



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

February 23, 2000

Ordinance 13732

Proposed No. 2000-0058.1

Sponsors McKenna and Nickels

1 AN ORDINANCE making a supplemental appropriation of
2 \$100,000 to the grants fund from a grant from the
3 Washington state Department of Social and Health Services,
4 Division of Alcoholism and Substance Abuse to fund the
5 drug diversion court in the department of judicial
6 administration; and amending the 1999 Budget Ordinance,
7 Ordinance 13340, Section 94, as amended.

8 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

9 SECTION 1. There is hereby approved and adopted a supplemental appropriation
10 of \$100,000 to the grants fund from a grant from the Washington state Department of
11 Social and Health Services, Division of Alcoholism and Substance Abuse to fund the
12 drug diversion court in the department of judicial administration.

13 SECTION 2. Ordinance 13340, Section 94, as amended, is hereby amended by
14 adding thereto and inserting therein the following:

15 GRANTS FUND – From the grants fund there is hereby appropriated to:

16 Grants fund \$100,000

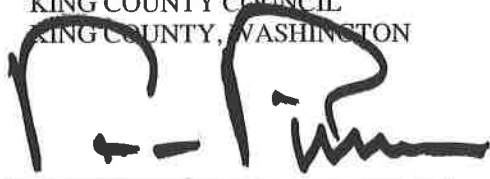
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18 Ordinance 13732 was introduced on 1/31/00 and passed by the Metropolitan King County Council on
19 2/22/00, by the following vote:

20


Yes: 11 - Mr. von Reichbauer, Ms. Miller, Ms. Fimia, Mr. Pelz, Mr. McKenna, Ms. Sullivan,
Mr. Nickels, Mr. Pullen, Ms. Hague, Mr. Vance and Mr. Irons
No: 0
Excused: 2 - Mr. Phillips and Mr. Gossett

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Pete von Reichbauer, Chair

ATTEST:


Anne Noris, Clerk of the Council

APPROVED this 29 day of February, 00.



Ron Sims, County Executive

Attachments A. Grant Alert, B. Interagency Agreement between State of Washington DSHS and K.C
Dept of Judicial Administration, C. Letter to King County Drug Court from Northwest
HIDTA

King County Grant Alert

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REVIEW/APPROVAL

Department Judicial Administration
 Division Administration
 Program Drug Court
 Contact Mary C Taylor
 Phone 296-7834

Drug Court
 Preliminary project title

Date Rec'd	Date App'vd	Initials
		OS
Dept. _____		
OFM _____		
OFM Control No. _____		

BASIC GRANT INFORMATION

Grantor (list branch of government or private foundation) Northwest HIDTA
 (High Intensity Drug Trafficking Area) WA St. Division of Alcohol & Substance Abuse

Application due date non-applicable

Grantor's statement of intent in letting RFP
To provide ongoing (renewal) funding for King County Drug Court. Funding is used to provide treatment for Drug Court participants.

Potential King County budget impact	1996	1997	1998	1999	2000
Potential award amount				\$105,000	
Required CX cash match					
Required other match					
Total potential value				<u>\$105,000</u>	\$
% of total agency approp.	%	%	%	1.8 %	%
Possible FTE additions					

Award Maximums 105,000
 Range of years covered: \$185,000
January '99 - December '99

Does this grant replace currently appropriated funds? YES NO
 If yes, Amount displaced: \$ _____
 Source: _____

PRELIMINARY DESCRIPTION OF KING COUNTY PROPOSAL

See guidelines on reverse – summarize, then attach separate sheets if more detail is appropriate

Provides second year of funding for King County Drug Court. Partially funds treatment services for drug court participants.

Future Funding Liabilities (including sunseting costs, if applicable -- see instructions): None

EXISTING POLICY/PLAN ENABLING THIS GRANT

See guidelines on reverse

King County's Drug Court has been in operation since August 1994.

IS COUNCIL ACTION DESIRED OR REQUIRED?

