

Fiscal/Program Requirements

BHSIA – Division of Behavioral Health and Recovery – Substance Use Disorder

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*Administered by the Department of Social
and Health Services*

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PART II: CHART OF ACCOUNTS

Expenditure Account Definitions

566.1X ADMINISTRATION

566.11 COUNTY PROGRAM ADMINISTRATION

This applies to costs incurred to implement the Program Agreement between the County and the Division of Behavioral Health and Recovery - Alcohol and Substance Abuse (DBHR), to county department, or county coordinator's office, for program related operation. Include such activities as all direct administrative support activities, contract monitoring, program planning, budgeting and evaluation, plan implementation, and program coordination. Also includes support services normally identified with County department program administration. This would include services provided by the County Auditor, Treasurer, Prosecutor, Purchasing Department, Personnel Department, etc., which have been either billed or allocated per a cost allocation plan.

566.12 CONTINUING EDUCATION/TRAINING

Costs incurred to support educational programs, training projects, and/or other professional development programs directed toward: 1) improving the professional and clinical expertise of prevention and treatment facility staff, 2) the knowledge base of county employees who oversee the program agreement; and 3) to meet minimum standards and contract requirements. Costs could include trainers, transportation, per diem expenses, and tuition.

566.13 DIRECT SERVICE PROVIDER – AGENCY ADMINISTRATION

Administrative costs incurred by a County-owned and operated direct service provider. Costs could include overall administration, planning, accounting, record keeping, general clerical support, activities of the agency Board of Directors, or other activities to support the direct service delivery.

566.2X PREVENTION

566.21 PREVENTION COMMUNITY BASED COORDINATION

These activities, as provided by the county-identified prevention specialist, are directed to enhance the ability of the community to effectively provide prevention services for alcohol, tobacco, and other drug abuse. Activities include organizing, planning, and enhancing the efficiency and effectiveness of primary prevention services provided. Appropriate methods include: community and volunteer training, systematic planning (system and program model development), multi-agency coordination and collaboration, accessing services and funding, and community team building.

566.22 **CENTER FOR SUBSTANCE ABUSE PREVENTION (CSAP)**
STRATEGIES AND ACTIVITIES

CSAP Strategies and Activities designed to prevent or delay the misuse and abuse of Alcohol, Tobacco, and Other Drugs (ATOD) as described in the County Implementation Guide for Prevention. Includes the following six strategies:

1. Information dissemination: This strategy provides awareness and knowledge of the nature and extent of substance use, abuse, and addiction and their effects on individuals, families, and communities. It also provides knowledge and awareness of available prevention programs and services. Information dissemination is characterized by one-way communication from the source to the audience, with limited contact between the two. [Note: Information dissemination alone has not been shown to be effective at preventing substance abuse.]
2. Education: This strategy involves two-way communication and is distinguished from the information dissemination strategy by the fact that interaction between the educator/facilitator and the participants is the basis of its activities. Activities under this strategy aim to affect critical life and social skills, including decision-making, refusal skills, critical analysis (e.g., of media messages), and systematic judgment abilities.
3. Alternatives: This strategy provides for the participation of target populations in activities that exclude substance use. The assumption is that constructive and healthy activities offset the attraction to – or otherwise meet the needs usually filled by – alcohol and drugs and would, therefore, minimize or obviate resort to the latter. [Note: Alternative activities alone have not been shown to be effective at preventing substance abuse.]
4. Problem identification and referral: This strategy aims at identification of those who have indulged in illegal/age-inappropriate use of tobacco or alcohol and those individuals who have indulged in the first use of illicit drugs in order to assess if their behavior can be reversed through education. It should be noted, however, that this strategy does not include any activity designed to determine if a person is in need of treatment.
5. Community-based process: This strategy aims to enhance the ability of the community to more effectively provide prevention and treatment services for substance abuse disorders. Activities in this strategy include organizing, planning, enhancing efficiency and effectiveness of services implementation, interagency collaboration, coalition building, and networking.
6. Environmental: This strategy establishes or changes written and unwritten community standards, codes, and attitudes, thereby influencing incidence and prevalence of substance abuse in the general population. This strategy is divided into two subcategories

to permit distinction between activities that center on legal and regulatory initiatives and those that relate to the service and action-oriented initiatives.

