

Montana Department of Commerce

TREASURE STATE ENDOWMENT PROGRAM

2015 Biennium

Project Administration Manual

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CHAPTER I

PROJECT START-UP REQUIREMENTS

I. Overview

This chapter offers background information on the Treasure State Endowment Program and summarizes the key considerations and important steps each grantee will need to take to start a successful TSEP grant award project.

Each grantee can incur reimbursable project costs as of the authorized date in its Notice of Award letter. Those costs will be eligible for reimbursement once the grantee meets all start-up conditions and executes a contract with the Department. If the grantee fails to meet start-up requirements, a contract is not executed, a grant recipient is unable to comply with the terms and conditions of the contract, or costs incurred are not eligible for TSEP funding, those costs will be the sole responsibility of the grantee. All 2015 biennium TSEP projects that have not met start-up conditions on or before September 30, 2014, will be reviewed by the 64th Legislature to determine if the grant should be terminated. All TSEP projects must meet start-up requirements on or before September 30, 2016 or the grant obligation will automatically terminate.

II. Project Budget

The preliminary project budget submitted in the grant recipient's application must be updated to reflect current conditions at the time of contract execution, and will be attached to and incorporated by reference into the contract. It is important that the preliminary project budget at the time of contract execution is acceptable to all of the funding sources identified. When the project is ready to begin the construction phase, the project budget will need to be revised to reflect the actual amount in the construction bid. In the event that the construction bid is less than the budgeted amount, the construction line items must be revised to reflect the reduced costs. For information on the process to follow in amending the project budget after the contract has been executed, see Chapter 2.

III. Project Implementation Schedule

The project implementation schedule submitted in the grant recipient's application must be updated to reflect current conditions at the time of contract execution, and will be attached to and incorporated by reference into the contract. The final implementation schedule for the TSEP contract should identify all key tasks and more precisely define, if possible, when each must be accomplished to complete the overall project. **All TSEP project activities must be completed as identified in the grantee's implementation schedule of the executed contract by no later than June 30, 2017.** The Department, in its sole discretion, may grant an extension to this deadline if the project is near completion and the grant recipient can demonstrate a good faith effort to complete the project on time and within the original budget.

IV. Obtaining Firm Commitment of Other Funding Sources

The TSEP grant recipient must provide adequate documentation of the firm commitment of all non-TSEP funds for the project, as identified in the preliminary project budget submitted in the grant recipient's application. A description of acceptable documentation of non-TSEP funding sources is included as Exhibit I-A.

If the TSEP grant recipient changes one of its sources of funding after executing a contract with the Department, or if the cost of the project increases substantially after obtaining the firm commitment of non-TSEP funds and additional funding is required from existing or new sources, the grantee should notify the Department immediately. The Department may, at its sole discretion, suspend distribution of TSEP funds until there is once again a firm commitment of funds for the project.

V. Established Financial Accounting System

Local government and district grantees must be in compliance with the auditing and reporting requirements provided for in Section 2-7-503, MCA, and demonstrate that they have an established financial accounting system in place that conforms to generally accepted accounting principles (GAAP). Tribal governments must comply with auditing and reporting requirements provided for in OMB Circular A-133.

The TSEP staff will contact the Local Government Services (LGS) Bureau, Department of Administration to confirm whether a grant recipient is in compliance with the auditing and reporting requirements.

The LGS Bureau is available at the request of any local government to help the entity comply with statutory financial and budgetary reporting requirements.

VI. The Management Plan

All TSEP grant recipients must prepare and submit a signed management plan. A sample management plan is included as Exhibit I-B. The management plan will establish how the grantee will allocate responsibility for complying with the TSEP grant and other state requirements, including but not limited to the proper financial management of TSEP funds, review of contracts and draw requests, compliance with labor standards, and completion of environmental review. In all cases, the grantee must maintain effective control over and accountability for all funds.

In the management plan, the grantee may designate an existing or new public employee (such as a planning director, public works superintendent, or clerk) as the TSEP grant manager; hire a consultant to manage the grant through applicable competitive procedures for procurement of services; or contract with another local government or existing special purpose agency, such as an economic development corporation, to manage a grant. If the grantee will work with any other governmental entity or non-profit organization to manage its TSEP grant, the grantee must execute an interlocal agreement establishing the responsibilities and duties between the two agencies. A sample interlocal agreement is included as Exhibit I-C. All executed contracts or agreements for grant services to be paid for in whole or in part by TSEP funds must be submitted to the Department.

VII. Environmental Review

TSEP grants are a state action subject to the Montana Environmental Policy Act (MEPA). MEPA specifies three different levels of environmental review, based on the significance of the potential impacts. The levels are: (1) exempt or excluded from MEPA review; (2) environmental assessment (EA), and (3) environmental impact statement (EIS). For detailed information on MEPA, see *A Guide to the Montana Environmental Policy Act*, or *A Citizen's Guide to Public Participation in Environmental Decision making*, at: <http://leg.mt.gov/css/Services%20Division/Lepo/mepa/default.asp>

At the time of application to the Department, the environmental review process was completed and documentation of the process was submitted as part of the application. Please be advised that if project activities are modified to the extent that

a new environmental review is required, MEPA processes must be followed before additional work can be completed. For additional information, please see the TSEP resources webpage.