- Implementation of this grant will require execution of an Interlocal Agreement
- Either the application or implementation would benefit from Council pre-authorization (a transmittal of proposed legislation is forthcoming)

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HIDTA CONTRACT #I9PNWP506
DASA # 6992-0

**INTERAGENCY
AGREEMENT
BETWEEN**

**STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES**

AND

KING COUNTY DEPARTMENT OF JUDICIAL ADMINISTRATION

THIS AGREEMENT, pursuant to Chapter 39.34 RCW and all relevant and associated statutes, is made and entered into by and between the DEPARTMENT OF SOCIAL AND HEALTH SERVICES (DSHS) and KING COUNTY DEPARTMENT OF JUDICIAL ADMINISTRATION (DJA).

THE PURPOSE OF THIS AGREEMENT IS TO PROVIDE funding for the King County federally funded HIDTA Drug Court.

IN CONSIDERATION OF THE MUTUAL PROMISES AND OTHER CONSIDERATION RECITED IN THIS AGREEMENT, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. STATEMENT OF WORK

DJA shall furnish the necessary personnel, materials and/or services and otherwise do all things necessary for or incidental to the performance of the work set forth in Exhibit "A" attached hereto and incorporated herein. Unless otherwise specified, **DJA** shall be responsible for performing all fiscal and program responsibilities as set forth in Exhibit "A."

2. TERMS AND CONDITIONS

All rights and obligations of the parties to this agreement shall be subject to and governed by the terms and conditions contained in the text of this Agreement.

3. PERIOD OF PERFORMANCE

Subject to its other provisions, the period of performance of this agreement shall commence on **July 1, 1999** and be completed on **June 30, 2000**, unless terminated sooner as provided herein.

RECEIVED

AUG 31 1999

4. **CONSIDERATION AND PAYMENT**

Consideration for the work provided in accordance with this Agreement has been established under the terms of RCW 39.34.130. The parties have determined that the cost of accomplishing the work herein will not exceed \$100,000. Payment for satisfactory performance of the work shall not exceed this amount unless the parties mutually agree in writing to a higher amount.

DSHS shall pay to the contractor all reimbursable costs as evidenced by proper invoice of the Contractor submitted on a timely basis, insofar as those reimbursable costs do not exceed that amount appropriated or otherwise available for such purposes, in accordance with the budget, attached hereto and incorporated herein as Exhibit "B". Reimbursable costs are defined in Exhibit "C".

The source of these funds is the Northwest HIDTA (High Intensity Drug Trafficking Area Project) Drug Court Development Initiative funds under HIDTA Grant Award #19PNWP506.

Changes not to exceed a cumulative 10 percent may be made by the contractor in each expenditure line item of the contract budget without a contract amendment, provided that the Contractor shall notify DSHS Division of Alcohol and Substance Abuse (DASA) of the changes by letter within 10 days. All other changes in excess of a cumulative 10 percent in each expenditure line item must receive prior DSHS/DASA approval by amendment to the contract budget. Provided further, that indirect costs cannot be modified without a bilateral amendment.

5. **BILLING PROCEDURE**

DSHS shall reimburse DJA upon receipt of properly executed vouchers. Claims for payment submitted by DJA to DSHS for costs due and payable under this agreement that were incurred prior to the expiration date shall be paid by DSHS if received by DSHS within 120 days after the expiration date.

6. **NONDISCRIMINATION**

During the performance of this Contract, the parties shall comply with all federal and state nondiscrimination laws and regulations.

7. **RECORDS MAINTENANCE**

- a. DJA and DSHS shall each maintain books, records, documents and other evidence which sufficiently and properly reflect all direct and indirect costs expended by either party in the performance of the services described herein. These records shall be subject to inspection, review or audit by personnel of both parties, other personnel duly authorized by either party, the Office of the State Auditor, and federal officials so authorized by the law. DJA shall retain all books, records, documents, and other material relevant to this agreement for six years after expiration, and the Office of the State Auditor, federal auditors,

and any persons duly authorized by the parties shall have full access and the right to examine any of these materials during this period.

- b. Records and other documents, in any medium, furnished by one party to this agreement to the other party, will remain the property of the furnishing party, unless otherwise agreed. The receiving party will not disclose or make available this material to any third parties without first giving notice to the furnishing party and giving it a reasonable opportunity to seek a court order prohibiting disclosure. Each party will utilize reasonable security procedures and protections to assure that records and documents provided by the other party are not erroneously disclosed to third parties.

