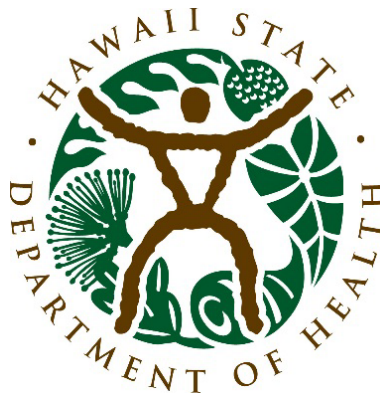


# **APPLICANT CWSRF MANUAL**

## **PROCEDURES TO PARTICIPATE IN THE HAWAII STATE WATER POLLUTION CONTROL REVOLVING FUND LOAN PROGRAM**



**Prepared by the State of Hawaii  
Department of Health Wastewater Branch**

**June 1995  
(Revised June 2024)**

## TABLE OF CONTENTS

I. INTRODUCTION .....	3
II. CWSRF PROGRAM ORGANIZATION .....	3
III. ELIGIBLE PROJECTS .....	4
IV. APPLYING FOR A CWSRF LOAN.....	5
V. REQUIRED SUBMITTALS.....	5
VI. ENVIRONMENTAL DOCUMENTS.....	6
VII. FEDERAL AND STATE REQUIREMENTS.....	7
VIII. LOAN POLICIES.....	7
IX. OBTAINING THE FINAL LOAN.....	8
X. PROJECT CONSTRUCTION .....	8
XI. PAYMENTS TO LOAN RECIPIENT .....	9
XII. LOAN REPAYMENT.....	9
XIII. LOAN RECIPIENT RECORDS.....	10
XIV. ANNUAL FISCAL REQUIREMENTS .....	10
XV. DISPUTES.....	11

## APPENDICES

APPENDIX A	SRF DEFINITIONS .....	12
APPENDIX B	PROGRAM CONTACTS .....	14
APPENDIX C	PROJECT REPORT CRITERIA .....	15
APPENDIX D	CRITERIA FOR ELIGIBLE COSTS .....	16
APPENDIX E	CHANGE ORDER ELIGIBILITY .....	18
APPENDIX F	LOAN RECIPIENT FISCAL RECORDS .....	21

## I. INTRODUCTION

The Clean Water State Revolving Fund (CWSRF) was provided for by the federal Water Quality Act of 1987. In 1988, the Hawaii State Legislature established the State Water Pollution Control Revolving Fund (WPCRF) to receive CWSRF federal grants.

The CWSRF Program supports the construction of publicly owned wastewater treatment works and the management of non-point source pollution and national estuary issues by providing financial assistance in the form of low-interest loans. (Appendix A contains definitions of terms used in the program.)

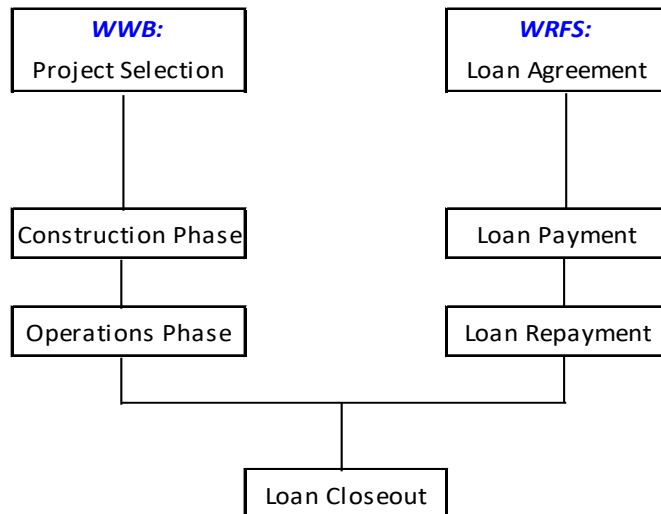
The purpose of this manual is to assist applicants in obtaining a CWSRF loan. ***Unless otherwise stated, all current program documents and forms are available on the CWSRF website:***

<https://health.hawaii.gov/wastewater/home/cwsrf>

## II. CWSRF PROGRAM ORGANIZATION

The CWSRF Program is administered by the Department of Health (DOH) Wastewater Branch which handles program requirements, project selection, review of construction plans, specifications, environmental documents, construction inspections, and enforcement of federal and state loan requirements.

