



DEPARTMENT OF  
**ECOLOGY**  
State of Washington

Administrative Requirements for  
Recipients of  
Ecology Grants and Loans  
(Yellow Book)

**Washington State**  
**Department of Ecology**

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# About the Washington State Department of Ecology

## Our Mission and Goals

Our mission is to protect, preserve and enhance Washington's environment, and to promote the wise management of our air, land and water for the benefit of current and future generations.

Our goals are to protect and restore land, air and water, prevent pollution, promote healthy communities and natural resources and deliver efficient and effective services.

At Ecology, we're proud to help you protect Washington's environment and quality of life.

## Who We Are

We are a state agency that manages multiple grant programs and provides millions of dollars in grants to local communities, agencies, non-profit organization, and tribes, for environmental protection across the state.

We're scientists, engineers, environmental planners and specialists, pollution prevention specialists, inspectors, dam safety experts, hydrogeologists, chemists, emergency responders, technology innovators, fiscal officers, educators, public involvement specialists, and workforce development specialists. We live in Washington, and one thing we all share is that we care deeply about our state's quality of life and the public resources entrusted to our care and protection.

Director Maia Bellon has said, "It's not just what we do, but how we do it and with whom." It's "Innovative partnerships that stretch from business to conservation groups, from ranchers to dairy farmers and other agricultural producers, to government agencies and tribes."

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# PART I – INTRODUCTION

## A. Purpose and Scope

The Department of Ecology established these administrative requirements for recipients of grants and loans. This version of the “Yellow Book” applies to agreements with a signature date on or after this version’s publication date, August 11, 2017. Grants and loans with an agreement signature date prior to this date remain covered by the version in effect on the agreement signature date. If an existing agreement is amended, this version is applicable to that amended agreement, from the amendment date forward.

This manual provides instructions, explanations, requirements, and definitions. It includes details on agreement language, costs, budgets, financial management, procurement, contracting, property management, closeout, and record keeping.

Individual Ecology funding program requirements are explained in specific grant or loan program guideline documents, and they supplement these administrative requirements.

If your agreement is federally funded, refer to general federal conditions of your agreement.

## B. Administration of Grants and Loans

Each Ecology grant or loan is administered according to the following:

- State laws (RCWs) and rules (WACs).
- Grant and loan application instructions.
- Grant and loan agreements.
- Administrative Requirements for Grants and Loans (this manual).
- Funding program guidelines for the specific grant or loan.
- Anything in writing authorized by Ecology’s Chief Financial Officer.

## C. Definitions

**Acquisition Cost:** The net invoice price per unit, minus any rebates, refunds, or price reductions. Acquisition costs may include the cost of modifications, attachments, or accessories necessary to make the purchased item usable for the project at time of acquisition. Other costs, such as installation, transportation, taxes, duty or in-transit insurance, are to be included in the acquisition cost for goods.

**Agreement:** The formal, written contractual document that details the terms and conditions, scope of work, budget, and schedule of the grant or loan, that is signed by the authorized signatories of the recipient and Ecology.

**Agreement Effective Date:** The earliest date on which eligible costs can be incurred.

**Agreement Expiration Date:** The latest date on which eligible costs can be incurred.

**Agreement Signature Date:** The date the agreement is signed by the Ecology authorized signatory.

**Amendment:** An agreement that details the changes or revisions to the terms and conditions of the grant or loan that is signed by the authorized signatories of Ecology and the recipient.

**Application:** A document used by the applicant to request funding assistance from a funding program.

**Architectural and Engineering Services:** Professional services of an architect or engineer related to design and construction of buildings.

**Audit Finding:** An auditor's statement of non-compliance found with policies, procedures, and/or the terms and conditions of the agreement.

**Authorized Signatory:** A person designated by the recipient or by Ecology to sign a grant or loan agreement and amendments.

**Backup Documentation:** Documents to support all expenditures reported on a payment request.

**Benefits:** The cost of employment fees/taxes required by law and paid by the employer, such as social security, Medicare, pension/retirement, health insurance, state industrial insurance, and unemployment insurance. Benefits are part of the recipient salary and benefit cost when calculating the indirect charge for a project.

**Bid:** A written offer to provide materials, supplies, services, and/or equipment in reply to a formal solicitation, such as Invitation for Bid or Request for Bid.

**Bid Overrun:** When the price of the successful bid exceeds the anticipated or estimated cost of a project or contract.

**Biennium:** A 24-month fiscal period, starting July 1 of an odd-numbered year and ending June 30 of the following odd-numbered year.

**Budget:** Planned expenditures by task for a project.

**Budget Line Item:** A specific element of an individual task expenditure.

**Calendar Year:** Accounting method based on four quarters of the calendar year (Jan-Mar) (Apr-Jun) (Jul-Sep) (Oct-Dec), as opposed to the state fiscal year.



**Capital Asset:** A tangible or intangible item used in the project that has a service life of more than one year or as defined by Generally Acceptable Accounting Practices (GAAP). Capital assets include:

- Land and buildings (facilities).
- Equipment if valued at \$5,000 or more.
- Additions, improvements, modifications, etc., that materially increase the asset's value or useful life (not those covered under ordinary repairs and maintenance).

**Capital Expenditure:** Funds used to acquire capital assets or make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.

**Cash Expenditure:** Regardless of the source of the funds, any cash spent by the recipient for project-related costs, including:

- Direct costs of goods and/or services.
- Salaries and benefits of recipient employees, including force account (if allowed under the specific grant program).
- Indirect costs.
- Payments made to contractors.

**Catalog of Federal Domestic Assistance (CFDA):** This federal publication is a government-wide compendium of Federal programs, projects, services, and activities that provide assistance or benefits to the American public. It contains financial and nonfinancial assistance programs administered by departments and establishments of the Federal government.

**Closeout:** The process reconciling all administrative matters relative to a grant or loan to close the file.

**Closeout Report:** A form for collecting information about the completion of tasks or deliverables.

**Code of Federal Regulations (CFR):** The codification of the general and permanent rules published in the Federal Register by the departments and agencies of the Federal Government. It is divided into 50 titles that represent broad areas subject to Federal regulations.

**Competitive Solicitation:** A documented process seeking bids or proposals from a sufficient number of bidders to assure equal and open competition according to state laws or an entity's procurement policies, and resulting in an award selection based on predetermined criteria.

**Contract:** A written and legally binding agreement that has the principal purpose to procure goods or services (may be purchased or leased) for the direct benefit of the project.

**Contractor:** Any entity who is paid directly by the recipient for goods or services received under a contract.

**Cost:** A charge made to a project, either as a cash expenditure or as an in kind contribution.

**Cost Incurred Date:** The date a purchased item is delivered or a service is performed.

**Cost Plus Fixed Fee Contract:** A legal document in which a contractor is paid for expenditures plus an agreed-to amount.

**Cultural Resources:** Physical evidence or place of historical human activity: A site, object, landscape, structure landscape, or natural feature of significance to a group of people traditionally associated with it.

**Cultural Resources Review:** May be required through the State Environmental Policy Act (SEPA), under Section 106 of the Federal National Historic Preservation Act (for federally funded agreements), or Washington State Executive Order 05-05 Archeological and Cultural Resources.

**Data Universal Numbering System (DUNS):** A system developed and regulated by Dun and Bradstreet that assigns a unique numeric identifier to a single business entity.

**Deliverable:** Item or activity identified in an agreement that must be completed by the recipient before Ecology approves reimbursement or completion. Deliverables may or may not have a due date.

**Disbursement Amount:** The total amount of funding disbursed to the recipient based on grant/loan expenditures incurred.

**EAGL:** Ecology's Administration of Grants and Loans. This is Ecology's web-based system used to apply for, manage, track, monitor, and close out grants and loans issued by Ecology

**Ecology Share:** The maximum dollar amount of financial assistance that may be reimbursed to the recipient under the terms of the agreement.

**EAGL:** Ecology's Administration of Grants and Loans. This is Ecology's web-based system used to apply for, manage, track, monitor, and close out grants and loans issued by Ecology.

**Eligible Cost:** Costs that meets all criteria established in the agreement and funding program guidelines.

**Environmental Information Management System (EIM):** An Ecology-managed environmental monitoring data system that stores information about environmental studies, monitoring locations, and data quality.

**Equipment:** Tangible, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per functional unit or system.

**Expenditure:** A payment made by the recipient for project-related costs. Expenditures are categorized by type of cost.

**Federally Recognized Indian Tribal Government:** The governing body or governmental agency of any Native American Indian tribe, band, nation, or other organized group or community (including any Native Village as defined in the Alaska Native Claims Settlement Act, 85 Stat. 688) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.

**Firm Fixed Price Contract:** A legal document in which the contractor is paid a fixed amount agreed to at the outset of the contract.

**Fiscal Year:**

- STATE: a 12-month period from July 1 of one calendar year to June 30 of the next calendar year.
- FEDERAL: a 12-month period from October 1 of one calendar year to September 30 of the next calendar year.

**Force Account:** The work performed using the recipient's own labor, materials, or equipment.

**Fringe Benefit:** A form of pay (cash or cash equivalent) in addition to regular wages, for the performance of services. Some examples are Old Age and Survivors Insurance (OASI), Retirement and Pensions, Medical Aid & Industrial Insurance, Health, Life & Disability Insurance, Medicare, vacation leave, sick leave, holidays, court leave, military leave.

**Funding Opportunity:** Funding made available to applicants through a specific environmental program.

**Funding Program:** A financial assistance program with a distinct set of requirements that provides grant or loan funding to eligible applicants.

**Funding Source:** The state or federal program that grant or loan monies come from.

**Generally Accepted Accounting Principles (GAAP):** A common set of accounting principles, standards, and procedures used to compile financial statements.

**Grant:** An award of financial assistance given to a recipient to carry out work for a public purpose or public good authorized by law, and including certain requirements.

**Grant/Loan Amount:** The maximum dollar amount of financial assistance that may be reimbursed to the recipient under the terms of an agreement.

**Indirect Rate:** A rate approved by the recipient's federal agency. If the recipient doesn't have a federally approved rate, a rate will be negotiated with Ecology.

**In Kind Contributions:** Property or services that benefit a project and are contributed to the recipient by a third party without direct monetary compensation. Includes interlocal costs, donated or loaned real or personal property, and volunteer services.

**In Kind Interlocal:** A type of contribution where both the grant or loan recipient and the third party making the contribution are both government entities. Such as local governments, federal or state agencies, or tribes, and the contribution is made according to a valid written agreement between the recipient and the contributing entity. The agreement details the work to be accomplished, i.e., the goods and services to be provided, and their value.

**In Kind Other:** A type of contribution where the third party making the contribution is not a government entity.

**Loan:** An agreement involving lending money to a recipient that must be repaid to Ecology; includes loan terms, interest rates, and a repayment schedule.

**Lobbying:** The act of influencing or attempting to influence an officer or employer of a government agency, a legislator, an officer or employee of the Legislature, or an employee of an individual legislator who has the power to influence funding decisions.

**Match:** A portion or share provided by the recipient for the grant or loan.

**Minority Business Enterprises/Women Business Enterprises (MBE/WBE):** A business that has been certified by Washington State's Office of Minority and Women Business Enterprises.

**Outcome:** The environmental result, effect, or consequence that will occur from carrying out a program or activity related to the goal or objective of a grant or loan.

**Output:** An environmental activity or effort and associated work products related to the goal or objective that will be provided by a specified date.

**Payment Request/Progress Report (PRPR):** Data entry forms used in EAGL to report agreement expenditures and/or progress by task.