8. CONTRACT ADMINISTRATION

- a. The Program Manager for each of the parties shall be responsible for and shall be the contact person for all communications and billings regarding the performance of this Agreement.
- b. The Program Manager for DSHS is: **Doug Allen, Special Projects Administrator, DASA, Mailstop 45330, Olympia, Wash. 98504-5330; 360/438-8060.**
- c. The Program Manager for King County Department of Judicial Administration is: **Mary C. Taylor, Drug Court Program Manager, DJA, 516 Third Avenue, Room E-609, Seattle, Wash. 98104-2386; 206/296-7834.**

9. RIGHTS IN DATA

Unless otherwise provided, data which originates from this Agreement shall be "works for hire" as defined by the U.S. Copyright Act of 1976 and shall be owned by DSHS. Data shall include, but not be limited to, reports, documents, pamphlets, advertisements, books, magazines, surveys, studies, computer programs, films, tapes, and/or sound reproductions. Ownership includes the right to copyright, patent, register, and the ability to transfer these rights.

10. INDEPENDENT CAPACITY

The employees or agents of each party who are engaged in the performance of this agreement shall continue to be employees or agents of that party and shall not be considered for any purpose to be employees or agents of the other party.

11. INDEMNIFICATION

DSHS shall defend, protect, hold harmless and indemnify DJA and its affiliates, their respective agents, contractors, subcontractors, employees, officers, directors, and other representatives from and against all claims, suits or actions arising from any services under this agreement at the direction of DSHS.

DJA, its affiliates, their respective agents, contractors, subcontractors, employees, officers, directors, and their representative shall defend, protect, hold harmless and

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indemnify DSHS, its officers or employees from and against all claims, suits or actions arising from any negligent acts or omissions by DJA, its affiliates, their respective agents, contractors, subcontractors, employees, officers, directors, and other representative while performing services under this agreement at the direction of DJA.

In the event that the parties are found to be jointly negligent for any acts or omissions arising under this Agreement, then each party shall be responsible for its sole proportionate share.

12. **INSURANCE**

DSHS certifies it is self-insured for all exposure to tort liability, general liability, property damage liability, and vehicle liability as provided by Chapter 43.19, Revised Code of Washington.

DJA certifies that either (a) it is self insured and shall cover losses for which it is found liable up to \$1,000,000 per occurrence and \$2,000,000 aggregate, or (b) it shall maintain commercial liability insurance of \$1,000,000 per occurrence and \$2,000,000 aggregate and shall provide evidence of such insurance to DSHS within fifteen (15) days of execution of this Agreement.

13. **AGREEMENT ALTERATIONS AND AMENDMENTS**

This Agreement may be amended by mutual agreement of the parties. Such amendments shall not be binding unless they are in writing and signed by personnel authorized to bind each of the parties.

14. **TERMINATION**

Either party may terminate this Agreement upon 30 days' prior written notification to the other party. If this Agreement is so terminated, the parties shall be liable only for performance rendered or costs incurred in accordance with the terms of this Agreement prior to the effective date of termination.

15. **TERMINATION FOR CAUSE**

If for any cause, either party does not fulfill in a timely and proper manner its obligations under this Agreement, or if either party violates any of these terms and conditions, the aggrieved party will give the other party written notice of such failure or violation. The responsible party will be given the opportunity to correct the violation or failure within 15 working days. If failure or violation is not corrected, this Agreement may be terminated immediately by written notice of the aggrieved party to the other.

16. **SAVINGS**

In the event funding from state, federal, or other sources is withdrawn, reduced, or limited in any way after the effective date of this contract and prior to normal

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completion, DSHS may terminate the contract under the "Termination" clause, subject to renegotiation under those new funding limitations and conditions.

17. **DISPUTES**

In the event that a dispute arises under this Agreement, it shall be determined by a Dispute Board in the following manner: Each party to this agreement shall appoint one member to the Dispute Board. The members so appointed shall jointly appoint an additional member to the Dispute Board. The Dispute Board shall review the facts, contract terms and applicable statutes and rules and make a determination of the dispute. As an alternative to this process, either of the parties may request intervention by the Governor, as provided by RCW 43.17.330, in which event the Governor's process will control.