VIII. TSEP Contract

The executed contract between the grantee and the Department is the legal document that governs the administration of the grant, and will identify the following items:

- the total amount of TSEP funds to be provided;
- the scope of work;
- a preliminary project budget for the use of TSEP funds and any other funds involved in the project;
- the implementation schedule for the project;
- any special conditions placed on the grant by the Legislature; and
- the general terms and conditions associated with the grant.

The process of finalizing the contract will include finalizing the project budget and implementation schedule and incorporating the scope of work to be completed by the grantee. The grantee's application for TSEP grant funds, as approved by the Department and/or the Legislature, is incorporated by reference into the contract and the representations made therein are binding upon the Grantee.

The TSEP liaison will send the original contract to the grant recipient to be executed by the grantee's authorized representative. The contract must then be returned to the Department for the Director's signature. A copy of the final executed contract will be returned to the grantee for its records, and the original retained by the Department.

Exhibit 1-A

Guidelines on Documenting Firm Commitment of Non-TSEP Funds

The following information describes the documentation that is required for the various types or forms of matching funds:

A. Grants and Other Government Appropriated Funds

A letter is required from the funding agency documenting the amount of funding that has been approved or appropriated and indicated when funds will be available.

B. Local Government Funds

Local governments that have committed reserves or budgeted their own funds toward a TSEP project have documented these funds as submitted in the grantee's application and will be confirmed upon execution of the contract between the grantee and the Department.

C. Loans (Revenue Bonds, General Obligation Bonds, Special Improvement Districts, Rural Improvement Districts)

Loans to Municipalities, Counties, Districts, or Tribes, that require a vote by only the governing body	Loans that require a vote by the general population or users
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SRF loan

- “Commitment Agreement” or “Letter of Approval for State Revolving Fund Loan Program in Lieu of Commitment Agreement”, adopted by Resolution
- “Commitment Agreement” or “Letter of Approval for State Revolving Fund Loan Program in Lieu of Commitment Agreement”, adopted by Resolution
- Successful certified debt election results (attach supporting documents)

USDA RD loan and/or grant

- “Letter of Conditions” from USDA RD
 - “Letter of Intent to Meet Conditions” signed and returned to USDA RD FORM: RD 1942-46
 - “Request for Obligation of Funds” FORM: RD 1940-1
- “Letter of Conditions” from USDA RD
 - “Letter of Intent to Meet Conditions” signed and returned to USDA RD FORM: RD 1942-46
 - “Request for Obligation of Funds” FORM: RD 1940-1
 - Successful certified debt election results (attach supporting documents)

Exhibit I-B

Management Plan

The management plan adopted by the local government should reflect the actual procedures utilized by the local government and based on the duties assigned to the various people involved in the project.

Note: This example is provided to help create a plan that is structured upon the actual procedures utilized by the local government and based on the duties assigned to the various people involved in the project. This example may be modified to fit the actual needs and management responsibilities of the project.

I. Administrative Structure

The City of _____ is an incorporated city with a Mayor-Council form of government. The following persons will have lead responsibility for administering the City's FY ____ Treasure State Endowment Program (TSEP) public facilities project for water improvements:

Mayor _____, as the City's chief elected official will have responsibility for all official contacts with the Montana Department of Commerce. The Mayor and City Council will have ultimate authority and responsibility for the management of project activities and expenditure of TSEP funds. The approval of all contracts and drawdown requests will be the responsibility of the City Council. (Telephone _____)

_____, Clerk-Treasurer, as the City's chief financial officer, will be responsible for management of, and record keeping for, the TSEP funds and other funds involved in the financing of the ____ [type] project. (Telephone _____)

_____, Director of the City-County Planning Board, will be designated as Grant Manager and be responsible for overall grant management and assuring compliance with applicable federal and state requirements for the TSEP project. The Grant Manager will serve as the City's liaison with Department for the project. One-fourth of this position's time will be devoted to TSEP administration during the term of the project. (Telephone _____)

_____, City Attorney, as the City's legal counsel, will review and advise the Mayor and Council regarding any proposed contractual agreements associated with the TSEP project and provide any other legal guidance as requested. (Telephone _____)

_____, Project Engineer, will be responsible for construction-related activities including preparation of preliminary engineering, final design plans and specifications, as well as construction inspection. Contractor compliance, scheduling, and payment requests will also be subject to the Project Engineer's review and approval. (Telephone_____)

II. Grant Management

A. The Grant Manager will be responsible for:

1. Compliance with any applicable environmental requirements.
2. Assisting the Grant Recipient with all requirements related to effective project start-up and implementation and developing a contract with Department.
3. Preparing any legal notices required to be published, and processing and conducting any required public hearings or informational meetings.
4. Establishing and maintaining complete and accurate project files and preparing all documentation and reports incidental to administration of the grant.
5. Assisting the Grant Recipient with selection of the Project Engineer, in conformance with procurement requirements, including the preparation of requests for proposals for publication or other distribution.
6. Reviewing all proposed project expenditures or requests for payment to ensure their propriety and proper allocation of expenditures to the TSEP budget.