**Performance Period:** The time period work is to be completed, as stated in an agreement.

**Performance Schedule:** The calendar of dates showing when tasks or deliverables of an agreement are due.

**Personal Property:** Tangible (having physical existence) or intangible (such as patents, inventions, and copyrights) items that are not real property.

**Program Guidelines:** An Ecology guidance document advising recipients how to meet the funding opportunity requirements.

**Procure:** To purchase or contract for goods and services.

**Program Income:** Funds received by the recipient and directly generated by a project, or earned only as a result of the project during the period of the agreement.

**Progress Report:** Periodic updates that include information related to task accomplishments, reasons for delays or cost overruns, etc., for a project designated in an agreement.

**Project:** A specific set of activities that are eligible for funding.

**Quality Assurance Project Plan (QAPP):** A written document that outlines the procedures a monitoring project will use to ensure that samples, data, and subsequent reports are of enough quality to meet project objectives. A QAPP is prepared for each environmental study/activity that acquires or uses environmental measurement data.

**Real Property:** Land, improvements, structures, and additional pieces associated to them.

**Recipient:** An entity that has been approved to receive a grant or loan from one or more funding programs.

**Recipient Match Percentage:** The percentage of the total eligible costs that will be contributed by the recipient – through cash, in kind, or interlocal agreement.

**Recipient Share:** The portion of the total eligible costs borne by the recipient.

**Retainage:** A percentage of a construction contract held by either recipient or Ecology that is paid to the contractor upon completion of the project checklist.

**Risk Assessment:** An ongoing process that includes identifying and analyzing risks to achieving Ecology objectives, and deciding how to respond.

**System for Award Management (SAM):** A database operated by the federal government showing approved vendors – that are not suspended or debarred – that can be used on federal grants,.

**Scope of Work:** The objectives, tasks, and deliverables to be accomplished under an agreement.

**Schedule of Expenditures of Federal Awards (SEFA):** A report prepared by the recipient of all federal awards the recipient expended in a year for each individual federal program.

**Statewide Vendor Number:** a number issued by the Department of Enterprise Services Statewide Payee Desk which is required for recipients to receive a disbursement.

**Subrecipient:** A recipient who receives federal monies from Ecology.

**Supplies:** All tangible personal property other than tools or equipment necessary to carry out a scope of work (with a useful life of less than one year and an acquisition cost of less than \$5,000).

**Suspension:** Temporary withdrawal of the authority to obligate previously awarded project funds, pending either corrective action or agreement termination.

**Task:** An activity that must be accomplished for the project.

**Task Goal:** A description of why the task is being done that defines successful completion.

**Task Outcome:** A quantitative and measurable change as a result of doing the task.

**Termination:** The action of ending an active agreement between parties and the permanent withdrawal of the authority to obligate previously awarded project funds before the agreement expiration date.

**Terms and Conditions:** All requirements of the grant or loan, whether in statute, regulations, administrative and program requirements, or the agreement document.

- **AGREEMENT-SPECIFIC TERMS AND CONDITIONS:** Terms and conditions that apply only to a specific agreement.
- **GENERAL TERMS AND CONDITIONS:** Terms and conditions that apply to all Ecology grants and loans.
- **SPECIAL TERMS AND CONDITIONS:** Terms and conditions that apply only to agreements under a specific funding program.

**Third Party:** An entity who is not a recipient or a contractor under the agreement.

**Tools:** Tangible personal property having a useful life of more than one year and an acquisition cost of less than \$5,000 per unit.

**Total Eligible Cost:** The amount authorized under the agreement, which includes both Ecology's and the recipient's match share.

## D. Acronyms or Abbreviations

A&E	Architectural and Engineering Services
AGO	Attorney General's Office
BARS	Budget and Accounting Reporting System
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CGP	Contracts and Grants Payable system
CRO	Central Regional Office
DUNS	Data Universal Numbering System
EAGL	Ecology Administration of Grants and Loans system
ECOLOGY	Department of Ecology
EAGL	Ecology's Administration of Grants and Loans
ECY	Department of Ecology
EIM	Environmental Information Management system
EPEAT	Electronic Product Environmental Assessment Tool
ERO	Eastern Regional Office
FS	Facility Site
FY	Fiscal Year
GAAP	Generally Accepted Accounting Practices
GIS	Geographic Information System
HUC	Hydrologic Unit Codes
L&I	Department of Labor and Industries
MBE	Minority Business Enterprises
MBE/WBE	Minority Business Enterprises/Women Business Enterprises
MWBE	Minority and Women's Business Enterprises
NHPA	National Historical Preservation Act
NWRO	Northwest Regional Office
OFM	Office of Financial Management
OMWBE	Office of Minority and Women's Business Enterprises
PIMS	Photo and Image Management System
QAPP	Quality Assurance Project Plan
RCW	Revised Code of Washington
SAM	System for Award Management
SEFA	Schedule of Expenditures of Federal Awards
SEPA	State Environmental Policy Act
SWRO	Southwest Regional Office
TEC	Total Eligible Cost
TIN	Taxpayer Identification Number
USC	United States Code
WA	Washington State
WAC	Washington Administrative Code
WBE	Women Business Enterprises

## **PART II – TERMS OF THE AGREEMENT**

### **A. Agreement**

An agreement is a formal, written, contractual document, between Ecology and the recipient that details all of the agreement terms and conditions. It describes the performance expectations and rights of the parties. The agreement is the primary source document for the relationship between the parties.

After an award is determined and an offer is made, Ecology and the recipient negotiate the scope of work, performance schedule, budget, and any agreement-specific or special terms and conditions of the agreement. Ecology drafts this document and forwards it to the recipient for review and signature. The recipient should ensure the information is correct before signing the agreement.

**The agreement contains the following sections:**

#### **Title Section**

- **Agreement Number**  
An Ecology system assigns an agreement number, which appears at the top of the agreement. This number must be included on all grant or loan correspondence.
- **Agreement Title and Introductory Paragraph**  
This section identifies the funding program and the parties to the agreement.

#### **General Information**

Provides the project title, cost information, share amounts, effective date, expiration date, project type, short and long project descriptions, and the overall goal.

- **Effective Date**  
The earliest date on which eligible costs can be incurred.  
  
Cost will not be reimbursed until all parties sign the agreement. The agreement may have an effective date before the signature date. Any costs incurred after the effective date but before the signature date are done so at the recipient's risk.
- **Expiration Date**  
The last date on which a cost may be incurred and be considered eligible for reimbursement.

#### **Recipient Information**

Identifies the recipient organization and contact information.

#### **Ecology Information**

Identifies Ecology contacts for the agreement.

### **Authorizing Signatures Page**

The recipient must sign this page and return two signed originals of the complete agreement to Ecology. Upon signature by Ecology, the agreement becomes a binding agreement. Signatures must be by the authorized representatives of all parties to the agreement. (The signature page does not need to be notarized.)

### **Scope of Work**

Contains a performance schedule with tasks and deliverables related to project objectives and outcomes and required reporting dates used to monitor progress.

### **Budget**

Includes the project budget, fund source, the amount for each task, match or in kind amounts, and loan terms, if applicable.

### **Agreement-specific Terms and Conditions (if applicable)**

Describes any unique terms or conditions that apply to a particular agreement. These terms and conditions may add to or change other Terms and Conditions of the agreement.

### **Special Terms and Conditions (if applicable)**

Detailed requirements, restrictions, or conditions based on funding program guidelines. These terms and conditions may add to or change other Terms and Conditions of the agreement.

### **General Federal Conditions (if applicable)**

Details the federal requirements the recipient must complete and comply with for agreements with federal funds.

### **General Terms and Conditions**

General requirements, approved by the State Office of the Attorney General, that are contained in all Ecology grant and loan agreements.

## **B. Amendments**

Any change to an agreement may require an amendment, which must be in writing and signed by all parties before it becomes effective.

### **Changes that require an amendment**

- Scope of work or the objectives of the project.
- Budget, whether for an increase or decrease.
- Funding, whether for an increase or decrease.
- Redistributing costs among budget tasks that exceed 10 percent deviation of the total eligible costs of the funding distribution.
- Funding Distributions, including share percentages.
- Effective/expiration date, whether to shorten or extend.
- Special Terms and Conditions, or Agreement-specific Terms and Conditions.

### **Administrative Changes – no amendment required**

Administrative changes such as telephone numbers, addresses, or contact persons for either Ecology or the recipient, do not require an amendment. The recipient must maintain up-to-date organization and contact information. The recipient may update its contact information at any time.

## **C. Dispute and Appeal Process**

If there are any disagreements between Ecology and the recipient concerning the agreement, the recipient must contact its Ecology representative, unless otherwise directed in the agreement or program guidelines, for a decision.

The Ecology representative coordinates matters within the Ecology funding program or with other Ecology staff to make the decision.

The Ecology representative is authorized to make determinations of cost eligibility, to disallow costs, to track progress of projects through other Ecology work units, and to ensure compliance with the program guidelines and administrative requirements.

### **Dispute and Appeal**

If the recipient is not satisfied with Ecology's decision, he or she must review the General Terms and Conditions section of the agreement titled, "Disputes," which describes the dispute resolution process.

Some funding programs have specific appeal procedures the recipient must follow to appeal a decision relative to a particular agreement.

### **Continuation of Work**

The recipient is expected to continue progress on the project according to all terms and conditions of the agreement, while waiting for a final appeal decision. Administrative costs and other expenses incurred as part of an unsuccessful appeal cannot be billed to the grant or loan. If successful, and the costs are allowable under the agreement, they can be billed to the grant or loan.

## **D. Termination and Suspension**

The general terms and conditions of the agreement provide a complete description for when termination and suspension conditions apply. In summary, an agreement may be terminated or suspended in whole or in part if:

- The recipient does not commence the project within four months after the effective date of the agreement, or by the date mutually agreed upon in writing.
- The recipient fails to comply with a term or condition of the agreement, whether stated in a statute, regulation, plan, application, program guidelines, or award.

- Funding from state, federal, or other sources is withdrawn, reduced, or limited in any way for the grant or loan program. In such cases, Ecology may decide to renegotiate if funding becomes unavailable, or cancel the agreement.
- The recipient's authority to commit funds to the project is withdrawn. In such cases, Ecology may request repayment of all or part of the funds already disbursed, or take other remedies that may be legally available.
- The parties agree to termination or suspension for the convenience of the parties.

If there is failure to comply with agreement terms, Ecology can take one or more of these actions:

- Temporarily withhold cash payments, pending correction of the deficiency.
- Disallow all or part of the cost of the noncompliant activity or action.
- Request repayment of all or part of the funds already disbursed to the recipient.
- Consider withholding future awards.
- Take other legally available remedies.

In taking any of these actions, Ecology will provide an opportunity for hearings, appeals, or other administrative proceedings the recipient is entitled to under the agreement.

## E. Monitoring Project Progress

Ecology monitors projects in several ways to assure compliance with applicable regulations, terms and conditions of the agreement, and project performance requirements.

### Site Visits

Site visits are made to ensure funds are used according to the agreement and as determined by risk assessments by the Ecology's funding program. Ecology prepares and documents Site Visit Reports based on either field, office, or phone confirmations.

### Progress Reports

Recipients may submit a progress report at any time, however, **a progress report must be submitted with each payment request.**

Progress reports must be submitted as specified in the agreement or in Funding Program Guidelines. Reports are due 30 days following the end of the reporting period, as specified in the agreement, or as agreed to by Ecology.