18. **GOVERNANCE**

- a. This Agreement is entered into pursuant to and under the authority granted by the laws of the state of Washington and any applicable federal laws. The provisions of this Agreement shall be construed to conform to those laws.
- b. In the event of an inconsistency in the terms of this Agreement, or between its terms and any applicable statute or rule, the inconsistency shall be resolved by giving precedence in the following order:
 - o Applicable state and federal law;
 - o Statement of Work (Exhibit "A"); and
 - o Any other provision of this Agreement, including Exhibits and other materials incorporated by reference.

19. **ASSIGNMENT**

The work to be provided under this Agreement, and any claim arising hereunder, shall not be assigned or delegated by either party, in whole or in part, without the express prior written consent of the other party, which consent shall not be unreasonably withheld.

20. **WAIVER**

A failure by either party to exercise its rights under this Agreement shall not preclude that party from subsequent exercise of such rights and shall not constitute a waiver of any other rights under this Agreement unless stated to be such in a writing signed by an authorized representative of the party and attached to the original Agreement.

21. **SEVERABILITY**

If any provision of this Agreement or any provision of any document incorporated by reference shall be held invalid, such invalidity shall not affect the other provisions of this Agreement which can be given effect without the invalid provision, if such remainder conforms to the requirement of applicable law and the fundamental purpose

of this agreement, and to this end the provisions of this Agreement are declared to be severable

22. **INTEGRATION**

This Agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind any of the parties hereto.

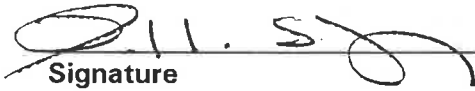
23. **ASSURANCES**

The parties agree that all activity pursuant to this Agreement will be in accordance with all applicable current or future federal, state and local laws, rules and regulations.

THIS AGREEMENT, consisting of 16 pages, including all Exhibits, is executed by the persons signing below who warrant that they have the authority to execute this Agreement.

**KING COUNTY DEPARTMENT
OF JUDICIAL ADMINISTRATION**

**DEPARTMENT OF SOCIAL AND
HEALTH SERVICES**



Signature



Signature

DIRECTOR

Title

8-26-99

Date

Gerry Nelson
Contracts Coordinator

Title

Division of Alcohol and Substance Abuse

Title

8/31/99

Date

(360) 438-8493

APPROVED AS TO FORM BY THE OFFICE OF THE ATTORNEY GENERAL

**STATEMENT OF WORK
KING COUNTY DEPARTMENT OF JUDICIAL ADMINISTRATION
KING COUNTY DRUG COURT**

The Contractor will arrange for the provision of case management services to drug offenders selected to receive such HIDTA-supported services as participants in the King County Drug Court Program. These services will be provided as an enhancement to the basic service strategy employed by the King County Drug Court Program and will be complimented by the provision of additional services as indicated.

The Contractor will enter into a subcontract with a non-profit agency to provide case management services and serve as liaison between the drug court, treatment agencies and drug court participants. The case manager funded by the NW HIDTA conducts orientations and initial intake/assessments for all drug court participants, screens for severity of chemical dependency and mental health issues, and determines the most appropriate treatment agency for each participant. The case manager also assesses whether or not the participant is in need of additional, ancillary services. The case manager acts as an advocate for the participant and facilitates entry into service programs, assists the client in keeping appointments and follows up with treatment as necessary.

The subcontract for case management services will also include the provision of computer system and data base management services for the entire contract period as described above, and will support expenditures associated with the provision of training and related travel for the case management services staff.

Administrative Support:

In order to support the administration and operations of the King County Drug Court Program, the King County Department of Judicial Administration, as the Contractor, shall utilize NW HIDTA funds for the salary and benefits of 1 (one) FTE Drug Court Program Manager during the period of July 1, 1999 through June 30, 2000.

The Drug Court Program Manager oversees program development, public relations and the financial, contractual, and operational activities of the King County Drug Court Program. In addition, the Program Manager organizes and prioritizes efforts to more fully institutionalize the Drug Court Program in King County by documenting policies and procedures; implementing a management information system; identifying resources and developing collaborative relationships throughout the county and region, involving all agencies and organizations that may contribute to and/or benefit from the Drug Court Program.