The Water Revolving Fund Staff (WRFS), under the DOH Environmental Resources Office, manages fiscal issues, loan agreements, amortization schedules, payments to loan recipients, repayments, and program accounting. Program contacts are listed in Appendix B, and the following diagram shows the organizational responsibilities:



### III. ELIGIBLE PROJECTS

The CWSRF funds a wide range of water infrastructure projects. Eleven types of projects are eligible to receive CWSRF assistance:

1.     **Construction of publicly owned treatment works**  
Assistance to any municipality or inter-municipal, interstate, or state agency for the construction of publicly owned treatment works (as defined in CWA section 212).
2.     **Nonpoint source**  
Assistance to any public, private, or nonprofit entity for the implementation of a state nonpoint source pollution management program, established under CWA section 319.
3.     **National estuary program projects**  
Assistance to any public, private, or nonprofit entity for the development and implementation of a conservation and management plan under CWA section 320.
4.     **Decentralized wastewater treatment systems**  
Assistance to any public, private, or nonprofit entity for the construction, repair, or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage.
5.     **Stormwater**  
Assistance to any public, private, or nonprofit entity for measures to manage, reduce, treat, or recapture stormwater or subsurface drainage water.
6.     **Water conservation, efficiency, and reuse**  
Assistance to any municipality or inter-municipal, interstate, or state agency for measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse.
7.     **Watershed pilot projects**  
Assistance to any public, private, or nonprofit entity for the development and implementation of watershed projects meeting the criteria in CWA section 122.
8.     **Energy efficiency**  
Assistance to any municipality or inter-municipal, interstate, or state agency for measures to reduce the energy consumption needs for publicly owned treatment works.
9.     **Water reuse**  
Assistance to any public, private, or nonprofit entity for projects for reusing or recycling wastewater, stormwater, or subsurface drainage water.

10. Security measures at publicly owned treatment works  
Assistance to any public, private, or nonprofit entity for measures to increase the security of publicly owned treatment works.
11. Technical assistance  
Assistance to any qualified nonprofit entity, to provide technical assistance to owners and operators of small and medium sized publicly owned treatment works to plan, develop, and obtain financing for CWSRF-eligible projects and to assist each treatment works in achieving compliance with the CWA.

#### IV. APPLYING FOR A CWSRF LOAN

A **Proposed Project for Funding** form is first submitted for each project that the applicant would like the CWSRF Program to consider funding within the next five years.

The DOH ranks all projects based on its ranking criteria and compiles a **Project Priority List**. Projects are selected for funding based on their rank and readiness to proceed. In the event that a selected project is unable to proceed, a replacement project will be selected from the Priority List.

Project selection is documented in the program's **Intended Use Plan** (IUP) which is posted on the CWSRF website and subject to a 30-day public comment period. If warranted based on public comments, the DOH will schedule a public meeting. After considering all comments, the final IUP is completed and provided to EPA along with an application for a capitalization grant.

Once a project is selected for funding, the applicant submits a **loan application** and **Project Report**. All documents, criteria, forms, reports, and other requirements are available on the CWSRF website.

After approval of the loan application and project report, the applicant, if requested, receives a **formal commitment letter** which constitutes an obligation by the SRF program to provide an SRF loan.

#### V. REQUIRED SUBMITTALS

Following are the documents required to obtain a final loan. Note that a formal commitment letter may be issued once the first two submittals are approved:

1. Loan application
2. Project report (or preliminary Engineering Report)  
Appendix C contains report criteria.

3. Construction plans for project  
Reviewed for scope of work and compliance with applicable requirements.
4. Project specifications  
*Federal requirements for Consultants and Contractors* (also known as the CWSRF boilerplates) must be included in the specifications or contract.
5. Environmental documents – discussed in Section VI.
6. Resolution of Ordinance  
Passed by the County Council, this document authorizes the CWSRF loan application and identifies the dedicated sources of revenue (i.e. general obligation bonds, etc.) which will repay the loan.
7. Construction contract  
The “Federal Requirements for Consultants and Contractors,” also referred to as the CWSRF boilerplates must be inserted into all construction and consultant contracts. Neither EPA nor DOH is responsible for resolving bid disputes.
8. Contractor’s itemized bid
9. MBE/WBE form  
A report on the contract amounts awarded to a woman or minority business.
10. DBE forms (currently not applicable until EPA issues revised forms)  
Reports on the use of disadvantaged businesses in the project.
11. Notice to Proceed  
An official notice to the contractor indicating the start date of the contracted work.