7. Other: Can include Community Prevention Training and Mentoring.

566.26 TOBACCO INITIATIVES/SYNAR

- Tobacco Initiative: Costs incurred to provide special projects devoted to implementing and/or administering tobacco-related compliance monitoring. Projects related to the monitoring of retail outlets not selling tobacco products to minors.
- SYNAR: This is a Special Project. Cost associated to coordinate with the Washington State Department of Health to do tobacco compliance checks with randomly select retail sites for supplemental youth tobacco. Costs include: mileage, per diem, lodging, design and distribution of tobacco educational materials, consulting fees (including compilation and analysis of focus group data; identification and strategic plan for supplemental checks, etc.), fees directly relating to supplemental compliance checks, press release expenses, and recruitment and execution of retailer centered focus groups.

566.3X COMMUNITY INTERVENTION AND REFERRAL SERVICES

566.31 INTERVENTION AND REFERRAL

Intervention and referral covers the costs incurred to provide services to identify hard-to-reach individuals with substance use assessments and to engage these individuals in ongoing treatment services. Costs can be reimbursed for activities associated with providing information on substance use disorders, the impact of substance use disorders on families, treatment of substance use disorders, and treatment resources that may be available as well as re-engaging individuals in the treatment process. This does not include ongoing therapeutic or rehabilitative services.

566.32 ALCOHOL/DRUG INFORMATION SCHOOL

Costs incurred for Alcohol/Drug Information schools to provide information regarding the use and abuse of alcohol/drugs in a structured educational setting. Alcohol/Drug Information Schools must meet the certification standards in WAC 388-805 or its successor.

566.33 OPIATE DEPENDENCY/HIV SERVICES

Costs incurred with outreach and referral services to special populations such as opiate dependent, injecting drug users (IDU), HIV or Hepatitis C-positive individuals. Opiate Dependency/HIV and Hepatitis C Outreach is specifically designed to encourage injecting drug users (IDUs) and other high-risk groups such as opiate dependent and HIV or Hepatitis C-positive individuals to undergo treatment and to reduce transmission of HIV and Hepatitis C disease. Costs include providing information and skills training to non-injecting, drug using sex partners of IDUs and other high-risk groups such as street youths. Programs may employ street outreach activities, as well as more formal education and risk-reduction counseling. Referral services include referral to assessment, treatment, interim services, and other appropriate support services. Costs do not include ongoing therapeutic or rehabilitative services.

566.36 INTERIM SERVICES

Services to individuals who have been denied admissions to a treatment program on the basis of the lack of the capacity to reduce the adverse health effects of substance abuse, promote the health of the individual, and reduce the risk of transmission of disease. Such services are provided until the individual is admitted to a treatment program. Services include referral for prenatal care for a pregnant patient, brief screening activities, the development of a service plan, individual or group contacts to assist the person either directly or by way of referral in meeting his/her basic needs, updates to advise him/her of treatment availability, and information to prepare him/her for treatment, counseling, education, and referral regarding HIV and tuberculosis (TB) education, if necessary referral to treatment for HIV and TB.

566.37 OUTREACH

Outreach is an activity of providing critical information and referral regarding behavioral health services to people who might not otherwise have access to that information. This may include assisting individuals to navigate through different systems including health care enrollment, scheduling appointments for a substance use disorder assessment and ongoing treatment, or providing transportation to appointments. Outreach tasks may include educating communities, family members, significant others, or partners about services and to support access to services where care coordination may be necessary. Costs to be covered may also include responding to requests for information to be presented both in and out of the treatment facility by individuals, the general public and community organizations.

Other Outreach Activities:

Outreach may also be done by clinical or non-clinical staff for the purpose of scheduling, rescheduling and client reminder calls. Administrative staff may contact clients in order to confirm appointments and for rescheduling missed appointments. Non-clinical staff shall ensure that any relevant information offered by the client about the reason for missing an appointment is communicated to the assigned clinician for follow-up.

566.39 BRIEF INTERVENTION

A time limited, structured behavioral intervention using substance use disorder brief intervention techniques, such as evidence-based motivational interviewing techniques, and referral to treatment services when indicated. Services may be provided at, but not limited to, sites exterior to treatment facilities such as hospitals, medical clinics, schools or other non-traditional settings.

566.4X TRIAGE SERVICES

566.41 CRISIS SERVICES

Services provided on a very short term basis to intoxicated or incapacitated individuals on the streets or in other public places and may include general assessment of the patient's condition, an interview for diagnostic or therapeutic purposes, and transportation home or to an approved treatment facility. Services may be provided by telephone or in person, in a facility or in the field, and may or may not lead to ongoing treatment. This does not include the costs of ongoing therapeutic services.

