placed into a document. These types of signatures have a very high risk and will not be accepted.

15.1.2 *Digital Signatures* – Some companies (ex. Adobe) offers self-validation digital Signatures.

15.2 Electronic Signatures for Customers: Focus on Energy does not accept any electronic signatures from customers. All signatures must be a “wet” signature.

15.3 Electronic Signatures for Staff: Focus on Energy will accept electronic signatures from Program Staff when used for routine grant and incentive approvals. They cannot be used for subcontractor agreements/contracts. A document that is signed by a customer, scanned by a program staff, and then processed is not considered an electronic signature and is allowed.

15.4 Unclaimed and Uncashed Checks: The below outlines the guidelines/steps that should be used by the Program to contact payees. Once contact is made, staff may need to request a void/reissue of checks, change mailing addresses, or take other steps to ensure customers receive their payment.

The below represents the recommended effort to be made in contacting customers. The Program Administrator may increase the effort made at its own discretion based on the estimated value to the program.

A review and follow up of the outstanding checks should be done a minimum of once per calendar year.

15.4.1 *Program Administrator Guidelines:*

- For checks that have exceeded 6 months and are less than $150; staff should make no contact.
- For checks that have exceeded 6 months and are for $150 or greater; staff should make one call to the payee.

- For checks that have exceeded 6 months and are for $5000 or greater; staff should make a maximum of two phone calls, send one letter to the last known address, and follow up with the department originating the transaction.

15.4.2 *Fiscal Agent Process (after five years):*

- Send a notification letter to the payee's last known address during the legal notification period (no earlier than 120 days before the November 1st annual reporting date).
  - For example: a check issued in December of 2005 is considered abandoned as of December 2010. The letter would be sent between July and September of 2011 and, if no response, the funds would be reported/transferred to the state on November 1st 2011.

- If a payee responds and asks for a replacement check, the Fiscal Agent will contact the Program Administrator to complete and send the Fiscal Agent a void/reissue request form so the Fiscal Agent may issue a new check.

- If the payee does not respond, the funds will be transferred to the State of WI Unclaimed Property Division, where they are held in a perpetual trust and may be claimed at any time.

  - For example: if a payee claims the funds after they've been transferred to the state, they will file a claim through the state. The state will contact the Fiscal Agent to verify the information is correct.

15.5 Sales and Retirement of Equipment Items:

15.5.1 All sales and retirement of equipment items must be documented in the equipment tracking template.

15.5.2 In some instance the equipment being disposed of may have no value. The program will pay a reasonable fee for recycling as applicable. Reasonable is determined by the Program Administrator.

15.5.3 Any funds received from the sale of equipment items can either be turned over directly to the Program Administrator or the SEERA via check or can be used to offset expense in the respective party's monthly invoices. It should be noted the PSC prefers the offset method. The method for determining the value of equipment is left to the discretion of the Program Administrator. Due diligence should be done to make sure the any sale reflects actual value.

15.5.4 Dissolution and Relinquishment of Equipment
All equipment items purchased with Program funds are property of the Program. In the event of a dissolution or withdrawal from the Program, all property purchased with Program funds will be retained by the Program. The following table provides instructions for the relinquishment of equipment items with an original value greater than $500 upon dissolution or withdrawal from the Program:

Party	Relinquish Items to	Due Date

Subcontractors	Program Administrators	90 Calendar Days Upon Dissolution or Withdrawal
Contractors	Program Administrators	90 Calendar Days Upon Dissolution or Withdrawal
Program Administrators	SEERA	90 Calendar Days Upon Dissolution or Withdrawal