## VI. ENVIRONMENTAL DOCUMENTS

For each CWSRF project, the loan applicant shall provide the following documents to the DOH no later than the day the applicant provides these documents to the State Environmental Review Program:

1. Environmental assessment (EA) and any prior-decision documents and/or reaffirmations.
2. Notice of Determination (e.g.: finding of No Significant Impact)

3. Environmental Impact Statement (EIS) and/or the Negative Declaration, if applicable.

The ***Environmental Assessment Documents Criteria*** provide state and federal criteria for EAs. If an EA is required, the ***EA Checklist and Certification*** form shall also be submitted. In order to encourage public participation, the applicant must provide public notice of all environmental assessment determinations in either the community newspaper or the Environmental Review Programs newsletter.

For projects that are categorically exempt from an EA, the applicant must submit the ***Exempt Projects Certification*** form.

The DOH reserves the right to refuse to provide an SRF loan if it feels that the proposed project has the potential to impact the environment in ways that the applicant has not considered, addressed, and/or prepared mitigation measures for.

## VII. FEDERAL AND STATE REQUIREMENTS

All SRF projects must comply with applicable federal and state requirements. Federal regulations are outlined and incorporated into the loan application, environmental documents criteria, ***Federal Requirements for CWSRF Loan Applications***, the loan agreement, and other required submittals including the ***DBE*** and ***MBE/WBE*** forms.

Please note that 1) American Iron and Steel, 2) Fiscal Sustainability Plan, 3) Cost and Effectiveness Analysis, 4) GAAP requirements from the Water Resources Reform and Development Act of 2014, and 5) Build America, Buy America from the Bipartisan Infrastructure Law of 2021 amendments were recently incorporated into those documents.

State regulations, included in the loan application and agreement, also require that any county receiving SRF loan funds take steps to reduce polluted runoff into state waters through educational and regulatory programs.

In signing the loan application and agreement, the applicant certifies compliance or intention to comply with all the federal regulations applicable to the project and the "cross-cutter" authorities involving applicable environmental, social, economic, and other federal regulations.

## VIII. LOAN POLICIES

The following are the CWSRF financial loan policies:

1. Loans are issued for 100% of allowable project costs, assuming the availability of funds.
2. Projects are assessed an interest rate and an administrative fee, also known as a loan

fee. The loan fee covers costs directly related to the CWSRF Program and indirect costs for various water quality related programs such as wastewater treatment plant inspections, the biosolids and reuse programs, and permitting of individual wastewater systems.

3. Each loan is subject to a simple interest total loan rate which consists of the interest rate and loan fee. The total loan rate remains fixed over the life of the loan. Since both interest and loan fees vary with time, please contact the DOH for current rates.
4. The principal amortization on loans begins no later than one year after the final loan disbursement, no later than one year after the project completion date, or three years after the date of the agreement, whichever is earliest.
5. The maximum loan repayment period will be based on the useful life of the project or 30 years, whichever is less. Repayments shall be made at least semi-annually.

#### IX. OBTAINING THE FINAL LOAN

The DOH reviews and approves the required submittals, focusing on the scope of work, the environmental impacts, compliance with federal and state loan program requirements, and determination of allowable project costs (Appendix D).

Once all documents have been approved, the applicant will receive a Plans and Specifications Approval letter/Project Report Approval letter indicating that the applicant has qualified for a final loan.

A **final loan agreement** is drafted indicating the costs allowed for various categories such as design and construction. A category for contingencies may also be provided for up to 10% of the eligible construction cost to fund eligible change orders. Requests to fund change orders must be submitted to the DOH to determine funding eligibility (Appendix E discusses change order eligibility).

The final loan agreement is sent out for required signatures. Once executed, the loan recipient receives an executed copy of the agreement with original signatures.

#### X. PROJECT CONSTRUCTION

During construction of the CWSRF-funded project, the DOH conducts construction inspections, based on a percentage of construction completion (approximately 25%, 50%, and 75%), or as needed. The purpose of the inspections is to correlate completed work with progress payments and to determine compliance with requirements. Once the project is above 95% or substantially complete, a final inspection is conducted, and the recipient reports the date of the



project's initial operation.