In providing and purchasing these functions, the Contractor shall endeavor to accomplish the following goals:

Outputs:

- (1) Drug court case management services are specialized and will accommodate the needs of the Drug Court Program, chemical dependency treatment providers, ancillary service providers, Drug Court Program administration, defendants and participants. Services will include case finding, case planning, case consultation, and referral services for the purpose of linking drug court defendants to assessment and treatment, and for maintaining defendants in treatment.
- (2) Drug court case management services staff will be responsible for the timely and accurate exchange of information between the court and the treatment centers, the defendants community corrections officers, and the providers of other services such as prenatal, housing, medical, and vocational services. Case management services will maintain records detailing the treatment status of each of the 300 - 400 drug court participants active in treatment at any point in time.
- (3) Staff will be responsible for assembling and maintaining case management files, data entry, communications with treatment providers regarding the completeness and timeliness of reports, answering phones, transmitting and receiving faxed reports from treatment providers and the court in regard to 300-400 active drug court participants.
- (4) The executive director will provide management, oversight and supervision to the drug court case management staff.
- (5) Staff will require computer system maintenance to manage information and desktop computers.
- (6) Staff will attend trainings for on-going skill development.

Outcomes:

- (1) The Drug Court Program Manager will procure funds to sustain the drug court at its current level, oversee the relocation of the court to another courtroom, manage the implementation of an automated case management system, foster positive public relations, manage contracts with seven contracted agencies, develop policies and procedures in conjunction with the drug court team.
- (2) The support staff for the drug court case management services will facilitate the timely and accurate exchange of information and will maintain data and information in support of 3 case managers who will provide services to approximately 500 drug court participants during the contract period.
- (3) The information system will be maintained throughout the year and the transition to the new information system will be facilitated by the provision of system maintenance services.
- (4) Two professional staff will attend training in order to increase their case management skills.

Northwest 99

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King County Dept. of Judicial Administration
Drug Court Development
Work Order No. 6992-0

HIDTA Budget Item

Contracted Services

Personnel	65,443.00
Travel	
Facilities	
Services	34,557.00
Supplies	
Other	
TOTAL	100,000.00

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Direct Contracts
Reimbursable Costs
Issued March 1993

STANDARDS FOR REIMBURSABLE COSTS EXHIBIT C

DEFINITIONS

The following terms and phrases shall have the meanings indicated when used in this exhibit, except where the context clearly requires otherwise.

- (1) "Acquisition cost" shall mean the net cost of equipment, including the costs for modifications, attachments, accessories or auxiliary apparatus necessary to make the equipment useable for the purpose for which it was acquired.
- (2) "Arm's length transaction" shall mean a transaction resulting from good faith bargaining between a buyer and a seller, where the parties have adverse positions in the marketplace.
- (3) "Contractor or subcontractor property" shall mean property used in performance of a contract which is not departmental property.
- (4) "Cost" shall mean the historical amount of money involved in a transaction which decreases an asset or increases a liability, whether recognized on a cash or accrual basis, excluding repayments of borrowing, expenditures to acquire assets, distributions to owners and corrections to prior periods. Corrections to prior periods are included as costs in that prior period.
- (5) "Cost related subcontract" shall mean a contract or subcontract where the amount of reimbursement is related to the actual costs of the subcontractor or a class of subcontractors, either in the current period or in a prior period, subject to ceilings, allowances, limitations and conditions adopted by the department, but without regard to the method of payment.
- (6) "Cost related subcontractor" shall mean a subcontractor that has a cost related subcontract.
- (7) "Customary charge" shall mean the average charge for a similar service, activity or procedure for non-departmental clients or purchasers by providers whose training and experience is similar to the contractor or subcontractor and are located in the same area. The area considered in determining customary charge shall be as large as necessary to provide a reasonable measure of the market for such services, activities or procedures.
- (8) "Department" shall mean the Department of Social and Health Services.
- (9) "Departmental clients" shall mean individuals who receive or benefit from services or activities for which the contractor was reimbursed in part or entirely by the department.
- (10) "Departmental funds" shall mean any funds paid by the department to a contractor, including funds passed through to subcontractors. Departmental funds includes federal funds which pass through the department.
- (11) "Departmental property" shall mean property owned by the department, and property for which title is vested in the department.
- (12) "Equipment" shall mean tangible personal property having a useful life of at least one year and an acquisition cost of at least \$400.
- (13) "Personal property" shall mean property of any kind except real property, either tangible or intangible.