566.42 ACUTE DETOXIFICATION SERVICES

Costs incurred for detoxification services provided to an individual to assist in the process of withdrawal from psychoactive substance in a safe and effective manner. Acute detoxification provides medical care and physician supervision for withdrawal from alcohol or other drugs.

566.43 SOBERING SERVICES

Costs incurred to provide shelter services for short-term (12 hours or less) emergency shelter, screening, and referral services to persons who need to recover from the effects of alcohol. Services include medical screening, observation and referral to continued treatment and other services as appropriate.

566.44 INVOLUNTARY COMMITMENT

Costs incurred for services employed to identify and evaluate alcohol and drug involved individuals requiring protective custody, detention, or involuntary commitment services in accordance with RCW 70.96A.120-140. Costs include case finding, investigation activities, assessment activities, and legal proceedings associated with these cases.

566.45 SUB-ACUTE DETOXIFICATION SERVICES

Costs incurred for detoxification services provided to an individual to assist in the process of withdrawal from psychoactive substance in a safe and effective manner. Sub-Acute is nonmedical detoxification or patient self-administration of withdrawal medications ordered by a physician, provided in a home-like environment.

566.5X OUTPATIENT TREATMENT SERVICES

566.5X OUTPATIENT TREATMENT

Costs incurred for services provided in a non-residential substance use disorder treatment facility. Outpatient treatment services must meet the criteria in the specific modality provisions set forth in WAC 388-805. Services are specific to a specific client population and breakout of costs between group and individual therapy.

INTENSIVE OUTPATIENT

Costs incurred for services provided in a non-residential intensive patient centered outpatient program for treatment of alcohol and other drug addiction.

566.54 ADULT INDIVIDUAL THERAPY

This also includes services to family and significant others of persons in treatment.

1. Outpatient Adult Individual Therapy
2. Intensive Outpatient Individual Therapy

566.55 PREGNANT, POSTPARTUM, OR PARENTING WOMEN (PPW) GROUP THERAPY

Women who are pregnant or postpartum (up to one year past delivery, regardless of birth outcome, adoption or foster care placement of child) and women with dependent children.

1. Outpatient PPW Group Therapy
2. Intensive Outpatient PPW Group Therapy

566.56 PREGNANT, POSTPARTUM, OR PARENTING WOMEN (PPW) INDIVIDUAL THERAPY

Women who are pregnant or postpartum (up to one year past delivery, regardless of birth outcome, adoption or foster care placement of child) and women with dependent children. This also includes services to family and significant others of persons in treatment.

1. Outpatient PPW Individual Therapy
2. Intensive Outpatient PPW Individual Therapy

566.57 YOUTH GROUP THERAPY – YOUTH AND YOUNG ADULT AGES 10 THROUGH 20

Includes services to family members of persons admitted to treatment and costs incurred to provide supervised recreational activities in conjunction with a substance use disorder outpatient program. Family Services shall be coded as family support services and Supervised Therapeutic Recreation shall be coded as group therapy.

1. Outpatient Youth Group Therapy
2. Intensive Outpatient Youth Group Therapy

566.58 YOUTH INDIVIDUAL THERAPY

Youth and young adults ages 10 through 20. This also includes services to family and significant others of persons in treatment.

1. Outpatient Youth Individual Therapy
2. Intensive Outpatient Youth Individual Therapy

566.59 OPIATE SUBSTITUTION TREATMENT SERVICES

Costs incurred to provide assessment and treatment services to opiate dependent patients. Services include prescribing and dispensing of an approved medication, as specified in 212 CFR Part 291, for opiate substitution services in accordance with WAC 388-805 or its successor. Both detoxification and maintenance are included, as well as physical exams, clinical evaluations, individual or group therapy for the primary patient and their family or significant others. Additional services include guidance counseling, family planning and educational and vocational information.

566.6X SUPPORT SERVICES

566.61 THERAPEUTIC CHILDCARE SERVICES

Cost incurred to provide services promoting the health and welfare of children accompanying parents who participate in the residential substance abuse program. Services include: developmental assessment using recognized, standardized instruments; play therapy; behavioral modification; individual counseling; self-esteem building; and family intervention to modify parenting behavior and/or the child's environment to eliminate/prevent the child's dysfunctional behavior.