7. In cooperation with the Clerk-Treasurer, processing payment requests and preparing drawdown requests to the Department, including the Request for Payment, Status of Funds Report, Invoice Tracking Spreadsheet and the Project Progress Report.
8. Monitoring the contractor selection process, including the bid advertising, tabulation and award process and construction contract provisions in conformance with applicable laws.
9. Attending the preconstruction conference and monthly construction progress meetings.
10. Monitoring contractor compliance with applicable requirements.
11. Assuring compliance with all state labor standards requirements. Responsibilities will include the review of weekly payroll reports to assure compliance with state prevailing wage requirements; periodic visits to the construction site to assure that required equal opportunity, labor standards, and prevailing wage determinations have been posted; and conducting on-site interviews with construction personnel to assure prevailing wage compliance.
12. Assuring compliance with applicable equal opportunity requirements.
13. Preparing all required performance reports and project closeout documents for submittal to the Department.
14. Attending Council meetings to provide project status reports and representing the TSEP project at any other public meetings, as deemed necessary by the local officials.
15. Receiving official project complaints and ensuring that complaints are reasonably addressed in a timely manner.

B. The Project Engineer will be responsible for:

1. Design and construction engineering.
2. Preparation of the construction bid package in conformance with applicable requirements and supervision of the bid advertising, tabulation, and award process, including the preparation of the advertisements for bid solicitation, conducting the bid opening, and issuance of the notice to proceed.
3. Conducting the preconstruction conference, with the assistance of the grant manager.
4. Supervision of construction work and preparation of inspection reports.
5. Reviewing and approving all contractor requests for payment and submitting the approved requests to the Grant Recipient.

III. Financial Management

A. The Clerk-Treasurer's financial responsibilities will be as follows:

1. Managing the transfer of TSEP funds from the Department to the grant recipient's bank account and disbursing TSEP funds based on claims and supporting documents approved by the grant manager, project engineer, and contractor.
2. Entering all project transactions into the Grant Recipient's existing accounting system, and preparing checks/warrants for approved expenditures.
3. With the assistance of the Grant Manager, preparing the Request for Payment and accompanying draw reports and documentation to be submitted to Department.
4. With the assistance of the Grant Manager, preparing the final financial reports for project closeout.

- B. The Grant Manager and Clerk-Treasurer will review all proposed expenditures of TSEP funds and will prepare drawdown requests, which will be signed by the officials cited in the signatory form. All disbursements will be handled in accordance with the Grant Recipient's established claim review procedures. Before submitting the claim to the Clerk-Treasurer, the Grant Manager will attach a certification to each claim stating that the proposed expenditure is an eligible expense of the Grant Recipient's TSEP project and consistent with the project budget. The Council will review all claims before approving them.
- C. Financial record keeping will be done in conformance with state law. The original financial documents (claims with attached supporting material) will be retained in the Grant Recipient's offices.
- D. Appropriate documentation of administrative costs will be maintained by the Grant Manager and the Clerk-Treasurer to document all time worked on the TSEP project that will be compensated with TSEP funds.

This management plan has been approved by the Grant Recipient, _____ and the individuals named within have been informed of the responsibilities stated within this plan.

Chief Elected Official or
District President

Signature

Date

Exhibit I-C

Interlocal Agreement

Note: This example should not simply be copied. It is only provided as an example to help create an agreement that is reviewed and approved by all parties and their attorney's.

THIS CONTRACT is entered into by (Insert Name of County) County, herein referred to as "the County", and the (Insert Name of District) District, herein referred to as "the District".

WITNESSETH THAT:

WHEREAS, the County is the recipient of a Treasure State Endowment Program (TSEP) grant to (describe the Project) owned and operated by the District; and

WHEREAS, this Contract between the County and the District will enable them to enhance cooperation in implementing the County's TSEP award to accomplish the above-described project; and

WHEREAS, the County, in its capacity as a TSEP grantee, has determined that the District can better supervise the design and construction phases of the (water and/or sewer) system; and

WHEREAS, the Montana Department of Commerce has required the County to enter into a contract with the District specifying the terms and conditions of the County's delegation of certain TSEP grant management responsibilities to the District; and

WHEREAS, both parties to this Contract understand that neither local government involved herein has in any way, expressly or implied, abrogated any of its individual powers, and that this Contract does not create any new organization or legal entity.

NOW, THEREFORE, THE COUNTY AND THE DISTRICT MUTUALLY AGREE AS FOLLOWS:

I. Responsibilities Delegated to the District

- A. The District will, subject to prior approval by the Board of County Commissioners, retain the services of a consulting engineering firm to design and supervise the construction of the project.
- B. The District will be responsible for all facets of the design and construction phases of the project, including the following:
 - 1. Design engineering;
 - 2. Construction engineering;
 - 3. Except as provided by paragraph IV. Administration below, compliance with all applicable state and federal requirements;
 - 4. Except as provided by paragraph IV. Administration below, compliance with all other state and federal requirements as described in the TSEP Project Administration Manual;
 - 5. Preparation of construction bid documents; and
 - 6. Supervision of the bid process, the awarding of construction contracts, and construction of the project. The selection of the project contractor will be subject to the ratification of the County Board of Commissioners and bid solicitation documents will reflect this requirement.
- C. The District and its consulting engineer will receive, review, and approve all requests for payment for the items contained in paragraph B, above, and prepare and submit such requests to the County Board of

Commissioners in a timely fashion in accordance with established procedures.