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- (14) "Price related contract" or "price related subcontract" shall mean a contract or subcontract where the amount of reimbursement is related to market prices for services, and without consideration of the contractor's or subcontractor's actual or anticipated costs.
- (15) "Real property" shall mean land, land improvements, structures, and appurtenances thereto, but excluding movable machinery and equipment.
- (16) "Subcontract" shall mean any agreement for compensation between the contractor and a subcontractor, or between a subcontractor and another subcontractor, to provide property, services or construction needed in performance of the contract.
- (17) "Subcontractor" shall mean any person, partnership, corporation, association or organization, not in the employment of the contractor, who has a subcontract agreement directly with the contractor or a subsequent tier subcontract agreement with an intermediate subcontractor.
- (18) "Supplies" shall mean tangible personal property other than equipment.
- (19) "Third party" shall mean an individual or organization other than the department, the contractor, any subcontractor or any departmental client.
- (20) "Usual charge" shall mean the charge which the contractor or subcontractor most frequently charges non-departmental clients or purchasers for a similar service, activity or procedure.
- (21) "Working capital" shall mean a fund balance accumulated and maintained for a period of more than twelve months, or remaining at the termination or expiration of a contract, which is not segregated in a reserve account and is used primarily to maintain the entity's cash flow.

REIMBURSABLE COSTS

- (1) Reimbursable costs shall include costs which are necessary for the proper and efficient performance of the contract, are reasonable are allocable to the contract and are allowable under the provisions of this exhibit.
- (2) Reimbursable costs include costs incurred in paying subcontractors for fulfilling or assisting the contractor to fulfill the contractor's obligations to the department.
 - (a) If the subcontract is price related, the reimbursable cost of the subcontract shall be the share of payments to the subcontractor which equals the usual charge or the customary charge, whichever is less. If the subcontractor has only departmental clients, the reimbursable cost shall be the share of payments to the subcontractor which equal the customary charge.
 - (b) If the subcontract is cost related, the reimbursable cost of the subcontract shall be the share of payments to the subcontractor for subcontractor costs which are necessary for the proper and efficient performance of the contract, are reasonable are allocable to the subcontract and are allowable under the provisions of this exhibit. If the cost-related subcontractor is a for-profit entity, reimbursable costs may also include payments for ordinary profit, provided such profit is computed on a basis other than a percentage of contract costs. Costs used to determine subcontract payments may be either actual costs during the contract period or estimated costs for the contract period based on actual costs in a prior period, and may be either costs of the subcontractor or costs of a class or subclass of facilities providing similar services, activities or procedures.

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REASONABLENESS

- (1) A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent and reasonable person under circumstances prevailing at the time the decision was made to incur the cost.
- (2) In determining the reasonableness of a given cost, the following shall be given careful consideration:
 - (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the contractor or the performance of the contract.
 - (b) Whether the cost was incurred after the contractor complied with sound business practices, including arm's length bargaining.
 - (c) Whether the contractor acted with prudence in the circumstances considering its responsibilities to the organization, its members, employees, clients, the public at large and the department.
 - (d) Whether the contractor deviated from established practices of the contractor, which may unjustifiably increase the cost.

ALLOCABLE COSTS

- (1) A cost is allocable to the contract if all of the following conditions are met:
 - (a) It is assignable or chargeable to the contract in accordance with the relative benefit received because either
 - (i) It was incurred specifically and solely for the performance of the contract; or
 - (ii) It benefits both contract and non-contract objectives and can be distributed between them in reasonable proportion to the benefits received; or
 - (iii) It is necessary for the overall operation of the contractor.
 - (b) It is not allocable to or included as a cost of any other contract, grant, agreement or program in either the present or any prior period, or used as cost-sharing or matching for another contract or grant, except when the contract specifically authorizes such duplicate allocation.
 - (c) It is accorded consistent treatment with costs of a similar nature.
- (2) **Contract-Specific Direct Costs:** If a cost is allocable to the contract pursuant to subsection (1)(a)(i) of this section, the entire amount may be charged to the contract.
- (3) **Shared Direct Costs:** If a cost is allocable to the contract pursuant to subsection (1)(a)(ii) of this section, the charge shall be considered to be in reasonable proportion to the benefits received if the charge is based on time distribution records, random moment time samples, equivalent work units, or space utilization. Other equitable methods may be used with the prior approval of the department. Allocation of charges based on revenue distribution is not an acceptable method.
- (4) **Indirect Costs:** If a cost is allocable to the contract pursuant to subsection (1)(a)(iii) of this section, the charge shall be considered to be in proportion to benefits received if it is based on the total