Progress reports are to contain a summary of:

- Task accomplishments and a percent the project is complete for the report period.
- Reasons for any delays.
- Reasons for any cost overruns.
- Any additional pertinent information and requested metrics.

### **Deliverables**

Project deliverables are due according to the project schedule. Any changes must be approved by Ecology.

### **Reporting Significant Developments**

Events with significant impact on the project may occur between progress reports. The recipient must contact the Ecology representative as soon as any of the following situations are known.

- Problems, delays, or adverse conditions that will impair the ability to meet the project deliverables. The report should include a statement of any action taken or considered, and any assistance needed to resolve the situation.
- Any developments that allow the recipient to meet schedules or objectives sooner or at less cost than anticipated, or that produce more beneficial results than originally planned.
- Any changes in significant project staff or contractors. The recipient may update its contacts at any time to reflect staff changes.

### **Final Recipient Closeout Report**

The recipient must submit a final closeout report summary and other final closing documentation the Ecology funding program requires. The Ecology representative verifies that all documentation is received and the project is satisfactorily completed before approving final payment.

## **F. Quality Assurance Project Plan**

The recipient must prepare a Quality Assurance Project Plan (QAPP) for any project that generates and/or uses environmental data. Contact your Ecology funding program coordinator for QAPP requirements for your project.

The QAPP is a tool that uses established Quality Assurance principles to plan, execute, and assess data-generation from projects. It helps Ecology and other potential stakeholders or interested parties understand project details and describes how environmental data will be managed.

A few examples of activities described in QAPPs include generating environmental data, environmental sampling, measuring environmental parameters in the field, analyzing environmental samples in the field or in a laboratory, complex analysis of existing environmental data, and environmental modeling.

Ecology requires a QAPP be completed and approved by the Ecology's Quality Assurance Officer before beginning activities described in the QAPP. The recipient works with Ecology funding program when submitting the QAPP for its project.

Ecology has several resources and tools to help recipients prepare a QAPP. See Ecology's website at <http://www.ecy.wa.gov>.

## G. Cultural Resources and Inadvertent Discoveries

Ecology's goal is to pursue the agency's mission in ways that do not adversely affect archaeological and historical resources, or human remains.

This section gives an overview of state and federal laws and requirements designed to provide reasonable actions to avoid, minimize, or mitigate adverse effects to archeological and historic resources (cultural resources) and human remains, and inadvertent discovery of them. The recipient will find this section helpful when its project involves ground-disturbing activities or has a potential of disturbing cultural resources.

Related references:

- The Native American Graves Protection and Repatriation Act of 1990 (Public Law 101-601; 25 U.S.C. 3001 et seq), as amended.
- Archaeological Resources Protection Act of 1979 (Public Law, 96-95; 16 U.S.C. 470aa-mm), as amended.
- Archeological and Historic Preservation Act of 1990 (Public Law 86-523, 16 U.S.C. 469-469c-2).
- Chapter 27.44 RCW: Indian Graves and Records.
- Chapter 27.53 RCW: Archaeological Sites and Resources.
- RCW 68.50.645: Skeletal human remains – Duty to notify – Ground disturbing activities – Coroner determination – Definitions.
- Chapter 68.60 RCW: Abandoned and Historic Cemeteries and Historic Graves.
- Chapter 25-48 WAC: Archaeological Excavation and Removal Permit.

The recipient must also comply with all applicable requirements of Governor's Executive Order 05-05, Archaeological and Cultural Resources, and Section 106 of the National Historic Preservation Act. Costs for activities necessary to comply with these requirements are conditionally eligible costs subject to Ecology's approval. Activities that occur prior to approval may not be eligible costs.

### **Recipient's Role**

- Contact the Ecology Funding Program for any specific compliance requirements.
- If Ecology requests an Ecology Project Review form 05-05/106, submit it to Ecology prior to starting any project that involves ground-disturbing activities.
- If Ecology requests an Inadvertent Discovery Plan, submit it to Ecology prior to starting any project that involves ground-disturbing activities.
- Complete all consultations with Ecology and other required parties prior to the start of any work on the project site.
- Comply with all other applicable local, state, and federal laws protecting cultural resources and human remains.

Ecology forms are available on the website at <http://www.ecy.wa.gov>.

### **Inadvertent Discovery Plan (IDP)**

The recipient may use the IDP form provided by the Ecology funding program or a form approved by Ecology. Ecology reviews the IDP and may request changes. The IDP sets out the steps, precautions, responsibilities, and contacts in case of a cultural resources or human remains discovery. The completed IDP must be kept at the project site during the site activity.

Ecology must be designated as the lead funding agency contact in the IDP. As the lead funding agency, Ecology is responsible to coordinate with the State Historic Preservation Officer (SHPO) and tribal governments to ensure compliance on any inadvertent discoveries of cultural resources. Ecology is also responsible for making the final decision on any required cultural resource consultation for inadvertent discoveries.

### **Inadvertent Discovery**

If cultural resources or human remains are found while performing work under any grant or loan, the IDP requires the recipient to:

- Follow the protocol outlined in the IDP.
- Immediately stop work.
- Notify Ecology, the Department of Archaeology and Historic Preservation (DAHP), and any affected tribe or local government.
- Take reasonable measures to protect the discovery site from further disturbance and ensure confidentiality of the discovery site, including restricting access to the site.
- Not take photographs, by any methods, without Ecology's prior written approval.
- Treat any human skeletal remains, regardless of antiquity or ethnic origin, with dignity and respect at all times.
- Notify the local law enforcement agency or Medical Examiner/Coroner's Office in all possible cases of human remain discoveries.
- Follow RCW 27.44.055 and RCW 68.50.645 as they apply.

### **For State-Funded Grant or Loan Agreements**

- Ecology coordinates with DAHP and affected tribes to review capital construction projects and land acquisition projects, unless the project is categorically exempt by DAHP.
- The recipient participates in reviewing and consulting on its project, coordinating as necessary with any proposed avoidance, minimization, or mitigation strategies.
- Ecology works with DAHP and affected tribes on appropriate mitigation strategies for identified culturally significant sites. This includes coordinating face-to-face meetings with the recipient and tribes as needed.

- Ecology makes the final determination regarding potential cultural resource impacts to ensure the recipient finds reasonable ways to avoid, minimize, or mitigate impacts before state funding is dispersed.
- Ecology's approval is required for review, consultation, and mitigation to comply with Governor's Executive Order 05-05, Archaeological and Cultural Resources.

## PART III – ELIGIBLE COSTS

This section describes standards set to determine whether an individual cost is considered eligible for reimbursement. Eligible cost standards apply whether a particular cost is treated as a direct or an indirect cost. Costs may be charged directly, or be included within an indirect rate, but cannot be double-counted.

### Three Project Cost categories

Project costs are divided into three categories, which are described in detail in the following sections:

- **Eligible costs** may be allowed for a project funded through Ecology, including federal grants.
- **Conditionally eligible costs** are allowable only under certain conditions.
- **Ineligible costs** are never allowed.

### A. Eligibility Criteria

Eligible cash expenditures are reimbursable, in whole or in part, with agreement funds. Only eligible cash expenditures and in kind contributions may be used to meet a match requirement. The recipient may not receive reimbursement in excess of actual cash expenditures. Grant and loan funds may not be used for a financial gain to the recipient.

#### General Guidelines for Eligibility

To be eligible, a cost must be:

- Necessary and reasonable for efficient completion of the project. Necessary costs are determined by the nature and scope of the project as detailed in the agreement terms.
- Authorized or not prohibited under federal, state, or local laws and regulations, and funding program guidelines.
- Conformed to the project budget and any other financial limitations in the agreement terms.
- Incurred on or after the agreement effective date and before the agreement expiration date.
- The net sum of all applicable credits (such as refunds, discounts, and adjustments). If any credit is applied to a cost, the amount that is eligible is the net cost after the credit is applied. If the credit is received after reimbursement by Ecology, the next billing will be adjusted to account for the credit.
- Adequately documented and supported by invoices, time sheets, or other required documentation.

- Consistent with standard business practices.
- Not charged to any other project. Costs may be split between projects, but the same cost cannot be billed to two separate projects.

## B. Eligible Costs

Program Funding Guidelines determine whether a cost may be eligible. Check guidelines and the agreement to determine if a cost is eligible, or ask the Ecology representative if questions remain.

### **Total eligible costs include the Ecology share and the recipient share.**

- The Ecology share is Ecology financial assistance which may include: grants, loans, forgivable loans.
- The recipient share is the recipient match, which may include: cash, in kind interlocal, in kind other.

### **Eligible Cost Categories**

In general, the following categories of costs may be eligible:

**Accounting** - establishing and maintaining accounting and other information systems required to manage projects.

**Advertising** - advertising media, includes newspapers, magazines, radio, television programs, direct mail, exhibits, trade papers, social media, etc.

The following advertising purposes are eligible:

- Recruit personnel needed for the project.
- Solicit bids to procure project-related goods and services.
- Dispose of scrap or surplus materials acquired during the project.
- Program outreach and other specific purposes necessary to meet state or federal agreement requirements.
- Advise the public about a project activity.
- For other purposes specifically provided for in the agreement.

**Audit service** - audits necessary to administer and manage the project.

**Budgeting** - identifiable costs related to developing, preparing, presenting, and executing the project budget.

**Communications** - project-related costs incurred for paper and electronic communications, including, but not limited to, local telephone systems and service; mobile phone service; voicemail; long distance; toll-free; facsimile (fax); private branch exchange (PBX); web communication interfaces (e.g., Skype, WebEx); internet access; postage; messenger service; and other similar expenses.

**Compensation for services** - wages, salaries, and benefits - paid currently or accrued - for services rendered under the agreement, including compensation for the recipient's employees, for consultants, or other necessary services. Such compensation is eligible if it is:

- Reasonable for the services rendered, and consistent with compensation paid for similar work in the recipient's labor market.
- Complies with local, state, or federal laws or rules governing procurement.
- Not compensated by any other governmental entity, recipient, or subrecipient.

**Education and Outreach** - education and outreach when a standalone project or an element of the project is to teach, inform, or raise public awareness. Activity generally associated with education or outreach can include, but is not limited to, presentations, workshops, tours (of sites or facilities), demonstrations, exhibits, and displays. Education and outreach includes creation, production and distribution of associated materials such as brochures, flyers, CDs, and other marketing materials (see Advertising). Please check the funding program guidelines for details.

**Equipment rental** - Ecology considers whether the rental charge is more or less than the fair market value of the equipment. Costs must be consistent with rental rates in the recipient's market.

**Fringe benefits for employees** - fringe benefits are eligible to the extent that the benefits are reasonable and are required by law, governmental unit employee agreement, or the recipient's established policy. The fringe benefit costs are eligible if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities; and (c) the recipient consistently follows the accounting basis (cash or accrual) selected for costing each type of leave.

**Maintenance and repair** - normal preventive maintenance, necessary repair, and upkeep of equipment and tools as required to maintain an efficient operating condition.

**Materials and supplies** - purchased items necessary to complete the project. Purchases must be charged to the project at their actual cost after deducting all cash discounts, trade discounts, rebates, and allowances received by the recipient.

**Printing and reproduction** - materials such as forms, reports, manuals, publications, peer-reviewed journals, or informational literature that are related to the project.

**Rental of office space** - privately or publicly owned buildings, if the costs do not exceed the rental costs of similar facilities in the same area.

**Taxes** (or payments in lieu of taxes) - taxes related to the project.

**Transportation of goods** - shipping and handling freight, express, postage, and other transportation costs relating to goods purchased or moved.