- D. During the term of this Contract, the District will maintain reasonable records of its performance hereunder in a manner consistent with generally accepted accounting principles. The District will allow the County and Department and their authorized representatives access to these records at any time during normal business hours. At the request of the County, the District will submit to the County, in the format prescribed by the County, status reports on its performance under this Contract.
- E. The District will provide documentation that the local share of the project that exceeds TSEP funds may be accessed by the County for the project no later than the time of construction bid award.

II. Payment of Design and Construction Costs Incurred by the District

In consideration of the District's acceptance of the responsibilities described in paragraph I, above, the County agrees to the following:

- A. Upon receipt of a valid claim for payment from the District for allowable project costs as specified in the County's contract with Department, a copy of which is appended as Attachment A of this Contract, and which by this reference is made a part hereof, the County will request the required amount of TSEP funds from Department and upon receipt of these funds, the County will honor the District's claim and pay the engineer or contractor accordingly.
- B. Each payment for engineering and construction costs will be drawn from TSEP and District funds (if applicable) in amounts that are proportionate to the percentage that such funds represent of the total cost of the project as specified in Attachment B of Attachment A.
- C. The County will deduct a retainage from each payment request equal to five percent of the request, submitted by the District for construction costs incurred by the project contractor and hold this retainage until construction is completed, the engineer approves final payment, and the

project is accepted, all in accordance with the conditions of the construction contract. (Note: A retainage requirement is optional.)

- D. The County will also withhold one percent of the amount of any claim submitted by the contractor and will forward this amount to the Montana Department of Revenue pursuant to section 15-50-206(2), MCA.
- E. The County may refuse to pay any claim which it deems not valid under the terms of the TSEP contract with Department (Attachment A). Any agreement between a TSEP grantee and a subrecipient, such as a water or sewer district, should include a "Scope of Work" which includes a description of the work to be performed, a schedule for completing the work, and a budget. (These items are standard components of any TSEP grant agreement which is referred to here as an attachment.)

III. Duration of the Contract

- A. This Contract takes effect when the following conditions are satisfied:
 - 1. Department and the County Board of Commissioners have executed the TSEP contract;
 - 2. The County Attorney and the attorney for the District have approved this Contract as to form and content; and
 - 3. The County Board of Commissioners and the District's governing body have each reviewed this Contract and agreed fully to its terms and conditions.
- B. This Contract will terminate 90 days after the project engineer files a certificate of completion of the project with the Montana Department of Environmental Quality and Department closes out the TSEP project with the County.

IV. Administration

For purposes of implementing the joint undertaking established by this Contract, the County's Board of Commissioners and the District's Board of Directors hereby agree to coordinate with the County's TSEP contract liaison, the project engineer, and a designated representative of the district. These individuals may meet on a regular basis during the term of the TSEP project to provide for the efficient and effective implementation of this project.

V. Management of Real Property or Equipment Acquired

The primary purpose of this Contract is to allow the County to delegate responsibility for the design and construction of the District's project to the District and to define the procedures by which the County will disburse TSEP funds to pay the costs incurred as a result of these activities. The District's facilities will be constructed or improved as described in the TSEP contract with Department (Attachment A) and the District will continue to own and operate those facilities subject to the limitations contained in subparagraph B.

Upon the expiration of this Contract the District will transfer to the County any TSEP funds on hand at the time of expiration and any accounts receivable attributable to the use of TSEP funds.

VI. Indemnification

The District waives any and all claims and recourse against the County, including the right of contribution for loss or damage to persons or property arising from, growing out of or in any way connected with or incident to the District's performance of this Contract except claims arising from the concurrent or sole negligence of the County or its officers, agents, or employees. The District will indemnify, hold harmless, and defend the County against any and all claims, demands, damages, costs, expenses, or liability arising out of the District's performance of this Contract except for liability arising out of the concurrent or sole negligence of the County or its officer's agents, or employees.

VII. Suspension and Termination

The County may suspend or terminate this Contract if the District materially fails to comply with any term of the County's TSEP contract with Department.

In addition, the County may terminate this Contract for convenience with reasonable notice.

This Contract has been approved by the County's Board of Commissioners and the District's Board of Directors.

(Name of County) Commissioners

Chairman

Date:

Commissioner

Date:

Commissioner

Date:

CHAPTER 2

PROJECT MANAGEMENT

I. Overview

This chapter provides information about the management of a TSEP project, including budget amendments, expenses eligible for reimbursement, eligible match, and requirements for drawdown of TSEP funds.

II. Project Lifespan

All 2015 biennium TSEP projects must have construction activities completed as identified in the project's implementation schedule in the executed contract **no later than June 30, 2017**. The Department, in its sole discretion, may grant an extension to the scheduled date if the project is near completion, and the grant recipient can demonstrate a good faith effort to complete the project on time and within the original budget.

III. Project Amendment

At some point during the project, the grantee may need to modify the scope, budget, or implementation schedule for the project. The following process should be followed for accomplishing such modifications:

Budget

Modifications to the budget of less than \$5,000 to any one line item of the budget can be submitted as part of the grantee's drawdown request, and Department approval of the drawdown will constitute approval of the modification.

For budget amendments of \$5,000 or more to any one line item of the budget, or when the sum of budget adjustments exceeds \$5,000, the TSEP grantee must provide a written justification to the Department that clearly demonstrates the appropriateness and necessity of the modification. The Department must agree in writing to any significant changes in the budget before such changes may be implemented by the grantee.

