

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WSG 7A

Date Signed: March 11, 1977

MEMORANDUM

SUBJECT: Guidance on Allowable Costs for State Public
Water System Supervision Program Grants

FROM: Alan Levin, Director, State Programs Division (signed by Alan Levin) Office of
Water Supply (WH-550)

TO: Regional Water Supply Representatives

Section 1443 (Grants for State Programs) of the Safe Drinking Water Act authorizes EPA to make grants to States to carry out a Public Water System Supervision Program. There is no guidance in this section regarding what the grant funds can be used for. However, Section 1445 (Records and Inspections) says that "Every person who is a supplier of water...shall establish and maintain such records, make such reports, conduct such monitoring...as the Administrator may reasonably require...." In the House Report on Section 1445 this sentence appears: "Consequently the committee expects that the Administrator would require all public water systems to notify him frequently of the quality of the water being provided for human consumption...."

Based on Section 1445 of the Act, the Interim Primary Drinking Water Regulations and the Implementation Regulations were written using the assumption that the suppliers of water would provide the results of the required analyses to the State or EPA. In preparing our Proposed Program Grant Regulations, EPA recognized that many States provided for the analysis of routine samples on a reduced cost or no cost basis. In the preamble to the Proposed Grant Regulations, we asked for comments on the manner in which all routine monitoring costs may be expeditiously transferred from the States to the public water systems. We received six comments supporting the proposal not to restrict the use of grant funds for sample analyses. There were three comments received from State water supply agencies which indicated that it wouldn't make much difference whether EPA required the utilities to pay for monitoring costs or not. There were another six comments favoring the transfer of monitoring costs to the public water systems. The conclusion reached in promulgating the Grant Regulations was: "It has been decided to retain the program element for laboratory operations without restrictions on routine sampling analysis." (F.R. January 20, 1976, Page 2915).

***Note: CFR references may need to be updated due to upcoming revisions with the CFR.**

The preamble to the promulgated regulations also discussed routine sample analysis and stated that: "If experience later indicated that a restriction is desirable, States which provide routine sample analysis for public water systems will be given ample time to phase out their programs or find additional funding."

EPA recognizes that a good case can be made for States providing routine sample analysis free or at reduced costs to public water systems. However, the case for State collection of routine samples is very weak. Water supply personnel and others can be trained to collect samples and ship them to the appropriate laboratory. This is much more cost effective, in that a person already at the site can do the work. To have State employees obtain the same sample requires a great deal of travel costs and man-hours involved in travel for the very short task of obtaining a water sample.

The allocation of costs to a particular grant, or grant purpose is not always easy. Nevertheless all grants have requirements and guidelines defining what is an allowable cost to be charged to that grant. Once the guidelines are set, they must be interpreted in a reasonable manner to suit each individual case. This memo will present three examples to define allowable costs in general and sample collection in particular.

- 1) A State is required to have the capability to conduct each analysis required by the National Interim Primary Drinking Water Regulations (NIPDWR). If the most cost effective way to obtain that capability is to buy a piece of equipment, then it should be purchased. If the equipment will be used almost exclusively for support of the water supply program, then the equipment should be charged to the water supply grant. On the other hand, if the equipment is only to be utilized half the time for water supply work and half the time for another program, then it would seem reasonable to allot only one-half the cost of the equipment to the water supply grant. Further, if the State only needs to run an occasional water supply radionuclide sample and another State agency has the facility to do the required analyses, we feel it would be reasonable for the water supply grant to pay for no more than a small percentage of the cost to operate the radionuclide facility.
- 2) In order to have a certified laboratory, the State should have control over the sampling procedures. State laboratories should perform such activities as:
 - Provide the proper sampling bottles and shipping containers;
 - Provide easy-to-understand sampling instructions with each bottle;
 - Provide forms for the sample collector to fill out when the sample is collected; and
 - Provide input on proper sample collection procedures at training courses.

We feel that the above listed types of activities or similar types of activities are adequate to assure control over sampling procedures. We do not feel that it is necessary to have paid sample collectors to insure the validity of all samples. An exception would be the collection of special

samples for a pending enforcement action. In such cases, the costs of collection, shipment, and analysis would be allowable.

3) State water supply surveillance personnel usually travel throughout the State for many reasons:

- To conduct sanitary surveys;
- To provide technical assistance;
- To conduct enforcement activities; and
- To make investigations for variance or exemption proceedings.

All of these activities may require that samples be collected pursuant to the primary reason the person is at the water supply. It might also be that a routine chemical or bacteriological sample is due at that time so the State employee may as well collect the samples (either a special or routine sample) while there. In all of these examples, the sample collection is incidental to the reason for the visit, and a reasonable audit of the State's operation would not disallow the cost of these visits simply because a routine sample was collected during the visit.

To summarize, the cost of collection of routine monitoring samples is not an allowable cost for Federal grant participation. However, it is not reasonable to expect that every minute of water supply surveillance personnel's time be accounted for. Therefore, collection of routine samples as an incidental part of other activities will not be disallowed.

I hope that this helps clarify Water Supply Guidance Number 32. Should you have additional questions, please call Peter Bengtson (FTS-426-3983).