distribution of costs allocated pursuant to subsections (2) and (3) of this section, or if it is based on staff time directly spent in contract and non-contract activities. Other equitable methods may be used with the approval of the department.

- (5) Contractors and cost-related subcontractors shall maintain a current cost allocation plan describing how costs are allocated.
- (6) Department approvals required in subsections (3) and (4) of this section shall be obtained by submitting a cost allocation plan to the department. The cost allocation plan shall identify the period of time covered by the plan, the cost items to be allocated, the allocation method, the program areas to which costs are allocated, and the resulting allocations using budgeted costs. Copies of indirect cost allocation plans submitted for federal grant purposes may be used to apply for department approval under subsection (4) of this section.

ALLOWABLE COSTS

A cost is allowable if:

- (1) It is authorized or not prohibited by federal, state or local laws and regulations.
- (2) It conforms to any limitations or exclusions set forth in the contract terms and approved budget, or in applicable state or federal law or regulation.
- (3) It is approved in advance and in writing by the department, if it is a cost requiring approval.
- (4) It is not an unallowable cost.
- (5) It is consistent with policies, regulations, directives and procedures of the contractor.
- (6) It is accorded consistent treatment through application of generally accepted accounting principles.
- (7) It is adequately documented in source records such as payroll registers and invoices.
- (8) It is the net of all applicable credits, such as purchase discounts, rebates, and allowances.

COSTS ALLOWABLE WITH PRIOR APPROVAL

Costs described in this section are allowable only if they are approved in advance by the department. Approval shall be deemed given if the cost is specifically identified in the contract budget or other clause or attachment to the contract. Approval of costs not specifically identified in the contract shall be made by letter or other document which sets forth the nature and amount of the approved cost and the contract for which it is allowed.

- (1) Client cash payments: Any direct cash payments to departmental clients are allowable only with prior written approval of the department.
- (2) Capital expenditures: Cost of acquiring by purchase or capitalized lease land, buildings, or equipment and cost of repair, remodeling, renovation, or improvements which would materially increase the value or useful life of buildings are allowable only with the prior written approval of the department.
- (3) Training and education: Cost of training which requires staff to be relieved of regular duties for more than ten working days per training event is allowable only upon prior written approval of the department.

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INTEREST EXPENSE

- (1) Interest on borrowed funds is allowable if the interest expense meets the applicable requirements of this section.
- (2) Interest on borrowed funds used to purchase equipment or real property is allowable with the prior written approval of the department.
- (3) Interest on borrowed funds used to create, replenish, or maintain working capital is allowable, if the following conditions are met:
 - (a) Working capital is depleted due to unusual cash flow, such as abnormally high costs or delays in reimbursement; or working capital has been insufficient for an extended period of time, because the contractor or subcontractor has insufficient eligible income in excess of expenses to accumulate adequate working capital.
 - (b) The borrowed funds are not used to supplant funds which otherwise would be available to finance working capital. Borrowed funds shall be considered to supplant contractor working capital if a decision to deplete working capital is evident, whether the working capital is depleted before or after the arrangements to borrow funds are made.
 - (c) The working capital in aggregate does not exceed ninety days cash flow.
 - (d) The interest expense is approved in advance and in writing by the department.
- (4) Approval shall be deemed given if the interest cost is specifically identified in the contract budget or other clause or attachment to the contract. Approval of interest cost not specifically identified in the contract shall be made by letter or other document which sets forth the nature and amount of the approved cost and the contract under which it is allowed.

UNALLOWABLE COSTS

The following costs are unallowable, whether incurred directly by the contractor or any cost related subcontractor.