Any budget adjustments made during the project should be listed and tracked throughout the project.

When bids tabs are received for construction, the amount budgeted in the project budget may be reduced by an amount proportionate to the reduction in the amount required for construction. For example, if the overall savings were 20 percent, the amount to be provided by TSEP for construction activities would be reduced by 20 percent. Any savings would then be added to the contingency line item amount. If there are any savings upon completion of the project, the Department reserves the right to share proportionately in those savings with all funding sources.

Budgets will be approved with contingency amounts for completion of project activities. Contingency amounts are reserved for use of construction activities and will seldom be transferred to other line items or administrative costs, please work closely with TSEP staff if your situation may require transfer of contingency funds. The TSEP grant recipient may request to use the difference between the final actual project costs and the original grant award to fund additional work that further enhances the system. The TSEP grant recipient should submit a written request to use remaining TSEP funds for the additional work activities, including full rationale and cost details, for Department review and approval. The decision to allow additional work activities to be funded with remaining TSEP funds is strictly at the sole discretion of the Department.

Implementation Schedule

The grantee may modify the implementation schedule as necessary to reflect the timeline being followed as the project moves forward, so long as the project's completion date as listed in the executed contract is met. The grantee should submit details regarding any changes to the schedule as part of the grantee's next drawdown request, and Department approval of the drawdown will constitute approval of the modification.

If the grantee seeks to extend the completion date of its TSEP project beyond June 30, 2017, or what is listed in the executed contracts' implementation schedule, the grantee should contact the Department.

Scope of Work

If the grantee seeks to change any part of the scope of work of the project, as identified in the contract with the Department, the grantee must first provide a written justification to the Department that clearly demonstrates the appropriateness and necessity of the modification.

The Department, in its sole discretion, may grant a modification to the project scope of work that does not materially alter the ranking priority, intent, or circumstances under which the project was ranked and approved for funding.

IV. Eligible Project and Matching Expenses

Expenses eligible for TSEP funding include, but are not limited to:

- Expenses that directly relate to construction activities that implement the scope of work identified in the TSEP contract;
- Professional services that directly relate to design activities that implement the scope of work identified in the TSEP contract;
- Repayment of interim financing directly related to project activities that implement the scope of work identified in the TSEP contract;
- Water Meters;
- Connection charges (hook-up fees and connection costs);
- Legal costs and fees including bond counsel;
- Purchase of computer software necessary to carry out TSEP grant requirements, such as remote meter reading transmitter software and other computer programs;
- Up to 50% of the cost of computer hardware, if it is required, to run the software or needed to otherwise manage the TSEP project;
- Direct grant administration expenses, up to a maximum 10% of the total TSEP budget for the project, including but not limited to personnel costs, office rent, office equipment, supplies, telephone, postage, travel, procurement related costs;
- Financial costs such as original loan origination fees, administrative fees, debt service reserves, and capitalized interest;
- Bond issuance and interest costs; and
- Land and easement acquisition.

Expenses that are not eligible for TSEP funding include but are not limited to:

- Operation and maintenance costs;
- Purchase of furnishings and fixtures or equipment that is not permanently installed in and solely dedicated to the operation of a public facility;
- Costs related to refinancing, servicing, or interest on any existing debt; and
- Any unauthorized costs incurred prior to the date identified in the Notice of Award letter;
- Privately owned service lines.

Expenses eligible for TSEP grantees' matching project funds include but are not limited to:

- Cash Match. The expenditure of any of the funds identified below on any eligible TSEP expense (see above) after the date identified in the Notice of Award letter are eligible as TSEP matching funds:
 - local general funds or other cash;
 - proceeds from the sale of general obligation, revenue, special assessment or other bonds;
 - entitlement or formula-based federal or state funds such as federal highway funds or payments in lieu of taxes;
 - loan or grant funds from a state or federal program other than TSEP;
- Previous Cash Expended. The expenditure of any of the funds identified above prior to the date identified in the Notice of Award letter is not eligible as TSEP matching funds, except when directly related to the preparation of engineering studies, reports, plans, or the grantee's TSEP grant application directly related to the TSEP project up to 2 years prior to the date identified in the Notice of Award letter
- In-Kind Match. The following sources of value are eligible as TSEP matching funds:
 - the value of land provided by the grantee, which value is based on an appraisal conducted within 6 months of acquisition of such land;
 - the value of labor performed by the grantee's employees on the TSEP project after the date identified in the Notice of Award letter, as long as

the employee is paid at his or her standard hourly rate of pay and the time worked is adequately documented; and

- the value of machinery or materials used in the process of constructing the project that is owned (or leased) and operated by the applicant, which value is based on the most recent Federal Emergency Management Agency (FEMA) equipment rate schedules or, in the case of materials, adequately documented acquisition costs.

V. Drawdown Requests and Progress Reports

a. Project Drawdown Requests

The Drawdown Request Form is used by grantees to request TSEP funds for reimbursement of eligible project expenses. Drawdown Request Form is included as Exhibit 2-A. In order to process the first Drawdown Request Form, the grantee must submit a completed copy of the Signature Certification Form and Designation of Depository Form. These forms are included as Exhibits 2-C and 2-D.

