

# PROGRAM 1 – MUNICIPAL GRANTS PROGRAM

## DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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### I. PROGRAM OBJECTIVE

The objective of the Department of Environmental Conservation's (DEC) Municipal Grants Program is to assist incorporated communities, through cash grants, in construction of publicly owned water supply, treatment, storage, and distribution systems; sewage collection treatment and discharge systems, and solid waste processing and disposal facilities; and water quality enhancement projects.

### II. PROGRAM PROCEDURES

This program is administered by the Division of Water, Technical Assistance and Financing Program. After application review and determination by a project engineer, a grant is offered and officially accepted by the community. Water Division makes payments based upon a Request for Payment from a community. When a project has been completed and all project expenses made known, a final cost statement is prepared by the community. At this time, 90 percent of the grant is paid to the community and the project is scheduled for an audit. If good cause is shown, the final 10 percent of the grant may be released.

### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

#### A. TYPES OF SERVICES ALLOWED OR DISALLOWED -

1. **Compliance Requirements:** Grant funds can be expended for new construction, including expansion and extensions of municipal systems, the replacement or rehabilitation of existing systems or for water quality enhancement projects. The construction of storm sewers systems is eligible if the system is part of an approved water quality enhancement project; or, separates storm water runoff from a sanitary sewer system. The maintenance of existing systems is ineligible for grant funding.

**Suggested Audit Procedures:** Review grant obligation documents, related project records, and expenditures.

2. **Compliance Requirements:** Eligible costs include construction, equipment, engineering, legal, and administrative expenses incurred as a direct result of the project as follows:

Grant-eligible costs may be incurred 120 days or less before the effective grant offer date; and prior to the final cost statement and certification date given by the grantee upon submission of the final payment request. Force account labor and equipment charge rates must be approved by DEC before expenses are incurred against the grant. 18 AAC 73.010(f), (g), and .050(b). Concurrence must be given by the engineer on engineering services before expenses are incurred against the grant.

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**Suggested Audit Procedures:** Review project documentation and prepare test schedule to determine if expense is necessary, reasonable, and eligible, if:

- a) Force account expense is the same rate as approved by DEC;
- b) Force account labor expense is traceable to a signed and approved timesheet;
- c) Expense is within allowable dates; and
- d) Documentation is mathematically accurate and supports the expense.

3. **Compliance Requirement:** Project plans and specifications must be prepared and signed by a professional engineer and approved by DEC prior to grantee's issuance of a Notice to Proceed with Construction. 18 AAC 73.020(a) and (d); AS 46.03.720

**Suggested Audit Procedure:** Compare DEC plan approval date with Notice to Proceed date or start of construction date for force account projects.

4. **Compliance Requirements:** Construction contracts with estimated costs exceeding \$50,000 must be awarded through a competitive bidding process unless otherwise approved by DEC. DEC must concur with the awarding of construction contracts, and all change orders must be submitted to the department for approval. 18 AAC 73.020(e), (f), and (g)

**Suggested Audit Procedures:** Obtain copies of the applicable contracts, the contractor's original bid, and any change orders, and the contractor's final pay estimate. Determine if:

- a) Contract was awarded to lowest responsive bidder;
- b) DEC concurrence was given on the contract;
- c) DEC approved all change orders;
- d) Contract(s) pertained to this project;
- e) Payments did not exceed cost ceiling; and
- f) Unit prices are the same on the original bid and the contractor's final pay estimate.

5. **Compliance Requirements:** Ineligible expenditures include: acquisition of land and rights-of-way; purchase of privately owned utilities; interest and financing; formation of local improvement districts; operation, maintenance or system repair; preparation of grant applications; salaries of existing administrative staff working normally scheduled hours; vehicles used to collect and transport solid waste from its point of generation to a point of disposal; and comprehensive plans and feasibility studies. 18 AAC 73.010(g). Project specific feasibility studies and planning reports are eligible expenditures.

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### **Suggested Audit Procedures:**

- Review reported costs and related records to determine if the funded project included any ineligible costs;
- Obtain and review copies of construction, engineering, and other applicable contracts; and
- Review field inspector's reports to determine if there were construction irregularities.

### **B. ELIGIBILITY -**

Compliance Requirement: The auditor is not expected to verify eligibility.

### **C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS -**

**Compliance Requirements:** For those grants awarded on or after July 1, 1994; the grant amount may not exceed:

- a) 85 percent of the eligible costs for a municipality with a population of 1,000 persons or less;
- b) 70 percent of the eligible costs for a municipality with a population 1,001 to 10,000 persons; and
- c) 60 percent of the eligible costs for a municipality with a population greater than 10,000 persons.

AS 46.03.030(e)

No grant awarded by the department may result in project funding being in excess of 100 percent of total project costs. 18 AAC 73.040(b)

**Suggested Audit Procedures:** Review municipality's reported source of funds and perform the following:

- Obtain copies of all funding source documents and receipts; and
- Determine if committed funding is more than 100 percent of total project costs.

### **D. REPORTING REQUIREMENTS -**

**Compliance Requirement:** Grantee must submit requests for payment on forms approved by the department and shall include supporting documentation as part of each payment request. 18 AAC 73.050(a) and (b).

**Suggested Audit Procedure:** Obtain copies of submitted reports to review for completeness and timeliness.

### **E. SPECIAL TESTS AND PROVISIONS -**

**Compliance Requirement:** Grantee must construct a project capable of operating in accordance with approved plans and specifications. 18 AAC 73.020(j).

**Suggested Audit Procedures:** Perform physical review of actual construction project; and review documentation concerning operability.