566.62 TRANSPORTATION

Costs incurred to transport patients to and from substance use disorder treatment programs.

566.6X CASE MANAGEMENT

Case management services are services provided by a Chemical Dependency Professional (CDP), CDP Trainee, or person under the clinical supervision of a CDP who will assist clients in gaining access to needed medical, social, education, and other services. Does not include direct treatment services in this sub element. This covers costs associated with case planning, case consultation and referral services, and other support services for the purpose of engaging and retaining clients in treatment or maintaining clients in treatment. This does not include treatment planning activities required in WAC 388-805.

566.64 ADULT

566.65 PPW

566.66 YOUTH

566.67 CHILD CARE SERVICES

Costs incurred to provide child care services, when needed, to children of parents in treatment in order to complete the parent's plan for substance use disorder treatment services. Childcare services must be provided by licensed childcare providers or by providers operating in accordance with the provisions set forth in WAC's published by the Department of Health and Department of Early Learning for the provision of child care services.

566.69 PREGNANT, POST PARTUM, OR PARENTING (PPW) WOMEN'S HOUSING SUPPORT SERVICES

Costs incurred for support services to PPW in a transitional residential housing program designed exclusively for such clients. Costs include facilitating contacts and appointments for community resources for medical care, financial assistance, social services, vocational, childcare needs, outpatient treatment services, and permanent housing services. This includes services to family or significant others of a person currently in transitional housing. These cases would be coded as Family Support services.

566.7X ASSESSMENT SERVICES

566.7X ASSESSMENT

Costs incurred in diagnosis, placement in accordance with the American Society of Addiction Medicine (ASAM) patient placement criteria.

566.72 ADULT

566.73 PPW

566.74 YOUTH

566.75 DUI

For DUI assessments, the costs for the assessment services must meet the program approval standards for this service outlined in WAC 388-805 or its successor.

566.76 BRIEF THERAPY

Costs incurred for a program of care and treatment that provides a systematic, focused process that relies on assessment, client engagement, and rapid implementation of change strategies.

566.77 SCREENING TESTS/URINALYSIS

Costs incurred to provide screening tests, such as urinalysis or breathalyzers, to identify a patient's use of drugs or alcohol. There is a maximum limit of eight tests per month for any individual.

566.78 EXPANDED ASSESSMENT

Adults:

Costs incurred to provide a comprehensive assessment to low-income adults who are either:

- Referred by the Children's Administration (CA) staff; or
- Whose assessments are conducted in an off-site setting, such as a nursing home or the patient's home.

Comprehensive assessments must include:

- Substance Use Disorder diagnosis with a specific recommended level or modality;
- Psychosocial history, including past drug/alcohol use, financial problems, education, and legal issues;
- Information from collateral contacts;
- Results of an initial urinalysis; and
- Prognosis for recovery.

Youth:

Costs Incurred to provide a comprehensive assessment to low-income youth who have completed and utilized the GAIN-I in determining referral and treatment needs of the individual.

566.79 TB SKIN TEST

Costs incurred to provide the Mantoux PPD skin test (standard skin test) when routine TB screening indicates the patient has or is at high risk of TB disease. Costs include conducting a TB risk assessment, symptom screening, and PPD skin test. Includes two visits one to administer the test and one to read the results.

566.8X RESIDENTIAL TREATMENT AND GROUP CARE ENHANCEMENT SERVICES

566.81 INTENSIVE INPATIENT RESIDENTIAL TREATMENT SERVICES

Costs incurred for a concentrated program of substance use disorder treatment, individual and group counseling, education, and related activities for alcoholics and addicts including room and board in a twenty-four-hour-a-day supervised facility in accordance with WAC 388-805 or its successor. Criminal Justice Treatment Account (CJTA) funds only.

566.82 LONG-TERM CARE RESIDENTIAL TREATMENT SERVICES

Costs incurred for the care and treatment of chronically impaired alcoholics and addicts with impaired self-maintenance capabilities including personal care services and a concentrated program of substance use disorder treatment, individual and group counseling, education, vocational guidance counseling and related activities for alcoholics and addicts including room and board in a twenty-four-hour-a-day supervised facility accordance with WAC 388-805 or its successor. Criminal Justice Treatment Account (CJTA) funds only.