Grantees initiate a request for TSEP funds by preparing and submitting the Drawdown Request Form. The grantee can only be reimbursed for project-related costs that have been incurred, and must provide adequate and sufficient documentation supporting each claim for expenses to be reimbursed. Itemized invoices, for the contractor, any subcontractors, consultants, and vendors or suppliers, typically constitute adequate and sufficient documentation for reimbursable expenses, so long as the invoice includes:

- a description of work performed,
- the number of hours worked to accomplish each item,
- the amount being billed for each item;
- work performed date(s) and work items completed, if upon request from TSEP
- beginning and ending billing period dates;
- a description of any other eligible expenses incurred during the billing period; and
- the total amount being billed.

Lump-sum contracts typically do not provide for adequate and sufficient documentation for reimbursement of project expenses with TSEP funds and they are generally not allowed for design and construction engineering services. Cost plus contracts are not allowable on TSEP projects.

If budget modifications are found to be necessary while preparing a draw request, TSEP should be notified of the modification prior to the draw being submitted. Please work closely with your TSEP liaison regarding budget modifications.

The Department will retain two percent (2%) of the total authorized grant amount until:

- the project has been completed (certificate of Substantial Completion)
- Final closeout report has been submitted by grantee and approved by the Department

Additional guidance on submitting project drawdown requests can be found on the Community Development Division's webpage under the Resources link.

b. Project Progress Reports and Photos

Each request for TSEP funds must be accompanied by a Project Progress Report. In the absence of a draw request regularly submitted, a Project Progress Report should be submitted every 90 days as a project update on activities occurring on the project. A sample Project Progress report is included as Exhibit 2-B. The Project Progress Report provides the Department with information on the use of the funds requested and the progress and status of the project. On the report, the grantee must describe the status of all activities in the scope of work, including: the percentage complete, costs incurred, funds remaining, projected completion date, any significant problems encountered in carrying out the Project and the scope of any necessary modifications the Grantee is requesting in the scope of work, budget, or implementation schedule.

Project photos are encouraged to be submitted to the Department at the beginning of the project and at the completion of the project. Photos should

evidence the improvements made during construction and the new or upgraded facilities.

c. Uniform Status of Funds Form and Invoice Tracking Spreadsheet

Each request for TSEP funds must also be accompanied by an updated Uniform Status of Funds Form and Uniform Invoice Tracking Spreadsheet. These forms are included as Exhibits 2-E and 2-F. The Uniform Status of Funds Form provides the Department updated information on the remaining budget for the project and the status of all funding sources involved in the project. The Uniform Invoice Tracking Spreadsheet provides the Department updated information on all cumulative invoices received and paid for on the project, broken out by all funding sources involved in the project.

VI. Accounting and Auditing Requirements

TSEP local government and district grantees must maintain all receipts and expenditures of TSEP grant funds in accordance with generally accepted accounting principles (GAAP) and be in compliance with the auditing requirements of Section 2-7-503, MCA, as provided for in Section 20-9-213, MCA. TSEP tribal government grantees must maintain all receipts and expenditures of TSEP grant funds in accordance with the requirements provided for in OMB Circular A-133.

VII. Records Creation and Retention

The grantee must create and maintain all records of project activities funded with TSEP grant funds, including but not limited to financial records, supporting documents, and such other records as are required by law or other authority, for three (3) years after either the completion of the project or the conclusion of any claim, litigation, or exception relating to the project taken by the State of Montana or any third party, whichever is later. The grantee must provide the Department, the Legislative Auditor, or their agents access to all project records upon request.

VIII. Ethics and Code of Conduct

Sections 2-2-12, 2-2-201, 7-3-4256, 7-3-4367, 7-5-2106, and 7-5-4109, MCA, govern the code of conduct and conflicts of interest by all local governmental entities and public employees, including elected officials, district board members, and district

employees. These laws must always be followed by TSEP grant recipients, regardless of their participation in the TSEP grant program.

IX. Procurement Procedures

Title 7, Chapter 5, Parts 23 and 43, MCA govern the procurement of construction and purchasing contracts by TSEP local government and district grantees. Tribal governments are subject to their own tribal procurement laws. These laws must always be followed by these entities, regardless of their participation in the TSEP grant program.

TSEP grantees should be prepared to provide information to the Department about how they intend to procure or procured grant administration, professional services and construction services in accordance with the procurement laws applicable to them, including but not limited to the list of vendors to be or that were solicited, a copy of any advertisements, a copy of the request for proposals, or the information detailing the scope of work if price is the only consideration.

All executed contracts or agreements for grant services to be paid for in whole or in part by TSEP funds must be submitted to the Department. Additional guidance on procurement procedures can be found on the Community Development Division's Resources webpage.

X. Public Notice and Participation

Sections 8 and 9 of Article II of the Montana Constitution, and Sections 2-3-101, 2-3-201, and Title 7, MCA, require TSEP local governments and district grantees to hold regular and special public meetings, provide public notice of those meetings, and allow the public the opportunity to participate in the grantee's decision-making process. These laws must always be followed by TSEP local governments and district grantees, regardless of their participation in the TSEP grant program. Grantees should be prepared to provide information to the Department about the public process for its TSEP project, including but not limited to a copy of public meeting agendas and any comments submitted by the public and responses provided during administration of the project.

All press releases related to the TSEP project must be submitted to the Department for review and approval prior to release.