- (1) Bad debts: Any losses arising from uncollectible accounts and other claims and related costs are unallowable. In double entry accounting systems, write-offs of client fees deemed uncollectible shall be treated as adjustments to revenue.
- (2) Chief executive: The salaries and expenses of the chief executive of a political subdivision are unallowable.
- (3) Contingencies: Contributions to a contingency reserve or any similar provision for unforeseen events.
- (4) Contributions and donations: Costs of a contractor or subcontractor in the form of contributions and donations to other organizations, including costs of donated services and property, are unallowable.
- (5) Depreciation of state financed property: Costs of depreciation of departmental property are unallowable.
- (6) Entertainment: Costs of amusements, social activities and incidental costs relating thereto such as meals, beverages, lodging, rentals, transportation and gratuities are unallowable, except for costs of entertainment specifically for departmental clients and necessary expenses of staff who supervise departmental clients on contractor or subcontractor sponsored activities.

- (7) **Fines and penalties:** Costs resulting from violations of or failure to comply with federal, state, and local laws and regulations are unallowable.
- (8) **First class air accommodations:** The difference in cost between first class air accommodations and less-than-first class air accommodations is unallowable, except when less-than-first class air accommodations are not reasonably available.
- (9) **Fund raising:** Cost of organized fund raising are unallowable.
- (10) **Legal fees to bring suit against federal or state government:** The cost of legal expenses for the prosecution or defense of claims by or against the federal or state government are unallowable.
- (11) **Legislative expenses:** The salaries and other expenses of county councilmen or councilwomen, supervisors, commissioners, etc., whether incurred for the purposes of the legislation or executive direction, are unallowable.
- (12) **Lobbying expenses:** The cost of attempting to influence legislation pending before any federal or state legislative body is unallowable except as provided for in RCW 42.17.190.
- (13) **Losses:** Costs of actual losses which could have been covered either by insurance or by contributions to a self-insurance reserve are unallowable, except for losses not covered under nominal deductible insurance coverage and minor losses not covered by insurance which occur in the ordinary course of operations, such as spoilage and breakage.
- (14) **Memberships:** Costs of memberships for individuals in civic, business, technical or professional organizations are unallowable. Costs of contractor or subcontractor memberships in any organization whose predominate activity is influencing legislation are unallowable.
- (15) **Under-recovery of costs in other contract agreements:** Any costs incurred in excess of the federal and state contribution under any other contract agreement is unallowable.

UNALLOWABLE COSTS; FEDERAL ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH SERVICES BLOCK GRANT

- (1) Unless an explicit and specific federal waiver is obtained, the following costs are unallowable under any contract which includes federal alcohol, drug abuse and mental health services block grant funds:
- (a) Costs of hospital inpatient services;
 - (b) Cash payments to departmental clients;
 - (c) Cost of purchase or permanent improvement of land or facilities, other than minor remodeling;
 - (d) Cost of purchase of major medical equipment, with an acquisition cost in excess of \$5,000;
 - (e) Costs used as cost-sharing or matching for other federal funds requiring nonfederal matching funds;
 - (f) Costs of financial assistance to any entity which is not either public or nonprofit; or
 - (g) Costs which in effect supplant or otherwise reduce the amount of state or local funds which would have been used for alcoholism, drug abuse or mental health programs in the absence of federal block grant funding. For the purposes of this section, supplantation shall be deemed to occur if the amount

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of state or local funds used is less than the amount expended during federal fiscal year ending September 30, 1981.

- (h) Carry out any program of distributing sterile needles for the hypodermic injection of any illegal drug or distributing bleach for the purpose of cleansing needles for such hypodermic injection.
 - (i) Carry out any testing for the etiologic agent for acquired immune deficiency syndrome (AIDS), unless such testing is accompanied by appropriate pre-test counseling and appropriate post-test counseling.
 - (j) **EXCESS SALARY:** The salary of an individual at a rate in excess of \$120,000 per year pursuant to Section 213 of P.L. 101.517.
- (2) Costs which are unallowable under subsection (1) of this section are allowable using state funds if all of the following conditions are met:
- (a) The contract includes state funds at least equal to the total amount of all items of cost under consideration;
 - (b) If the costs are incurred by a subcontractor, the subcontract document clearly indicates only state funds are included in the subcontract; and
 - (c) The cost is otherwise allowable under this exhibit.