#### XI. PAYMENTS TO LOAN RECIPIENT

All construction costs must be substantiated by providing copies of the contractor's monthly progress payments which have been approved, certified, and disbursed to the contractor or consultant. Scanned progress payments (rather than hard copies) are preferred.

Quarterly, or as needed, the loan recipient should request payment to receive reimbursement for funds already paid out for the project. To request payment, the submittal of the **SRF Payment Request** form and **Combined Voucher Register** is required. The register reflects all costs, identifying eligible and ineligible costs. If the recipient has provided scanned progress payments that pertain to the payment requested, no other documents are required. Forms are available on the CWSRF website.

Payment requests shall be sent to the DOH. Once received, the DOH reviews the payment requests for eligibility, approves the appropriate amount, and forwards the request to the WRFS (fiscal staff) for further review and processing. At any time, payment requests may be audited and/or adjusted for errors or ineligible items.

After the **final payment** for a project is made, the DOH will issue a construction cut-off date after which no further payments are allowed. A supplemental agreement or contract modification from, signed by DOH and the loan recipient will then be issued, providing the final loan amount, amortization schedule, and semi-annual payments due.

#### XII. LOAN REPAYMENT

Beginning no later than one year after the final loan disbursement, no later than one year after the project completion date, or three years after the date of the agreement, whichever is earliest, the loan recipient shall begin to repay the loan. All loan repayments should be sent to the DOH.

Loan repayments are provided a grace period from the due date (as specified in the loan agreement). If the payment is not received by the end of the grace period, a penalty of 12% simple interest per year commencing on the first day following the repayment due date and ending on the date of the check issued by the borrower. Penalties assessed will not be credited toward the principal balance of the loan contract but will be treated as a separate amount in addition to the repayment due.

With DOH prior approval, the recipient may prepay all or any portion of the project loan. When the final repayment is made, DOH will send a letter, certifying that the loan has been repaid in full.

### XIII. LOAN RECIPIENT RECORDS

Loan recipients must maintain project records including:

1. Planning, design, and environmental documents.
2. Total project costs and documentation supporting eligibility for CWSRF funding.
3. Amounts expended on the project and funds received from the CWSRF.
4. Data on program income.
5. Documents to comply with all Federal requirements.

These records must be maintained for at least three years after project close-out, or until the resolution of any disputes, including audit findings.

After three years, the loan recipient must still maintain records on principal, interest, and administrative fees paid on the loan. All records shall be accessible to the DOH, the EPA, and the State Controller.

Appendix F discusses the maintenance of fiscal records for CWSRF-funded projects.

### XIV. ANNUAL FISCAL REQUIREMENTS

The following fiscal activities are required each year. The results of the audit and review may affect future eligibility of certain costs or eligibility to receive a CWSRF loan.

1. **Single Audit Requirement:** By December 31 of each year, the loan recipient shall submit an Annual Single Audit Report performed by an independent auditor to the DOH in accordance with OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). This report must contain an audit of the SRF funds received by the loan recipient during the state fiscal year. If the audit report includes a qualified opinion, DOH will resolve any discrepancies with the loan recipient. If the auditor's determination of the final eligible project cost is less than the total SRF funds paid, DOH will request reimbursement from the recipient and amend the loan to indicate the actual eligible project cost.
2. **Financial Capability Review:** DOH will evaluate the financial capability of the CWSRF loan recipient to prevent loan default. This review will be conducted confidentially, evaluating basic financial indicators concerning municipal debt, financial operations, and socioeconomic conditions. These indicators will be compared with those from prior years and any available benchmarks.

XV. DISPUTES

Any dispute may be directed to the DOH as provided in Appendix B.

## APPENDIX A SRF DEFINITIONS

annual report - DOH annual report to EPA which describes how the State met the goals and requirements set forth in its Intended Use Plan for the previous fiscal year

formal commitment letter - an obligation to provide an SRF loan

capitalization grant - grant funds provided by EPA to DOH for the SRF program

Clean Water Act, Title VI - the statutory authority for the SRF program

construction cut-off date - the date after which no payments to the recipient are allowed

contingency - an allowance for eligible change order costs equal to 10% of the eligible construction costs identified in the executed construction contract

cross-cutters - requirements of federal laws and executive orders that may not be specifically identified in the Clean Water Act, Title VI, but which broadly apply to federally funded first round projects

debt services - the amount of money necessary to pay principal and interest on an outstanding SRF loan, as identified in each loan amortization schedule

default - failure to make a loan payment

design-build project - a project that uses one contractor to design and build the project. Eligible design and construction costs may be funded by an SRF loan if DOH approves the plans and specifications.