XI. Non-Discrimination Laws

TSEP grantees must fully comply with all applicable federal, state, or local non-discrimination laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973, in performing any project or portion thereof using TSEP funds. All subcontractors performing work on the project are subject to the same provision. The hiring of all persons to perform the project must be made on the basis of merit and qualifications, and the district shall not discriminate based upon the race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin of the persons performing the project.

XII. Prevailing Wage Requirements

Montana's Prevailing Wage Act (Section 18-2-401, et seq., MCA) applies to all public works contracts let by TSEP local government and district grantees (all construction contracts and non-construction contracts in excess of \$25,000). These laws must always be followed by TSEP local government and district grantees, regardless of their participation in the TSEP grant program. Grantees should be prepared to document the payment of prevailing wages in all applicable contracts related to the TSEP project.

XIII. Project Monitoring

Recipients of TSEP funding are responsible for administering their TSEP projects in accordance with all applicable local, state and federal laws. The Department has the responsibility to assist and support grantees in successfully implementing their project activities from start-up through closeout of the project in compliance with these requirements.

To accomplish these goals, in addition to reviewing information submitted with progress reports and requests for TSEP funds, the Department will schedule a monitoring visit with each TSEP grantee. A monitoring visit usually involves a visit to the grantee's offices to review records, inspect project activities, and meet with the local officials. The TSEP staff liaison will contact the grant administrator concerning the timing and scope of the monitoring visit. After a monitoring visit, the TSEP

liaison will provide written monitoring comments to the grantee. The Department will advise the Grantee of any specific areas of concern and if necessary, provide the Grantee opportunity to take corrective actions to address the Department's concerns.

XIV. Project Closeout

Project Closeout is the process by which the Department determines that the TSEP project has been completed in accordance with the terms and conditions of the TSEP contract.

Within 90 days of the date the certificate of substantial completion is issued by the project engineer, the grantee must submit a final Project Completion Report for approval by the Department. The Project Completion Report is included as Exhibit 2-G. The report provides the Department with information on the total costs incurred for the Project, the final completion date, and any significant problems encountered in carrying out the Project. Within 30 days of approving the Project Completion Report, the Department will issue the Notice of Project Closeout. Once the Notice of Project Closeout is issued, the TSEP grant project is considered complete and the file is closed. No more drawdown requests will be accepted on the project after the project is closed. The completion of the project will be reported to the Legislature the following session.

Exhibit 2-A Drawdown Request Form

SECTION I - TSEP RECIPIENT INFORMATION				
TSEP CONTRACT NUMBER	DRAWDOWN NUMBER	TOTAL AMOUNT REQUESTED		
NAME AND ADDRESS OF TSEP RECIPIENT:		MAKE DEPOSIT PAYABLE TO:		
SECTION II - FINANCIAL INFORMATION				
	A Amount Budgeted	B Amount Expended Prior To This Draw	C Amount Requested	D Balance Remaining After This Draw
1. TOTAL ADMINISTRATION BUDGET				
2. Percent	% of Total Grant	% of Column A		
3. TOTAL ACTIVITY BUDGET				
4. Percent	% of Total Grant	% of Column A		
5. TOTAL TSEP BUDGET				
			Total Amount Requested	
REMARKS:				
SECTION III - LOCAL APPROVAL				
Please submit all draw request and supporting reports and documentation to: Montana Department of Commerce PO Box 200523, Helena, MT 59620-0523				
DATE:	SIGNATURE		TITLE	
DATE:	COUNTERSIGNATURE		TITLE	
SECTION IV -COMMERCE APPROVAL				
EXPENDITURES ARE REASONABLE, APPROPRIATE _____			APPROVED BY: TITLE: DATE:	
FINANCIAL NUMBERS, SIGNATURES CORRECT _____				
CONSISTENT WITH PRECEDING DRAW, SABHRS _____				
BUDGET AMENDMENT APPROVED _____				

Exhibit 2-B
TSEP Project Progress Report

Name of TSEP Recipient: _____

Grant Contract Number: #MT-TSEP-CG--_____

Drawdown Number: _____

Total Amount Requested: _____

Date: _____

Administration: Amount Requested \$ _____

Include the amount and a brief description of each individual administrative/financial related expenditure (invoice) that will be paid for in whole or in part using TSEP funds. Attach a copy of each invoice. Include summary payroll information for all work performed by the TSEP recipient's employees. At a minimum, include the name, title, time period or date(s) that work was performed, rates charged/hour, total hours worked, activities performed, and total amount earned.

Activity: Amount Requested \$ _____

Include the amount and a brief description of each individual construction related expenditure (invoice) that will be paid for in whole or in part using TSEP funds. Attach a copy of each invoice. Include summary payroll information for all work performed by the TSEP recipient's employees. At a minimum, include the name, title, time period/date that work was performed, total hours worked, activities performed, and total amount earned.

Project Status (Administration/Financial and Construction):

This portion of the report should provide a summary of the overall status of the project and any other information relevant to the implementation of the project. Include a description of any accomplishments achieved since the last progress report submitted.

Use quantitative terms whenever possible. First, provide the percent estimate of how complete the project is in its entirety, and then provide estimates for major components of the project.

Provide any other information that appears pertinent, such as anticipated changes in the contract budget, implementation schedule, or scope of services. For example, if you anticipate any problems or delays that could affect the project implementation schedule or budget, these should be fully described and discussed well in advance, since a budget adjustment requires prior approval. Finally, indicate any milestones from the implementation schedule that are behind schedule and indicate when they should be completed.