**Travel expenses** - transportation, lodging, subsistence, and related travel cost items incurred by the recipient's employees while in travel status on official business necessary for the project.

Entering into an Ecology grant or loan agreement means the recipient agrees to accept state travel requirements. All organizations, whether state, local government, or non-profit, receiving state or federal pass-through funds from Ecology, are required to follow state of Washington travel requirements. Travel reimbursements cannot exceed state rates. For state travel regulations, see Chapter 43.03 Revised Code of Washington (RCW); and Chapter 10 of the State Administrative & Accounting Manual (SAAM) from the Office of Financial Management.

Travel costs may be charged using state per diem and mileage rates, or on an actual basis up to those state rates. The charge method used applies to an entire trip and must be consistent with the recipient's policies and procedures.

Contractor travel costs are only reimbursed at the current state rates unless otherwise defined in the grant or loan agreement.

**Use allowance** - allows the charge for the use of facilities or equipment the recipient owns or leases. Charges cannot exceed the portion of acquisition cost that could be reasonably attributed to the project or the rental rate for comparable equipment or facilities.

## C. Conditionally Eligible Costs

Conditionally eligible cost reimbursements require prior written approval by Ecology or are specifically identified as eligible in the agreement. Requests for conditionally eligible costs must be approved or disapproved in writing. If a request requires prior federal approval, then Ecology must first obtain it from the federal agency.

Program funding guidelines referenced in the agreement may further restrict the categories of conditionally eligible costs or those amounts that are eligible for reimbursement.

### **Conditionally Eligible Cost Categories**

In general, the following categories of costs may be conditionally eligible:

**Advisory councils** - councils or committees established according to federal or state requirements to carry out the project.

**Archaeological and Cultural Resources** - activities associated with archaeological and cultural resources when discovered during the project.

**Capital expenditures and outlays** - capital costs that relate to the project. See the Property Management section of this document for further details concerning purchasing and disposal of capital assets.

**Conferences and meetings** - facility or meeting room rental, registration fees, supplies, speaker costs, contracts with facilitators, etc., when the primary purpose of the conference and meeting is necessary for the project.

**Computers and other Electronic Devices** - hardware, software and/or licenses directly related to the project. Includes laptop computers, cameras, tablets, recorders, projectors, sensors, other electronic devices. Includes rental costs, use allowances, or the acquisition cost.

**Equipment and tools** - equipment, tools, and other moveable property. See the section in this document on Property Management for further details concerning purchasing and disposition of equipment and tools.

**Expedite/Rush Charges** - special (i.e., urgent, overnight, next day) shipping charges or other services directly related to the project that were necessary for performance of the project.

**Force account** – the work performed using the recipient’s own labor, materials, or equipment. These costs may be eligible, depending on funding program guidelines and may require prior approval. This option is only available if the recipient has the legal authority to perform the work and has adequate, technically qualified staff to perform the work without compromising other government functions. Verification of workforce qualifications must be submitted to Ecology upon request.

**Insurance costs** - insurance required or approved, and maintained according to the agreement. Types, extent, and cost of coverage must be in accordance with general state or local government policy and sound business practice. Included:

- Cost for adding Ecology as an additional insured party under the recipient’s liability insurance policy.
- Costs of insurance or contributions to any reserve covering the risk of loss of, or damage to, federal or Ecology property.
- Contributions to a reserve for a self-insurance project approved by Ecology or the federal grantor are eligible to the extent that the type and extent of coverage and the rates and premiums would have been allowed had insurance been purchased to cover the risks.
- Costs of losses not covered under nominal deductible insurance coverage provided consistent with sound management practice and costs of minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools that occur in the ordinary course of operations.

**Landscaping** - site-specific landscaping or erosion control measures directly related to the project.

**Legal expenses** - direct legal expenses required to administer the project.

**Light refreshments** - light refreshments served at a conference, seminar, or meeting, when specifically provided for such an event that relates to the project. Light refreshments include non-alcoholic beverage and edible items commonly served between meals, such as tea, coffee, soft drinks, juice, doughnuts, cookies, sweet rolls, pieces of fruit or cheese, but are not intended to substitute for meals.

**Operation and maintenance** - facility operational and maintenance costs that are routine or ongoing.

**Overtime compensation** - straight salaries and benefits for employee hours in excess of 40 per week.

**Overtime differential** - overtime may be eligible only when 100 percent of an employee's time is spent on tasks specific to the project.

**Rental, maintenance, and lease-hold improvements** - building space and related facilities, in privately or publicly owned buildings, used for the benefit of the project, are subject to the following conditions:

- The total cost of the space may not exceed the rental cost of comparable space and facilities in a privately owned building in the same area.
- When procured for project use, the cost for periods of non-occupancy may be charged to the project.
- Rental costs for publicly owned buildings are eligible when charges are determined on the basis of actual cost (including depreciation based on the useful life of the building, interest paid or accrued, operation and maintenance, and other eligible costs). When these costs are included in rental charges, they may not be charged elsewhere. For federal grants, no costs will be included for purchases or construction that were originally financed by the federal government (or in the numerator of the indirect cost calculation).
- The cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, normal repairs and alterations and the like, are eligible to the extent they are not otherwise included in rental or other charges for the space.
- Rearrangements and alterations required specifically for the project, or those that materially increase the value or useful life of the facilities, may be eligible.
- Space occupancy under a lease with option to purchase agreement may be eligible, with prior written approval from Ecology.

**Training and education** - Recipient training that is normally provided for employee development that directly benefits the project.

## D. Ineligible Costs

### **Ineligible Cost Categories**

The following costs cannot be charged to any Ecology project:

**Bad debts** - any losses arising from uncollectible accounts and other claims and related costs.

**Contributions to a contingency reserve** - any funds set aside by the recipient to reimburse unanticipated expenses. Such reserves may not be charged to any Ecology project.

**Depreciation** - of facilities or equipment.

**Entertainment** - amusements, social activities, and any related incidental costs, including meals, beverages, lodging, rentals, transportation, and gratuities.

**Fines and penalties** - costs resulting from violations of, or failure to comply with, federal, state, or local laws.

**General expenses, beyond the scope of the project, required to carry out overall government responsibilities** - including the salaries and expenses of the chief executive and their staff. Governments include state, local, and federally-recognized Indian tribal governments. This restriction does not include the portion of salaries and expenses by the chief executive and staff that are directly attributable to managing and operating Ecology funded projects. This eligible portion is typically included through the government's normal indirect cost rate applied to direct project expenses. For tribal governments, Ecology and the Native American government representative must determine the eligible portion.

**Illegal costs** - costs incurred as a result of procurement practices not in compliance with state or federal procurement laws may be ineligible and not reimbursed at the sole discretion of Ecology.

**Interest and other financial costs** - interest on debt, bond discounts, cost of financing and refinancing operations, and legal and professional fees are ineligible, except when authorized by federal or state legislation.

**Late / past due fees** - incurred by failing to pay vendor invoices, permit fees, or to return items in a timely manner.

**Legal expenses** - related to claims against Ecology, and legal services furnished by the chief legal officer of the state, local, or Native American tribal government (or his/her staff) solely for the purpose of discharging his/her general responsibilities as legal officer.

**Legislative expenses** - salaries and other expenses of members of the state Legislature or similar local governmental bodies (e.g., county boards), if incurred in the members' official capacity.

**Lobbying** - expenses related to lobbying activities.

**Maintenance equipment purchases** - equipment purchased for maintenance or upkeep of project land or a building site (e.g., lawnmowers, snow removal equipment, shovels, and brooms), except when it is identified in the scope of work.

**Maintenance and repair** - maintenance and repair work that adds to the permanent value of the property or appreciably extends its designed life.

**Other project costs** - no costs that are determined to be ineligible for one project may be charged to another project.

**Oversight costs** - costs for Ecology's time to monitor or oversee work at industrial facilities, hazardous waste facilities, or cleanup sites.

**Personal injury compensation** - or damages arising out of the project, whether determined by adjudication, arbitration, negotiation, or otherwise.

## E. Direct Costs

Direct costs are those that can be identified specifically with a particular objective of the project, such as:

- Compensation of employees for the time worked on the project.
- Cost of materials, equipment, and supplies purchased for the project.
- Cost of services specifically used for the project.
- Cost of approved capital expenditures used specifically for the project.
- Costs of services furnished for the project by other entities.
- Costs identified as eligible or approved conditionally eligible.

The recipient may bill all eligible costs and approved conditional eligible costs that can be identified specifically with the project, subject to the agreement and program funding guidelines.

The recipient must compute the direct charges in the same way they would be computed if the costs were related to any other recipient activity. For instance, if the recipient's motor pool normally bills vehicle mileage back to individual jobs, then the same method must be applied to mileage related to the project. Otherwise, the cost must be included in indirect cost.

## Reimbursing Cash Expenditures by Local Governments

A recipient that is a local government agency may receive cash contributions to its project from another local government, through an interlocal agreement. These may be considered cash expenditures by the recipient, and the recipient will be reimbursed for these costs in the same way it would be reimbursed for its own cash outlay, as long as all the following conditions exist:

- There is a valid written agreement, reviewed by Ecology, between the recipient and the other government entity detailing the work to be accomplished, and the cash to be contributed for that purpose.
- The agreement specifies that any reimbursement received by the recipient for the cash outlay of the other government entity will be passed through to that government entity.
- The other government entity's cash costs are reported as cash expenditures.
- The costs would have been eligible if incurred by the recipient.

Ecology only reimburses the recipient. The recipient must pass through the other government entity's share per its interlocal agreement.

**Example:** The recipient has a \$100,000 project. Ecology funds 75 percent, and recipient funds 25 percent of total project costs. The recipient expends \$60,000 of its own cash, and they have an interlocal agreement with another government entity to perform a portion of the project work. The other government entity expends \$40,000. Ecology will only reimburse \$75,000 total to the recipient. The portion that was not reimbursed by Ecology would be considered the recipient's 25 percent cash match. The interlocal agreement between the recipient and other government entity would include how the funds Ecology reimbursed would be distributed.

## F. Indirect Costs

Indirect costs, sometimes called overhead costs, are business or operational costs incurred for a common purpose and not directly connected with a specific project. Indirect costs include costs incurred by the recipient, and may include costs incurred by others who supply goods, services, or facilities to the recipient, such as:

- Utilities for a facility used for both project-related and non-project-related recipient activities.
- Maintaining a department that provides services to a project, as well as other recipient activities (e.g., a warehouse or mailroom).
- Supervisory staff or management who oversee project activities and other, non-project-related recipient activities.

There is no universal rule for classifying certain costs as either direct or indirect. A cost may be indirect with respect to some of the recipient's functions, but be

considered direct with respect to a particular project. It is important that each cost item be treated consistently throughout the project either as a direct or indirect cost.

**Example:** "*Communication*" is included in the indirect rate, and is intended to cover the basic telephone and cell phone charges associated with maintaining contact with the recipient. But long distance calls associated directly with the project may be direct billed. "*Insurance*," such as the project portion of the recipient's regular fire and liability insurance, is included in the indirect cost, while the cost of an insurance policy taken out specifically for a project may be direct billed.

## **Ecology Has a Uniform Indirect Rate**

### **Federally funded projects**

Recipients must use their federally approved indirect rate for projects that are federally funded. The other option is to use a de minimis rate, which is 10 percent of the modified total costs. See 2 CFR 200.414.

### **State-funded projects**

Recipients may use an indirect rate of a maximum of 30 percent of salaries and benefits. This is a negotiated rate between the recipient and its Ecology funding program contact, and is subject to Ecology approval.