DOH - Hawaii State Department of Health

enforceable requirements of the Act - provisions of the federal Clean Water Act that, if violated, could result in an administrative or judicial enforcement action

EPA - the United States Environmental Protection Agency

exempt projects - projects or classes of projects that have minimal or no significant effect on the environment (see the OEQC Guidebook and HAR 11-200-8) and which are exempt from environmental review requirements

federal fiscal year - October 1 through September 30

final loan agreement – a binding agreement wherein the State commits to funding the recipient's project after all conditions and required submittals have been met and approved

initiation of operation - the date when use of the project begins

intended use plan (IUP) - a document prepared by DOH each year that describes program goals and intended use of SRF funds

National Pollutant Discharge Elimination System (NPDES) - a program operated by the State under delegation from EPA which involves the issuance of permits with specific limits for discharges into State waters

nonpoint source (NPS) Pollution - pollution caused by rainfall runoff or leaks from various storage facilities or sites (e.g.: construction sites, animal feeding operations, individual wastewater systems, landfill sites, etc.), either above or underground which carry natural or manmade pollutants into surface and groundwater resources

payment - loan funds paid to the recipient after receipt and approval of a payment request

project close-out - final actions to assure satisfactory project completion and fulfill administrative requirements which include financial settlement, submission of final audit resolution, and any outstanding issues

Priority List - a list of point source and nonpoint source water pollution control projects that are ranked in priority to receive funding from the SRF program

repayment - the loan recipient's payment of principal and interest for an SRF loan

SRF – State Revolving Fund also known as the *Water Pollution Control State Revolving Fund* or the *Clean Water State Revolving Fund*

state allotment - a portion of the total monies appropriated by Congress each federal fiscal year designated for Hawaii's SRF program

state fiscal year - July 1 to June 30

state match - the required state contribution equal to 20% of the federal capitalization grant

state over-match - any state contributions to the SRF, in excess of the required 20% state match

treatment works - a system or devices for the storage, conveyance, treatment, recycling, reclamation, or disposal of municipal sewage, as further defined by 40 CFR 35.2005

water quality standards - standards established by State regulation classifying beneficial uses and prescribing specific allowable limits of constituents in surface waters

## APPENDIX B PROGRAM CONTACTS

Issue	Contact	Phone No.
General Program Information, Priority List, Project Report, Environmental Review, Plans, Specifications, Construction Change Orders	Chane Hayashida Domciely Oda Environmental Engineers Wastewater Branch	(808) 586-4294
Fiscal Matters, Loan Application, Loan Payments, Loan Agreements or Repayments	Susan Yuen or Jan Ikeda Business Loan Officers Water Revolving Fund Staff Environmental Resource Office	(808) 586-4294
Fiscal Matters	Kevin Yoshioka, Supervisor Water Revolving Fund Staff Environmental Resource Office	(808) 586-4294
Disputes	Jonathan Nagato, P.E., Acting Chief Wastewater Branch	(808) 586-4294

Office Address:

**Wastewater Branch**

2827 Waimano Home Rd., Ste. 207

Pearl City, HI 96782

(808) 586-4294

## **APPENDIX C PROJECT REPORT CRITERIA**

The Project Report should describe the project scope and include the following:

1. Statement of the project needs and benefits, including discussion of the water quality benefits and/or public health problems to be corrected.
2. Description of the proposed pollution control project and, if applicable, the waste treatment system of which it is a part.
3. Evaluation of the alternatives considered to address the project needs.
4. Description of the selected alternative and basis for the decision, including relevant design criteria.
5. Cost information on the estimated total capital costs and annual operation and maintenance costs for the project (if applicable).
6. Evaluation of the impact of the project on the water supply (if applicable).
7. Evaluation of opportunities to reclaim or reuse treated wastewater, nonpoint source pollution control project waters, or sludge material resulting from the project.