566.83 RECOVERY HOUSE RESIDENTIAL TREATMENT SERVICES

Costs incurred for a program of care and treatment with social, vocational, and recreational activities designed to aid alcoholics and addicts in the adjustment to abstinence and to aid in job training, reentry to employment, or other types of community activities, including room and board in a twenty-four-hour-a-day supervised facility accordance with WAC 388-805 or its successor. Criminal Justice Treatment Account (CJTA) funds only.

566.8X GROUP CARE ENHANCEMENT

This is for costs incurred to outstation a chemical dependency professional in a non-treatment facility to develop and provide substance use disorder/substance abuse services and to integrate these services within the non-treatment facility's overall program model and agency organization. This will include breakouts for youth, adult, TANF and all other clients.

566.84 YOUTH

566.88 HEPATITIS AIDS SUBSTANCE ABUSE PROGRAM (HASAP)

Chemical Dependency Professionals/Infectious Disease Specialists are out stationed in AIDS housing facilities and Health departments to provide HIV and Hepatitis C support services, individual and group counseling, brief intervention, brief therapy, and case management.

566.9X OTHER SERVICES

566.99 MISCELLANEOUS

This is to be used only with costs incurred for special projects and activities that cannot correspond to any other service category. The entry of any costs in this activity must have agreement of the DBHR Behavioral Health Administrator.

FISCAL POLICIES STANDARDS FOR REIMBURSABLE COSTS

The following Standards for Reimbursable Costs represents a compilation of definitions and principles from the State of Washington Office of Financial Management's State Administrative and Accounting Manual (SAAM), the federal Office of Management and Budget's Circular A-122 Cost Principles for Non-Profit Organizations, and Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments. These standards are provided solely as technical assistance and are not intended to circumvent the Contractor's need to follow the referenced rules.

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. Cost shall not include 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 or cost reimbursement" shall mean a contract or subcontract where the amount of payment being made is related to the actual costs of the subcontractor or a class of subcontractors to perform the contract, 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 without regards to the source of those funds. Departmental funds include 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" means an article of non-expendable tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Items not meeting this definition shall not be classified as equipment. Purchase of equipment must be approved in advance by the contract manager.
- (13) "Fee for Service" shall mean a contract or subcontract where the amount of reimbursement is a negotiated fixed rate of pay based on performance of defined unit of service such as per treatment, per hour or per session.
- (14) "Personal property" shall mean property of any kind except real property, either tangible or intangible.
- (15) "Price related " 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.
- (16) "Real property" shall mean land, land improvements, structures, and appurtenances thereto, but excluding movable machinery and equipment.
- (17) "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.
- (18) "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.
- (19) "Supplies" shall mean tangible personal property other than equipment.
- (20) "Third party" shall mean an individual or organization other than the Department, the contractor, any subcontractor or any departmental client.
- (21) "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.
- (22) "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 and 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 and 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.
 - (c) If the subcontract is fee for service, the reimbursable cost of the subcontract shall be the share of the payments based on an established rate structure set by laws, regulation or policy, or may be based on cost information provided by the contractor during a competitive solicitation or contract negotiations.

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 even if a direct relationship to the contract cannot be shown.
 - (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 (l)(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 (l)(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 (l)(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 prior, written 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 contract manager. 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.
- (4) Purchase of equipment must be approved in advance by the contract manager. Title to equipment shall vest in the Department of Social and Health Services unless otherwise determined by the contract manager at the time of purchase.

INTEREST EXPENSE

- (1) Interest on borrowed funds is treated differently depending on the source of funds reimbursing the cost.

- (a) Costs incurred for interest on borrowed capital or temporary use of endowment funds, however represented, are unallowable as reimbursable costs against a federal grant.
 - (b) Interest on borrowed funds is allowable against state funding 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 against state funding with the prior written approval of the Department.
- (3) Interest on borrowed funds used to create, replenish, or maintain working capital is allowable against state funding, 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: Costs 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 is 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 that in effect supplant or otherwise reduce the amount of state or local funds that 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 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: By law, none of the funds awarded can be used to pay salary of an individual at a rate in excess of the Executive Level I, which is \$181,100 annually.
 - (k) Youth tobacco enforcement.
- (2) The use of federal funds to influence or attempt to influence the award of, or amendment to, any federal contract, grant, loan, or cooperative agreement is prohibited.
- (a) The use of funds other than federal funds for such purposes shall require the contractor to submit all required federal and state forms disclosing such lobbying activity.
 - (b) The contractor must include this language in any contracts resulting from this agreement and that all subrecipients understand and agree to these terms.
- (3) Costs that 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 allowed.