## **Costs Normally Included in the Indirect Rate**

Ecology may choose to disallow any indirect cost as part of a funding program.

The following costs are typically included in the indirect rate:

- **Communication** - includes line charges for telephone, cell phone, pagers, and fax machines; internet service; and postage charges.
- **Fuel consumed** to generate power or provide heat.
- **Insurance** - fire, casualty, theft, bonds, liability, etc.
- **Intergovernmental interfund services** - costs to other recipient departments for services rendered jointly to the project and other recipient activities.
- **Intergovernmental professional services** - costs charged by other governmental entities for functions normally provided by governments and not by private businesses (such as police or fire protection).
- **Office furnishings and operating supplies** - office furnishings, stationery/supplies, forms, cleaning supplies, etc.
- **Operating rentals and leases** - rental costs for facilities or equipment - such as buildings or copy machines that are shared by the project and other recipient activities.
- **Professional services** - auditors, management consultants, legal, custodial, janitorial, messenger services, etc., shared by the project and other recipient activities.

- **Repairs and maintenance** - labor and supplies to repair or maintain real or personal property.
- **Small tools and minor equipment for administrative use** - calculators, label makers, fax machines, telephones, etc.
- **Utility services** - water, electric, gas.

## G. Match Requirements

Recipient may be required to contribute toward the grant or loan project. The match contributions are considered the recipient's share of the project. Contributions may be a specified amount or percentage of the Total Eligible Cost for a project.

**Example:** A \$100,000 grant has a 25 percent match requirement; Ecology will pay 75 percent (\$75,000) of eligible costs, as long as the recipient pays \$25,000 for eligible costs of the project.

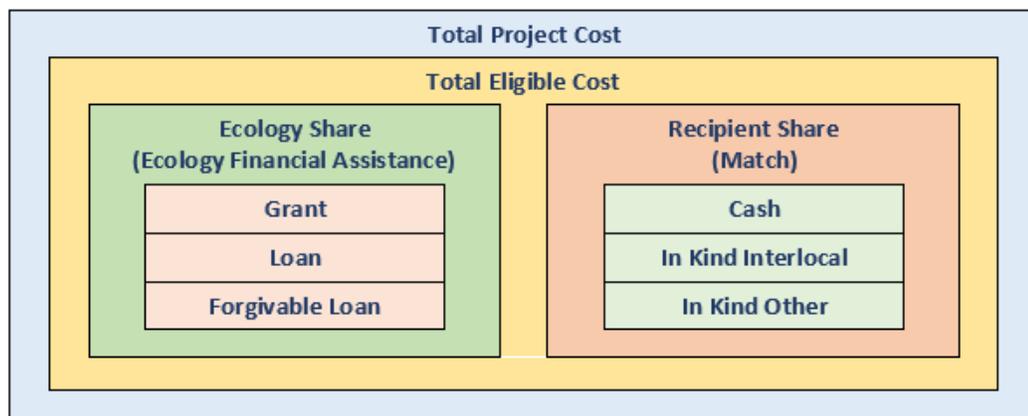
If a recipient does not contribute the required match amount, Ecology's funding may be reduced to maintain the required match ratio.

**Example:** A \$100,000 grant has a 25 percent match requirement; but the recipient only provides \$20,000, instead of the required \$25,000. To maintain the 25 percent match ratio, Ecology will pay only \$60,000 of eligible costs.

### Different Types of Match

Match may be either actual funds spent by the recipient or in kind contributions. For a cost to qualify as a match, it must be eligible under the agreement and funding program guidelines. Any ineligible costs are at the expense of the recipient and are not reimbursed or allowed to be used as match. Recipients should review the funding program guidelines for specific match requirements.

There are three types of possible match: Cash, In Kind Interlocal, and In Kind Other, as shown in this image, which depicts the Ecology share and the recipient share, or match, as part of the total eligible costs.



## **Cash Match**

Recipient may be required to provide a specific percentage of match as cash expenditures. Cash match are those eligible costs that are paid by the recipient.

- Cash match **must** be:
  - An eligible project cost paid by recipient.
  - Recipient cash expenditures that are not reimbursed by Ecology.

## **In Kind Match**

There are two types of in kind match:

- In Kind Interlocal
- In Kind Other

In kind contributions are valid match only to the extent that they would be eligible if the recipient had paid for them, and as allowed by the terms of the agreement and funding program guidelines.

### **In Kind Interlocal Match**

In kind interlocal match contributions are made to the project by a governmental entity other than the recipient.

In kind interlocal match requires a written agreement between the government entities. The agreement must detail the work to be accomplished, the goods or services to be provided, and its value. The recipient must not reimburse the contributing entity for these match contributions.

Funding program guidelines may permit contributions by other governmental entities to meet a cash match requirement if they meet the following:

- The other governmental entity receives no reimbursement from the recipient.
- The costs would have been eligible if incurred by the recipient.
- Ecology has reviewed the written agreement.
- The costs are reported as in kind interlocal match in the payment request.
- Expenditures are documented in the same way as costs incurred by the recipient.

**Example:** A \$100,000 grant has a 25 percent match requirement, and 15 percent of that must be a cash contribution. The funding program guidelines and the agreement allow the remaining 10 percent to be paid with either cash or in kind contributions. Ecology will pay for \$75,000 of eligible costs, as long as the recipient pays \$15,000 of the eligible costs, plus the remaining 10 percent (\$10,000) with either cash or in kind contributions.

### **In Kind Other Match**

In kind other match contributions are made to the project by non-governmental entities that are not reimbursed by the recipient. Funding program guidelines may limit the amount of in kind other allowed to be used as match.

In kind other may include:

- Volunteer services.
- Employee services donated to a project.
- Donated or loaned equipment, real and personal property, and goods or services.

### **Contributions Not Eligible for Match**

- **Costs used as match on another project.** No expenditures or in kind contributions used as match on one project may be used as match on another project.
- **Costs paid by the same funding source.** A match that comes from the same funding source as the grant or loan, even if it passes through another party to the recipient.
- **Other Ecology grant funds.** The recipient should check funding program guidelines or their Ecology contact person and the agency issuing the other grant to ensure funds from the other grant can be used as match for the Ecology grant.
- **Costs financed by penalties and/or fines.** The recipient cannot use income associated with penalties and/or fines for a match.
- **Costs financed by project income.** Income generated by the project is not a valid match unless expressly permitted in the agreement.
- **Services or property financed by income earned by contractors.** No costs of services or property supported by contractor earned income may count as match unless expressly permitted in the agreement.
- **For federal grants, costs covered by another federal grant.** Costs covered by one federal grant are not allowed to be used as match on another federally funded grant project, except as provided by federal statute or funding program guidelines. This prohibition does not apply to program income earned by a recipient from a contract awarded under another federal grant. Note: for purposes of match, general revenue sharing funds distributed under 31 U.S.C. 6702 (local government assistance fund) are not considered federal grant funds.

### **Match Documentation**

The recipient must provide proper documentation to support its match. Without documentation demonstrating that the match requirement has been met, the recipient will not be fully reimbursed for expenditures. If the match is properly documented and meets the applicable eligibility criteria, expenditures may be reimbursed according to the agreement.

All eligible costs used for match are to be reported and incurred within the effective dates of the agreement.

## **Supporting Documentation**

All match must be supported by documentation acceptable to Ecology and be verifiable from recipient records. Examples include (but are not limited to):

- Itemized receipts
- Payroll reports
- Time and effort records (time sheets and work logs)
- Detailed invoice from recipients, contractors, sub-contractors, etc.
- Description of work performed
- Vendor invoices
- Mileage logs
- Hourly composite rate worksheets
- Meeting attendance records
- Travel vouchers
- Valuation of Donation or loaned equipment
- Use-cost comparison

## **H. Valuation of Donated Service and Real Property**

Donated services or real property may be used for match purposes for cash, in kind interlocal, or in kind other contributions if allowed under the agreement and funding program guidelines. The recipient is prohibited from making any reimbursement or payment related to the donation, and no donated services or properties can be charged to a project as direct or indirect cost.

Ecology reserves the right to make the final determination of the value of a donated service or property used for a match and may request additional documentation to support the value. If no invoice or documentation is provided by the contributor of a donated service or property, it must be documented by the recipient. For donations not described below, a monetary value placed on the service or property must be fair and reasonable, and agreeable to Ecology.

### **Donated/Volunteer Labor and Services**

Some funding program guidelines allow the recipient to use donated/volunteer labor or services donated by a third-party (not the recipient or a contractor under the grant or loan agreement) to a project as a match. Again, the recipient must not make any reimbursement or payment related to the donation.

The amount of match allowed is determined by the program funding guidelines and the actual hours donated toward the project according to the following, when:

- A third party (not the recipient or a contractor) donates the services of its employee to the project at no charge to the recipient, and the services are in the employee's normal line of work (e.g., an engineer provides engineer drawings):
  - The work is valued at the employee's regular rate of pay.

- An adult voluntarily provides unpaid labor or services to the project:
  - The work is valued according to the Employment Security’s Occupational Employment and Wage Estimates Report for the type of labor or service provided.
- A minor voluntarily provides unpaid labor to the project:
  - The work is valued at 85 percent of the labor rate from the Employment Security’s Occupational Employment and Wage Estimates Report for the type of labor or service provided.

The following guidance applies when using donated/volunteer labor and services as match:

- Donated volunteer labor must be documented by a time record signed by the volunteer coordinator and approved by the recipient.
- Volunteer labor for adults and youth is allowed by the Fair Labor Standard Act, however, some restrictions may apply.
- Volunteers’ travel expenses cannot be used as match. If a third party reimburses its employees for travel expenses related to the project, those costs are eligible match contributions on the part of the third party.
- Time spent by state employees performing their official duties is not considered volunteer labor.

### **Property Donated by the Recipient**

Funding program guidelines may allow the recipient to use the current market value of real property, equipment, or supplies it donates for a construction project as match. The current market value of that property is an eligible cost if specifically allowed in the agreement.

If any part of the donated property was acquired with Ecology funds, only the non-Ecology share of the property is eligible, unless allowed in the agreement. Likewise, if any part of the donated property was acquired with federal funds, only the non-federal share of the property is eligible. **Note:** subsequent sale of the property may require reimbursement to Ecology – see the Property Management section of this document.

### **Property Donated by a Third Party**

Funding program guidelines may allow the recipient to use real property, equipment or supplies donated by a third party to a project as match, if:

- The title of the property is transferred to the recipient.
- Only the portion of the property used for the project may be as match.

Donated property is valued using fair market value at the time of donation, if the agreement’s purpose is to help the recipient obtain the property for the project. Ecology may require an independent appraisal to establish the market value.

**Example:** The project requires obtaining one acre of land. Land was donated as part of a five-acre parcel. Only the current fair market value of the one acre can be used as match.

### **Property Loaned by a Third Party**

Funding program guidelines may allow the recipient to use the value of loaned property as match if part of the agreement's purpose is to support activities that require the use of property for the project.

If a third party donates the use of property, but retains title, the donation will be valued at the current fair market rental rate of the property. But, the rental amount (use allowance) over the period of the agreement may not exceed the purchase amount for the property.

**Example:** A piece of equipment (e.g., bulldozer) was donated to the project, but was not a part of the agreement. The equipment will be used one month on the land for clearing. The match value of the equipment is determined by the actual use of the equipment on the project. The fair market rental rate for the equipment for one month is the basis for the match value.