## APPENDIX D CRITERIA FOR ELIGIBLE COSTS

**Eligible project costs**, determined during the review of the plans and specifications, must be:

1. Necessary and reasonable for the proper and efficient administration of the loan project, allocable to the project, and not constituting a general expense to cover the applicant's overall responsibilities.
2. Authorized or not prohibited under State or County laws, regulations, or ordinances.
3. Consistent with federal and state policies, regulations, and procedures.
4. Accorded consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances.
5. Not allocable to, or included as, a cost of any other federal or state-financed project.

**Ineligible costs** include:

1. Costs outside the approved project scope.
2. Costs due to the applicant's mismanagement.
3. Personal injury compensation or damages arising from the project, and costs caused by the applicant's vicarious liability for the improper actions of others.
4. Bonus payments, not legally required for completion of a project before a contractual completion date.
5. Additional costs (e.g., building, engineering, legal, or administrative) incurred because of a contractor's lack of timely performance. These costs are ineligible whether or not they are offset by liquidated damages and whether or not the liquidated damages are sufficient to cover the applicant's additional costs.
6. Costs to provide additional professional liability insurance for a specific project, beyond that which is normally carried by a contractor.
7. Costs of local travel and commuting expenses between living quarters and the construction site for persons employed by either the applicant or the contractor, and travel not directly related to a specific project, such as travel to professional meetings, technology seminars, conferences, symposia, lectures, etc.
8. Costs for small and onsite systems including (a) modification to the physical structure of homes or commercial establishments; (b) pipes and other conveyance systems from the



house to the treatment unit located on a user's property; and (c) wastewater generating fixtures such as commodes, sinks, tubs, and drains.

9. Applicant's ordinary operating expenses including salaries and expenses of elected and appointed officials and preparation of routine financial reports and studies.
10. Administrative, engineering, and legal activities associated with the establishment of special departments, agencies, commissions, regions, districts, or other governmental units.
11. Costs of approval, preparation, issuance, and sale of bonds or other forms of indebtedness required to finance the project and the interest on it.
12. Costs of replacing, through reconstruction or substitution, treatment works that received assistance under the Clean Water Act (Pub. L. 92-500), as amended, and that fail to meet project performance standards. This provision applies to failures that occur either before or after the initiation of operation but does not apply to innovative and alternative treatment works eligible for funding or treatment works that fail before its design life.
13. Fines and penalties due to violations of, or failure to comply with federal, state, or local laws, regulations, or procedures.
14. Costs of preparing a corrective action report for a project that does not meet the project performance standards.
15. Administrative costs of salaries, benefits, and expendable materials the applicant incurs for the project.
16. Construction costs incurred after the construction cut-off date.

## APPENDIX E CHANGE ORDER ELIGIBILITY

Change orders may be eligible for CWSRF Program funding if they are determined to be justifiable and within the project's scope of work. Change order costs which exceed the contingency allotment are not eligible for SRF funding unless the Director approves a loan amendment to increase the loan amount. Change orders that propose a substantial increase in project capacity or work unrelated to the original project scope are also ineligible unless a supplemental loan is executed to increase the project's work scope.

### 1. Request to Fund Change Orders

A request to fund a change order must be submitted to the DOH for review in a timely manner. Change order work performed after the construction cutoff date will not be funded.

### 2. Required Submittals

Each change order submitted to DOH for review must include the following:

- a. Project name and number.
- b. Change order number.
- c. Contact names and phone numbers of relevant contacts, such as the project engineer, construction manager, contractor, or owner.
- d. Name and title of the person requesting the change order, and approval and signature of the loan recipient's authorized representative.
- e. Itemized and total costs.
- f. Date of change order execution.
- g. Description of the change and its location (if applicable). Submit relevant drawings, sketches, specifications, and/or design calculations.
- h. Change order justification addressing:
  - 1) why the change order is necessary
  - 2) why the change was not foreseen during project preparation
  - 3) alternatives considered, if applicable

- 4) cost-effectiveness
- 5) other relevant information justifying the work

i. Time extension for the change order work.

If no time extension is given, the change order should state so.

DOH approval of a change order for time extension means approval to fund extended engineering and inspection costs.