Exhibit 2-D
Designation of Depository for Direct Deposit of TSEP Funds

SECTION I *(To be completed by TSEP recipient)*

The _____
Name, Address and ZIP Code of TSEP Recipient's Bank

has been designated as the depository for all funds to be received from the Montana Department of Commerce resulting from TSEP Contract No.

MT-TSEP-_____ for deposit to: checking or savings

Account Name / Account # / American Bankers Association # (ABA –Routing/Transit)

Name of Grant Recipient *Address*

Signature of Chief Elected Official *Title of Chief Elected Official*
or Executive Officer *or Executive Officer*

Date

Section II (To be completed by the bank)

The account identified in Section I has been established with this bank. All necessary documentation, including a power of attorney where necessary, which will legally enable this depository to receive state warrants from the State Auditor's Office for deposit to:

Account Name and/or Number

Name of Bank **Address**

The Depository hereby agrees to immediately notify the Recipient when a deposit is made in the above account.

Signature of Authorized Bank Officer *Title of Authorized Bank Officer*

Date

Exhibit 2-E

Uniform Status of Funds Form

Available at the TSEP website:

<http://comdev.mt.gov/TSEP/default.mcpx>

Exhibit 2-F

Uniform Invoice Tracking Spreadsheet

Available at the TSEP website:

<http://comdev.mt.gov/TSEP/default.mcpx>

Exhibit 2-G Project Completion Report

TSEP recipients must complete the Final Project Completion Report, to describe the accomplishments of the project as described in the TSEP the contract signed between the grantee and the Department of Commerce. All certifications must be signed by the TSEP recipient's Chief Elected Official or Executive Officer.

Describe the accomplishments in quantifiable terms if applicable (e.g. approximately 3,100 feet of water pipe installed and /or 150 people in 45 households served). Also describe the accomplishments, which are not easily quantifiable (e.g. achieved compliance with State water quality standards or eliminated serious threats to public health.)

Provide an explanation for any differences between the original proposed accomplishments and the final accomplishments.

The Final Completion Report consists of the following documents:

I. Final Project Performance Report

- a. A copy of the project engineer's Certificate of Substantial Completion with the attached punch list, or final inspection report, or letter giving final acceptance of the completed project, as applicable.
- b. A copy of the long-term operations and maintenance plan. At a minimum, include the cover page and index of the plan.
- c. If applicable, describe any liens from contractors or suppliers, open-ended action items pertaining to enforcement of applicable prevailing wage or other labor requirements, or other third party claims against the project which will require restitution, escrow of funds or liquidated damages.
- d. A summary of any citizen comments or complaints regarding the TSEP project received by the local governing body or the local TSEP project manager must be attached to the Project Completion Report. The summary must include the recipient's assessment of the citizen comments and a description of any action taken in response to the comment or complaint.

2. Statement of Cost: TSEP Funds

3. Statement of Costs: Non-TSEP Funds

I. Certification of Grantee Final Project Performance Report

Proposed and Actual Accomplishments

TSEP Grant Recipient _____

Contract #MT-TSEP-CG-__ - ____

Proposed Accomplishments

Actual Accomplishments (If no change from proposed accomplishments simply state "Same")

2. Statement of Costs: TSEP Funds

Name and Address of TSEP Recipient: _____

Commerce Contract Number #MT-TSEP-CG-__ - ____

Budget Line Item	Final TSEP Budget	TSEP Funds Expended to Date	Balance Remaining
Administration			
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
Total Administration Budget			
Activity Budget			
9.			
10.			
11.			
12.			
Total Activity Budget			
Total TSEP Budget			

3. Statement of Costs: Non-TSEP Funds

Name and Address of TSEP Recipient: _____

Commerce Contract Number #MT-TSEP-CG-__ - ____

Budget Line Item	Final Amount Budgeted	Expended to Date	Balance Remaining
Administration			
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
Total Administration Budget			
Activity Budget			
9.			
10.			
11.			
12.			
13.			
Total Activity Budget			
Total Budget			

(Instructions: Include a separate copy of State of Costs for each non-TSEP funding source involved in the project.)

4. Certification of Grantee

It is hereby certified that all activities under taken by the TSEP grant recipient with funds provided under contract #MT-TSEP-CG-__-_____ have been carried out in accordance with said contract; and that

- A. There are no unpaid costs, liens, or third party claims remaining against the TSEP project, all prevailing wage requirements applicable to this contract have been complied with, and there are, to the recipient's knowledge, no outstanding prevailing wage claims;
- B. Statements and information contained in this Final Project Completion Report are true and correct;
- C. All records related to grant activities are available on request and will be kept for three years after the date of final closeout approval by the Department;
- D. A final audit will be conducted in accordance with state requirements and all findings, if any, will be resolved;
- E. The average residential monthly user rate is \$_____, which is at or above the established target rate.
- F. Any interim loans through the Board of Investment's INTERCAP program have been repaid; and
- G. It is hereby acknowledged that any remaining unexpended balance of TSEP funds for the TSEP project under this contract will be retained or recovered by the Department.

(Typed Name and Title of Chief Elected Official) (Signature of Chief Elected Official) (Date)