# **PART IV – FINANCIAL REQUIREMENTS**

## **A. Financial Management**

### **Standards for Financial Requirements**

The recipient must expend and account for project funds according to its own policies and procedures, and the following:

- State: RCW 43.88.160.
- Federal: Uniform Administrative Guidance for your organization.

### **Standards for Accounting Principles**

The recipient must ensure its accounting procedures meet the following requirements.

- Provide accurate and complete disclosure of project funds to ensure all financial reporting requirements of the agreement are met.
- Provide effective internal control and accountability for all project cash, real and personal property, and other assets.
- Maintain appropriate supporting documentation. This includes canceled checks, invoices, purchase receipts, payrolls, time and attendance records, and any contracts awarded by the recipient with project funds.
- Conform to applicable cost principles detailed in the agreement.
- Maintain records according to the recipient's retention schedule and per the agreement.

### **Standards for Accounting Records**

Accounting records must include the following:

- General ledger, which classifies, records, and summarizes all accounting transactions relevant to the project.
- Accounts receivable ledger, which records all funds (cash, checks, money orders, etc.).
- Accounts payable ledger, which records all expenditures, including date, warrant or voucher number, payee, and purpose of the payment.
- Payroll records, which include payroll register and time records.

### **Standards for Recipient Payments to Contractors**

Recipients must:

- Make timely payments to contractors.
- Clearly show how funds were spent, by task.
- Only bill one granting entity for each expenditure.
- Maintain supporting documentation for all claimed expenditures.

## B. Retainage on Construction Projects

When the recipient is using retainage in a construction contract, Ecology reserves the right to withhold reimbursement of up to five percent of the total amount of the grant or loan until the project is completed.

A project is considered complete for these purposes when all of the following conditions are met:

- All required activities outlined in the agreement are done.
- The completed project has been accepted by Ecology.
- The recipient has submitted a final progress report to Ecology.

## C. Budget Design

Every grant and loan agreement has a predetermined budget detailing how the funds will be spent. It is negotiated between Ecology and the recipient before the agreement is finalized. The budget lists individual costs by task and the total budget amount used to manage and accomplish the project.

### **Fund Sources**

Ecology discloses the funding source(s) and any eligibility requirements or restrictions required by the fund source(s) used in the budget. Projects with more than one fund source and different eligibility or match requirements are established with separate funding distributions. The agreement includes specific guidelines.

### **General Budget Principles**

- The agreement is based on a budget that is made up of at least one task.
- The eligible costs are tracked by task, and based on meeting the goals and objectives outlined in the agreement.
- Actual costs may vary per task by 10 percent, subject to Ecology's approval, but any variances must be reported promptly.
- Total maximum budget cannot be exceeded, unless the agreement is amended.
- Sales and use tax may be reimbursed if permitted by funding program guidelines. The tax amount cannot be included in overhead or deducted from federal taxes. The amount of sales and use tax must be identified separately in the task that includes the tax amount.
- Cash expenditures and in kind contributions are reported and tracked by task.
- Indirect costs for each task must be included in the budget to be reimbursed.

When permitted in funding program guidelines, a contingency may be listed as a separate task to cover potential change orders or cost overruns.

### **Payment Requests/Progress Reports**

The agreement describes how often payment requests may be submitted for reimbursement. Progress reports are required at least quarterly. The agreement may allow more frequent payment requests, but each payment request must include a Progress Report.

### **Submitting Payment Requests/Progress Reports in EAGL**

EAGL uses a rolling two-quarter period (i.e., the current and previous quarters are available). When possible, report expenditures within the payment request date range, indicated by the payment request number, that matches the date the costs were incurred. If the billing period is not available, select either quarter with an end date that incorporates all your invoices.

You must select a date range for your payment request that incorporates all your dates of cost incurred, i.e., if your costs run through August, you may not select a payment request date range that ends in June because you will only be paid for costs through June. In this case you will need to select the quarter that includes August, which is the quarter through September.

### **Submitting Payment Requests/Progress Reports for Legacy Agreements**

Payment requests consist of Ecology-approved Invoice Voucher forms: A19-1A, B11/B2, C1/C2, and a program-specific progress report. The recipient must:

- submit an A-19 with an original signature in blue ink, signed by the authorized person. The B2 and C2 forms are acceptable in electronic format.
- also include all backup documentation to support costs itemized on Form C1/C2.

The B1 and C1 forms are used if the recipient requests reimbursement of in kind or interlocal costs.

### **End of State Fiscal Year – 30-Day Requirement**

The state's fiscal year ends on June 30. All services and products received and in hand before the end of June must be invoiced by July 30. At the end of the state's fiscal year, Ecology will notify the recipient of a deadline for submitting an invoice or estimate of costs through June 30.

### **Final Payment Requests**

Final payment requests are due within 30 days of agreement expiration; otherwise funds may not be available to reimburse costs. Final progress reports must be submitted prior to Ecology making a final payment.

### **Supporting Documentation**

Recipients must submit all supporting documentation with each payment request or progress report according to the agreement.

## **Reporting Forms**

Forms the recipient uses to provide required supporting documentation are available from Ecology's website at <http://www.ecy.wa.gov>. If the agreement is in EAGL, the recipient must use EAGL forms.

### **Form D – Contractor Participation Report**

Used to document voluntary and mandatory state and federal reporting requirements around Minority- and Women-Owned Business Enterprises, and Disadvantaged Business Enterprises.

### **Form E – Monthly Time Sheet**

Used to document staff hours performed for the funded project by any person, paid or volunteer, who provides services to the project.

### **Form F – Record of Meeting Attendance**

Used to document meetings where volunteer hours are claimed as in kind contributions. Complete a form for each funding source.

### **Form G – Sales and Use Tax Report**

Used to document credit to the fund source for sales and use taxes paid, whenever the funding program guidelines permit.

### **Form H – Conversion to a Composite Hourly Billing Rate for an Employee**

Used to calculate and document an hourly billing rate, which includes benefits and leave, for work on a project by a salaried employee. For example, when a salaried employee works part-time on a project, this form is used to calculate an hourly rate for actual time spent working on the project.

### **Form I – Valuation of Donated Property**

Used to document the value of donated supplies, property, and equipment or space if an invoice is not available.

### **Form J – Cash Flow Projections**

Used to document the projected cash flow and to track progress. Provide a form for each funding source.

## **D. Ensuring Budget Conformance**

Ecology reviews each payment request for accuracy and completeness, and verifies that all costs are eligible and billed to the correct task and funding source. In all cases, the recipient must review and save the payment history form before submitting each payment request.

### **Ineligible Costs**

If Ecology determines a cost is not eligible (in whole or in part), Ecology may notify the recipient. Depending on the correction required, the recipient may have to submit a

modified payment request. Ecology notifies the recipient after each payment request is approved and paid. The recipient should review the payment history payment request forms to confirm the amount paid and identify any denied or modified charges.

## E. Project Income

Project income is defined as any monies received by the recipient and directly generated or earned only as a result of the project during the agreement period.

Project income can include, subject to the terms of the agreement:

- Fees for services performed.
- Compensation for using or renting real or personal property acquired with project funds.
- The sale of commodities or items fabricated under an agreement.

Project income does not include (unless identified as project income in the agreement):

- Rebates, credits, discounts, or refunds, or any interest earned on these items.
- Taxes, special assessments, levies, fines, and other such revenues raised by a recipient.
- Proceeds from the sale of real property or equipment, when handled according to the requirements of the Property Management section of this document.

### **Computing Project Income**

Project income is generally deducted from total eligible costs when determining the maximum eligible costs for a grant or loan.

**Example:** Eligible costs of \$5,000 are submitted in a payment request, and the recipient has received \$200 in a rental fee from a third party for equipment purchased under the agreement. Enter eligible costs of \$5,000 and rental fee of \$200 for a net of \$4,800 on the payment request.

To compute reimbursement, the fund share (percent) is applied to the net costs after deducting the project income.

**Example:** In the above example, if the Ecology/recipient share is 75/25, the recipient would be reimbursed 75 percent of \$4,800.

Project income may be used as match when authorized in the funding program guidelines.

### **Project Income Earned by Contractor**

When allowed by funding program guidelines and the agreement, contractors working on a project funded by a grant or loan may earn income from the activities carried out under the contract.

Income might include money earned from selling excavated materials, subject to limitations in the agreement or contract.

**Example:** The contractor removes top soil from a project site and sells it to a nursery. The income from the sale may be retained by the contractor or credited to the project, depending on the terms of the contract.

## F. Cash Flow Projections

To ensure funding is available to cover the needs of all recipients in a timely manner, Ecology may periodically ask the recipient to provide estimates of their cash flow requirements, using a Cash Flow Projection form (Form J).

Cash flow projections are the best estimates of future payment requests by fund and by month. Ecology may require the recipient to provide and update a spending plan that Ecology can use for cash flow projections.

# PART V – PURCHASING AND CONTRACTS

## A. General Requirements

The recipient may procure goods and services related to performance under a grant or loan. This section provides an overview of procurement requirements for goods and services, public works, and architectural and engineering services.

### General Principles

The recipient must use procurement practices that are consistent with state laws and rules and, when applicable, federal law. This ensures fair, legal, and open competition. Ecology may ask the recipient to provide documentation that it followed all applicable laws and requirements.

### Standard Procurement Practices

In purchasing and awarding and administering contracts, recipients must:

- **Use sound business judgment** and fair administrative procedures.
- **Use acceptable and standard procurement practices** to maintain the integrity of the procuring process for a fair, open, and legal procurement.
- **Follow open competition practices** whenever possible.
- **Select responsible contractors** with the ability to successfully perform under the awarded contract terms. Recipients may consider things like project timeline, capacity to perform, integrity, past and existing compliance with laws related to the contract or services, past performance, financial and technical resources.
- **Analyze for cost effectiveness** to avoid procuring unnecessary or duplicate items, and consolidate or break out purchases as appropriate to obtain a more economical price. Where applicable, the recipient should analyze rent or lease versus purchase alternatives to determine the most economic approach. Government recipients are encouraged to use intergovernmental agreements for procurement when cost effective.
- **Ensure contractor compliance** with the same grant and loan terms and conditions as the recipient, including complying with all applicable federal, state, and local laws and regulations related to discrimination, labor and job safety, and environmental protection. The recipient is responsible to ensure that the contractor performs according to its contract terms and conditions. A contractor's non-compliance may make the contractor's costs ineligible, in which case Ecology cannot reimburse the recipient for those costs.

- **Monitor travel expenses** for ways to limit unnecessary travel expense by using technology (e.g., video conferencing and webinars).
- **Resolve disputes promptly and fairly** to settle all purchasing, contractual, and administrative issues in a timely, fair, and just way. This includes complaints, protests, disputes, and claims.

Recipients therefore must have complaint and protest procedures to handle procurement-related disputes and protests. Ecology reserves the right to require the recipient to disclose all complaint and protest details to Ecology.

**Maintain documentation** and complete records of procurement and contract activities. Records must be easily accessible for the recipient, Ecology, and auditors to review. See Documentation Requirements section below for more detail.

- **Maintain standards of ethical conduct** that govern the performance of its employees engaged in procurement activities and administering contracts. An employee, officer, or agent of the recipient must not participate in the award or administration of a contract under an Ecology grant or loan if there is a real or apparent conflict of interest. Such a conflict exists when any of the following has a financial or other interest in the contractor selected.
  - Recipient’s employee, officer, or agent.
  - Recipient’s immediate family member.
  - Recipient’s partner.
  - An organization that employs, or is about to employ any of the parties on this above list.