The loan recipient may, at times, have a legal obligation to grant a time extension for extraordinary conditions outside of the contractor's, subcontractor's, or supplier's control such as natural disasters, severe weather conditions, floods, and labor strikes. Change orders for these types of time extensions are generally eligible.

### 3. Ineligible Change Orders

The following are generally ineligible for funding:

- a. Extended engineering and inspection costs outside the scope of work.
- b. Operation, maintenance, and routine repairs or renovation of any existing wastewater treatment facilities not included in the original project scope.
- c. Equipment damage, damage to completed work, and personal injuries.
- d. Acceleration costs are ineligible unless facility operation by a certain date is essential for reasons such as public safety concerns or health disaster prevention. This assumes that project completion was not delayed due to negligence or project mismanagement by the loan recipient or authorized representative.
- e. Cost of purchasing and installing any item obtained in violation of contract specifications.

### 4. Conditioned Acceptance

The loan recipient should attempt to settle all elements of a given change order on a one-time basis. If a contractor conditions his acceptance of a change order on the inclusion of costs for impact and delay to be determined in the future, DOH shall include the following disclaimer on the change order approval form:

"Any payment made on this conditional change order is in no way a commitment to fund additional amounts claimed by the contractor arising from this change order. Requests for additional funding, after payment specified here is made, will be subject to reevaluating the eligibility of the entire change order including impact delay costs."

## APPENDIX F LOAN RECIPIENT FISCAL RECORDS

The loan recipient is responsible for establishing and maintaining adequate accounting and fiscal records to show the receipt and expenditure of project funds. These accounting records must be maintained by generally accepted accounting principles and the following guidelines:

1. Construction Account

Upon loan acceptance, the recipient shall establish a "Construction Account" to which all project payment receipts, regardless of source, shall be credited and all disbursements shall be charged. At all times, this account shall reflect total receipts, disbursements, account balance, and purpose for each disbursement. The above items shall be identified by cost categories provided in *Exhibit A* of the loan agreement.

2. Supporting Documents

Documents supporting each entry in the "Construction Account" shall be kept intact and available for 3 years from the date of the final settlement. During this period, representatives of the State and Federal government shall have access to the facilities, premises, and all project-related records.

3. Custody and Disbursement

State and local laws, regulations, and procedures governing the custody and disbursement of the loan recipient's funds shall apply to the SRF funds. If not inconsistent with local laws and regulations, the following recommendations are made regarding the receipt and expenditure of SRF loan funds.

- a. The loan recipient's official treasurer should serve as the custodian for all cash received and expended in the wastewater treatment construction program.
- b. The custodian's records should reflect the cash received from SRF loan payments, and checks or warrants issued or paid.
- c. The reconciliation statements should be prepared at the end of each month to reconcile the cash balance, as shown by the bank statement, with the cash balance carried on the custodian's books.

4. Suggested Organization of Accounting Records

Accounts shall be organized to show the purpose of each expenditure and facilitate auditing and report preparation. Records shall reflect all fiscal transactions between the recipient and the contractor/vendor and between the recipient and the DOH. The following are examples of financial transactions that should be included in the

recipient's accounting system:

- a. Recipient's appropriations or authorizations for the project.
- b. Allocations of SRF funds for the project.
- c. Contracts entered into, orders placed, and project costs for acquisition of assets.
- d. Disbursements to engineers, contractors, and vendors in liquidation of liabilities.
- e. SRF payments received.

5. Cost Categories

The following are guidelines to categorize costs on the Payment Request Form.

- a. *Construction and Project Improvement Costs* include costs associated with the actual construction of, addition to, or restoration of a facility.
- b. *Architectural/Engineering Basic Fees* include costs incurred for the preparation of 1) preliminary plans and studies; 2) project reports; 3) environmental assessments or impact statements; 4) operation and maintenance manuals; 5) construction drawings, specifications, estimates, bid documents, and construction contracts; 6) fees for preliminary engineering work such as surveys, tests and borings, foundation investigations, and other work required before construction.
- c. *Other Architectural/Engineering Fees* include all fees for architectural and/or engineering services not included in the basic fee. "Other Fees" are usually costs incurred after the construction contract award such as project inspection and construction survey fees.
- d. *Equipment* includes costs of eligible equipment, not included in the construction contract; these costs must have prior written approval for direct purchase.
- e. *Contingencies* are unforeseen costs, such as eligible change orders within the project scope.