The recipient's officers, employees, or agents must not solicit or accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or other parties to contracts. Recipients may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal value. To the extent permitted by state or local law or regulations, the recipient's code of conduct must provide for penalties, sanctions, or other disciplinary actions for violations by its officers, employees, or agents, or by its contractor's officers, employees, or agents.

- **Consider Minority and Women’s Business Enterprises Goals** as established by the Washington State Office of Minority and Women’s Business Enterprises (OMWBE) for the participation of minority and women’s businesses enterprises in procurements made with Ecology funds. A grant or loan agreement must specify the OMWBE goals relevant to the project, and Ecology encourages achieving these goals. For questions, contact the OMWBE.

### **Documentation Requirements**

The recipient must establish and maintain procurement and contract files that contain all of the following.

- Any public notices related to the procurement.
- Copy of the contract or purchase order, including any amendments or change orders.

- Invoices and payment records.
- Justification for any sole source procurement.
- Justification for any emergency procurements.
- Specific information for any competitive solicitation procurement.
  - Name, address, telephone number, and business name of each vendor contacted.
  - Method of vendor notification and contact (copy of advertisement or bidder's list).
  - Copy of all solicitation documents and correspondences.
  - Bidder's responses.
  - Evaluation notes and summary sheet.
  - Name of successful vendor or contractor and written justification for selection.
  - Award letter or notices.

### **Contract Provisions**

Recipients must ensure all its contracts are written, enforceable, and legally sound. Each contract must include the following items.

- Vendor information, purpose, scope of work or specifications, deliverables, performance dates, and cost.
- Signatures of all authorized parties to the contract. Billing and contact information.
- Administrative, contractual, or legal remedies in instances of defaults or breach of contract terms.
- Provisions for termination, including the conditions and process.
- An insufficient funding provision that applies if Ecology's funding from state, federal, or other sources is withdrawn, reduced, or limited in any way.
- A requirement to retain procurement and contract records for at least three years after the close of the agreement.
- Equal opportunity employment and nondiscrimination requirements.
- A notice of Ecology copyright with rights to any data or documents created or developed because of or under the contract. The notice must state that Ecology:
  - Retains a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use the data or documents.
  - Can authorize others to use the data or documents for federal, state, or local government purposes.
- Reasonable indemnification and insurance requirements.
- Designation of Washington State Department of Ecology as an express third-party beneficiary.
- Provisions to comply with Prevailing Wage laws, as appropriate.
- Any additional provisions required by the funding program guidelines and agreement.

### **Cost Basis of a Contract**

The cost basis for a contract can be either cost-reimbursement, unit price, fixed-price, time and materials, or any combination of these four methods. No contracts may be written for "cost-plus-a-percentage-of-cost" or "percentage of construction cost."

Recipients shall negotiate profit as a separate price element for any cost reimbursement contract. To establish a fair and reasonable profit, consideration may be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of the contractor's past performance, and industry profit rates in the surrounding geographical area for similar work.

### **Ecology review of Solicitations, Bids, Proposals, Awards, and Amendments**

Recipients may be required to submit all procurement documents to Ecology for review.

## **B. Goods and Services**

Recipients must:

- Procure goods and services in a way that provides fair, legal, and open competition.
- Comply with the provisions of Chapter 39.26 RCW as applicable.
- Follow the General Standards for Competitive Solicitations of Goods and Services outlined below if the recipient has no formal procurement procedures.

### **General Standards for Competitive Solicitations of Goods and Services**

When conducting a competitive solicitation, recipients must:

- Prepare bidding documents that clearly identify all bidding requirements, minimum goods or service requirements, and the evaluation factors with their relative importance.
- Use descriptions that avoid detailed product description, and focus on performance. When necessary, a “brand name or approved equal” description may be used to define the performance or other prominent requirements. In this situation, bidding documents must clearly state the specific features of the named brand that must be met for responsiveness.
- Communicate all bidding information, any change in response periods, and any other relevant information to potential vendors. Requests for bids and amendments must be publicized in an open and fair manner.
- Provide a reasonable time period for vendor responses, generally a minimum of two weeks, depending on the good or service being sought.
- Solicit responses from an adequate number of qualified sources, usually at least three vendors, when possible.
- Select the vendor whose response is determined the best value for the project.  
Evaluation criteria may include:
  - Price and the effect of any applicable discounts, rebates, or taxes.
  - Quality of the good or service proposed to be supplied, and how it conforms to the specifications and purpose.
  - Vendor ability, capacity, and skill to perform the contract or provide the goods or services required.

- Vendor character, integrity, reputation, judgment, experience, and efficiency.
- Previous contract performance of the vendor.
- Environmental factors and energy efficiency of the product sought as projected throughout its anticipated useful life.
- Effect of reciprocity assessments or other preferences defined by statute.
- Send a Notice of Apparent Successful Bidder to all bidders after selecting a bidder using the award methods described in the bidding documents.
- Allow a minimum of three days after the Notice of Apparent Successful Bidder for other bidders to schedule a debriefing.
- Provide a method for complaints and protests and ensure vendors have a method for expressing concerns and questions about all solicitations and processes.
- Provide public records access according to state law.
- Send award notice to all bidders at the same time.
- Reject any or all responses when it is in the recipient's best interest to do so, according to applicable laws and regulations.
- Document the procedure and process used to evaluate bid responses and to make the final selection.
- Document sole source procurements with justification supporting the uniqueness or special market conditions requiring it.

**Recipients must not:**

- Place unreasonable requirements on vendors for them to qualify or bid.
- Require unnecessary experience or excessive bonding.
- Use noncompetitive pricing practices between vendors or between affiliated companies.
- Create potential conflicts of interest.
- Take any arbitrary or capricious action in the procurement process.
- Make awards to consultants placed on retainer without going through the sole source advertisement process.

## C. Public Works Projects

This section sets out a general overview of procurement and contract requirements for public works projects. Recipients must have documented public works policies and procedures for any public works projects, which ensure the best project value through open and fair competition.

**Public Works Laws**

Recipients use their own procurement procedures and authorities in applicable laws for methods and restrictions when executing public works projects.

Recipients to follow the applicable statute:

Chapter 35.01 RCW ..... Municipal Corporations Classified  
Chapter 35.21 RCW ..... Miscellaneous Provisions  
Chapter 35.22 RCW ..... First-Class Cities  
Chapter 35.23 RCW ..... Second-Class Cities

Chapter 39.04 RCW ..... Public Works  
Chapter 39.08 RCW ..... Contractor's Bond  
Chapter 39.12 RCW ..... Prevailing Wages on Public Works

Chapter 60.28 RCW ..... Lien for Labor, Materials, Taxes on Public Works

Chapter 70.150 RCW ..... Water Quality Joint Development Act

### **Contractor Selection**

The recipient publishes a public notice advertisement and uses a sealed bid process to select public works contractors.

### **Contractors Not Allowed to Bid**

Recipient to check the following on the [Department of Labor & Industries web site](#):

- List of contractors not allowed (debarred) to bid on or work on public works projects before you consider bids. See RCW 39.04.350.
- Apprenticeship violation list. See RCW 39.04.350(1)(e).
- List of contractors who have violated Prevailing Wage law, Contractor Registration law, Industrial Insurance law, or Apprenticeship law.

### **Public Works Solicitation**

The recipient determines if a contract involves "public work," and if so, includes public works requirements in the bid specifications and resulting contract.

At a minimum, Public Works solicitation documents include:

- Name and description of the project.
- Project budget and performance schedule.
- Bid Price worksheet.
- Any applicable specifications and drawings to define the work.
- The bidder's acknowledgement that they are familiar with the project and has received any and all information relevant to the project that affects the price of completion.

### **Bid Guaranty**

Public Works bids require a bid guaranty of five percent of the bid amount, that must accompany bids of \$35,000 or more. The guaranty can be in the form of a bid bond or a cashier's check. After contract award, the bid guaranty must be returned to all bidders, except the successful bidder, which is retained until a performance bond is provided.

## **Determining a Responsive Bid**

At a minimum, a responsive bid must include:

- The name and license number of the contractor, who must be registered/licensed in the state of Washington.
- A proposed cost for completing the work.
- The bidder's acknowledgement that they are familiar with the project and have received any and all information relevant to the project that affects the price of completion.

## **Selecting the Successful Bidder**

The recipient must open and read bids according to state law or local ordinance and the recipient's guidelines or procedures. After the bids are opened, the recipient may only negotiate with the lowest responsive bidder. All bids must either be rejected or the bid awarded to the lowest responsive and responsible bidder.

The recipient determines the lowest responsive and responsible bidder based on criteria set by state law and supplemental criteria identified in the solicitation. The recipient must document all award decisions, including support for any decision to or not to award.

## **Awarding Contracts**

The recipient must notify all bidders of the award decision. The recipient notifies the successful bidder regarding the time period required to execute the contract and obtain a performance bond.

Construction contracts must include any unique project requirements identified in the grant or loan agreement for the project.

## **Performance or Contractor Bond**

Public Works contractors must post a performance bond according to Chapter 39.08 RCW. The bond is intended to ensure the contractor performs all provisions of the contract and pays all suppliers, laborers, and subcontractors for goods and services provided.

## **Prevailing Wages**

The recipient is to assure all required prevailing wages are paid on public works projects according to Chapter 39.12 RCW. The contractor is required to file Intent to Pay Prevailing Wages and Affidavit of Wages Paid. Contact the Department of Labor and Industries regarding questions concerning prevailing wage rules and requirements.

## **Payments**

Contractors are paid for completed deliverables, milestones, or actual costs incurred on a monthly basis, less any age withholdings stated in contract documents.

## **Withholding Retainage**

The recipient must withhold retainage according to Chapter 60.28 RCW for public works projects. Retainage is necessary to assure the contractor pays all taxes and claims.

### **Releasing Retainage**

The recipient must immediately notify the Department of Revenue, Department of Labor and Industries, and the Department of Employment Security after completing the public works contract.

Retainage is held for a minimum of 45 days after the contract is complete to provide adequate time for claims. Before releasing any retainage, the recipient must confirm all affidavits of wages paid have been submitted by all contractors and subcontractors, all taxes paid, and the Departments of Revenue, Labor and Industries, and Employment Security have released their interest in the retainage.

### **Amendments (Change Orders)**

The recipient should be prudent when issuing change orders. Excessive or significant change orders without new bids may be challenged as evasions of bidding laws.

Funding program guidelines may require Ecology to approve amendments/change orders. Recipient will contact Ecology for approval per funding program guidelines and funding restrictions.

Amendments/change orders are typically approved if:

- Changes are reasonably within the scope of the original project.
- There is an increase or decrease in the amount owed to the contractor as a result of reasonable adjustments in the project or an unknown cause that is discovered after the fact.
- The performance schedule of the project is altered.

Amendments/change orders must be in writing and approved by the recipient and contractor. Prior approval is the preferred method. It's best to include instructions for handling amendments/change orders in the public works contract.

### **Contingency Allowance**

Funding program guidelines may allow the recipient to use a contingency allowance task to handle possible change orders or other costs not anticipated.

### **Maintenance or Warranty Bond**

The funding program guidelines or agreement may require contractors to post a maintenance or warranty bond for a specified period, intended to guarantee the material, workmanship, quality, and durability of the project.

## D. Architectural and Engineering Services

Recipients must use a fair and open process to award contracts for architectural and engineering (A&E) design consultant services. Recipients must comply with the Chapter 39.80 RCW as applicable.

Recipients must follow their standard A&E procurement procedures and applicable state law in making these awards.

Recipients with no formal procurement procedures shall follow the General Standards for Competitive Solicitation Procedures outlined in the Goods and Services section of this document.

If the recipient is unsure whether they have the legal authority to procure A&E services, contact the state of Washington, Department of Enterprise Services, Engineering and Architectural Office for guidance.

A&E services are procured using a Request for Qualifications process that requests submissions of qualifications for a project.

Procurement is a performance based selection process with fees negotiated with the most qualified firm. The process is:

- A solicitation is posted requesting submissions of qualifications.
- A panel of three to five individuals reviews and scores A&E consultant submittals, and:
  - Evaluates A&E firms against specific established project selection criteria.
  - Bases scoring on demonstrated competence and qualifications for the specific services required.
- The recipient selects the most qualified applicant without consideration of price, and negotiates an acceptable fee according to standard state rates.

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# **PART VI – PROPERTY MANAGEMENT AND RECORDS**

## **A. Property Management**

Property includes real property, equipment, tools, and supplies (see definitions in the Introduction – Part 1 above). These are typically needed to complete a project and are usually eligible costs.

Before acquiring property, the recipient determines whether it is more cost effective to purchase or lease and whether the cost is fair and reasonable. All acquired property must be used as stated in the agreement.

### **REAL PROPERTY**

This section covers guidelines for acquisition, use, and disposition of real property purchased under an agreement.

#### **Acquisition**

All property acquisition must follow the acquisition procedures in Chapter 8.26.180 RCW and Chapter 468-100 WAC. If land is purchased, the value must include the purchase price plus costs, such as legal and filing fees.

#### **Ownership**

The recipient may retain the title to real property according to funding program guidelines and the agreement. During the project, the recipient may not use real property as collateral for other interests outside the agreement, unless Ecology approves.

#### **Use**

Except as stated in federal or state law, recipients must use real property for the purposes authorized in the agreement.

#### **Disposition**

The recipient may not dispose of real property outside of what is allowed in the agreement without Ecology approval. When the real property is no longer needed for the original purpose, the recipient must request instructions from Ecology for disposition and Ecology decides which of the following the recipient must do:

- Retain title and compensate Ecology for its share of the current fair market value of the property.
  - If the agreement is still active, the amount of the compensation is deducted from any payment due to the recipient.
  - If compensation exceeds the payment due, the remaining amount becomes the recipient's obligation to Ecology.

- Transfer title to Ecology (or to some other entity designated by Ecology), and request reimbursement of the recipient's share of the current fair market value of the property.
  - The recipient must transfer title, which may be done before close-out. Any amount due the recipient is included in a payment.
- Sell the property and reimburse Ecology its share of the proceeds (minus sale and repair costs agreed by Ecology).
  - If the agreement has not expired, the original cost of the property may be deducted from the net proceeds.
  - If the recipient purchased property with project funds, and will sell that property to purchase another property under the same program, the net proceeds from the sale of the first property may be applied to the purchase of the second.
  - The recipient follows sales procedures that ensure the best value acceptable to Ecology.
  - Ecology may require the recipient to complete the sale before project close-out. The sale proceeds may be deducted from the final payment, or Ecology will invoice the recipient.

## **EQUIPMENT**

This section outlines guidance for purchase, ownership, use, and disposition of equipment.

### **Acquisition**

The recipient may purchase equipment according to the agreement and funding program guidelines. When cost effective and feasible, the recipient should consider renting versus purchasing.

- Purchases of \$5,000 or more must be pre-approved by Ecology and must be reported on the Equipment Purchase Report.
- The recipient may trade in or sell equipment if the proceeds are used to offset replacement cost. Only the difference in cost for the new equipment is eligible.
- The recipient must track equipment purchased with project funds.

### **Ownership**

The recipient may retain ownership or title to the equipment according to the agreement and funding program guidelines.

## **Use**

The recipient will use equipment only for the purposes authorized in the agreement. When not needed for the original project, the equipment may be used for other activities currently or previously funded by Ecology.

The recipient may also use the equipment for other projects if it does not interfere with the original project. The first priority for equipment use is given to the grant or loan program that provided the funds. The recipient must consult with Ecology before other uses are allowed.

Priority for other uses is in the following order:

1. Ecology programs (including federal grants administered through Ecology).
2. State or federal agencies.
3. Projects not supported by Ecology.

## **Disposition**

When equipment is no longer needed for the original purpose, or the agreement is no longer active, the recipient must request instructions from Ecology for disposition.

- Items of equipment with a current fair market value of \$5,000 or less, with written approval from Ecology, may be retained, sold, or disposed of with no further obligation to Ecology.
- If the equipment is needed for continued operation of the project or another Ecology project with the recipient, Ecology may allow the recipient to retain the equipment with no further compensation to Ecology. Ecology may add conditions for continued use of the equipment.
- If the equipment is no longer needed for the project and the recipient has no need for the equipment, Ecology may allow the recipient to:
  - Transfer ownership to Ecology (or a third party named by Ecology) and request reimbursement for the recipient's share of the current fair market value. If the recipient transfers ownership and the transfer is done before project close-out, any amount due to the recipient is included in a payment.
  - Retain or sell the equipment and pay Ecology its share of the current fair market value, sale proceeds, or other price agreed to by Ecology. The recipient follows sales procedures that ensure the best value acceptable to Ecology. Ecology may require the recipient to complete the sale before project close-out, and may deduct the sale proceeds from the final payment, or Ecology may invoice the recipient.

## **Using Ecology-owned Equipment**

When the recipient uses Ecology-owned equipment, the conditions below apply.

### **Management**

Recipients will manage the equipment consistent with best practices, industry standards, and manufacturer's guidelines. The recipient must submit an annual inventory list to Ecology. Funding program guidelines may specify additional requirements.

### **Ownership**

Ecology retains ownership of equipment. Ecology reserves the right to require immediate return of any equipment.

### **Use**

The recipient must use the equipment only for the project. Any other use must be preapproved by Ecology.

### **Disposition**

When the equipment is no longer needed for the project, contact Ecology for instructions to return the equipment. In most cases, equipment must be returned to Ecology before the final payment to the recipient. Ecology may ask the recipient to dispose of the equipment if its market value is minimal, or it is not cost effective to return. If equipment is lost, stolen, or damaged while in the recipient's care, the recipient must reimburse Ecology its current fair market value.

## **TOOLS AND SUPPLIES**

### **Acquisition**

The recipient may purchase tools and supplies according to the agreement and funding program guidelines. The recipient should consider renting versus purchasing if cost effective.

### **Use**

The recipient uses tools and supplies for the purposes authorized in the agreement for as long as needed.

Ecology may authorize the recipient to use tools and supplies for other activities when no longer needed for the original project.

### **Disposition**

When the tools and supplies are no longer needed for the project, the recipient retains ownership according to funding program guidelines.

## **OTHER CONSIDERATIONS**

### **Purchase versus Rental**

The purchase, rental, or a use allowance on purchased tools, equipment, or machinery, may be an eligible cost. The recipient is to consider all options and determine the best one based on the cost effectiveness factors below:

- Price of the item.
- Convenience for the recipient or contractor.
- Performance of specialized equipment.
- Long-term use of the item by the recipient for the project.
- Potential for use in future Ecology projects.

If the recipient rents the equipment, the rental fees are eligible costs. This is why it makes sense to consider rental vs. purchase, and purchase the equipment according to the agreement if cost effective. The recipient may be permitted to purchase equipment even though it would cost less to rent it, when there are other considerations in determining cost effectiveness.

The recipient shall clearly document the justification for the option selected.

### **Use Allowance**

When the recipient uses its own equipment, a use allowance (not to exceed current rental rates for equivalent equipment) is an eligible cost.

### **Prohibited Use of Equipment and Tools**

The recipient may not use the equipment and tools to provide services for a fee to compete unfairly with private companies providing equivalent services, unless specifically permitted by law.

## **PROPERTY MANAGEMENT AND INVENTORY**

The recipient must have a control system for managing assets. The recipient is required to take physical inventory of equipment and tools used for the project, and reconcile the results with its property records. This activity is to be conducted at least once every two years, unless required more frequently by funding program guidelines, and continue until final disposition is made. Up-to-date inventory records are required for auditing purposes.

The recipient must have a control system that includes a physical inventory to minimize loss, theft, or damage of the equipment and tools, and is responsible, as well, for investigating any loss, theft, or damage.

The recipient follows manufacturer's recommended maintenance instructions to keep equipment and tools in good working condition.

The recipient must maintain equipment records that include:

- Description of the equipment.
- Serial number or other identifying number.
- Source of the equipment (who it was purchased/donated from).
- Name of the title holder.
- Purchase date and price.
- Percentage of the acquisition price paid by Ecology.
- Location and use of the equipment.
- Condition and maintenance records.
- Final disposition data that includes date and sale price.

## B. Records Retention

### **General Principles**

This section applies to all financial and project records, supporting documents, statistics, and other records the recipient is required to maintain according to the agreement and funding program guidelines.

Ecology requires the recipient to retain original source documents for audit purposes. Recipients shall also follow their standard record retention guidelines.

### **Length of Retention Period**

Records must generally be retained for a minimum of three years after the date of project close-out. Funding program guidelines or other state or federal laws or rules may have additional record retention requirements.

### **Cost allocation plans, indirect rate calculations, and any similar overhead computations**

The recipient must retain supporting records for three years from the date the documents were submitted to the funding program. Ecology may request the recipient to provide supporting documentation for review.

### **Income received after the agreement expires**

The retention period for records pertaining to income earnings begins on the last day of the recipient's fiscal year in which the income is earned.

### **Real property and equipment records**

The retention period for real property and equipment records begins on the date of disposition, replacement, or transfer.

### **Records related to litigation or other claims**

If any litigation, claim, negotiation, audit, or other action involving the project records occurs, all project-related records must be kept until the action is complete and all issues arising from it are resolved.

**Right of Access to Records by Ecology**

Ecology and any of its authorized representatives must have the right of access to the recipient's books, documents, papers, or other records pertinent to the project. This right of access is not limited to the required retention period but lasts as long as the recipient retains the records.

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# **PART VII – PROJECT CLOSE OUT**

## **A. Recipient Responsibilities**

Within 30 days of the agreement expiration or completion date, the recipient must submit to Ecology all financial, performance, and other reports required by the agreement and funding program guidelines.

These may include but are not limited to:

- Final deliverables.
- Final progress report.
- Final request for payment.
- Recipient Close-out Report.
- Inventory of all federal or state-owned property related to the project.
- Inventory of all property acquired with project funds.
- Equipment Purchase Report for any real property or equipment purchased under the agreement.

## **B. Ecology Responsibilities**

Ecology will close out the project when it determines that all applicable administrative and funding program requirements have been met, or when the project has been terminated.

Once the recipient completes all close-out requirements, Ecology will complete the Close-out Report, approve outstanding payments, make any needed financial adjustments (see below) and complete any additional funding program requirements. Ecology will make prompt payment to the recipient once the closeout process has been finalized.

## **C. Financial Adjustments**

If the project was not completed to Ecology's satisfaction, Ecology determines the amount to be charged back against the project. A charge-back may be for lack of performance or other reasons as determined by Ecology. The recipient must repay a charge-back within 60 days of being notified of the charge-back determination. Or, Ecology may deduct the amount from the final payment request or take other actions allowed by law.

The recipient is obligated to reimburse Ecology for any funds owed as a result of an audit, late refunds, overpayment, corrections, or other transactions. This must be done within 30 days after notice.

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