

# 2017 DAIRY DIGESTER RESEARCH AND DEVELOPMENT PROGRAM (PHASE I)

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*The Dairy Digester Research and Development Program is funded by the “California Climate Investments” program*

## *GRANT AWARD PROCEDURES MANUAL*



**California Department of Food and Agriculture**

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# 2017 Dairy Digester Research and Development Program (Phase I) Grant Awards Procedures Manual

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## General Information

### Program Purpose and Authority

The [2017 Dairy Digester Research and Development Program \(2017 DDRDP\)](#) provides financial assistance to California dairy operations and digester developers for the installation of dairy digesters that result in long-term methane emission reductions on California dairies and minimize or mitigate adverse environmental impacts.

Assembly Bill 1613 (Chapter 370, Statutes of 2016) appropriated \$50 million dollars from the Greenhouse Gas Reduction Fund (GGRF) to the California Department of Food and Agriculture (CDFA) for early and extra methane emissions reductions from dairy and livestock operations.

The 2017 DDRDP Grant Award Procedures (GAP) manual is designed to provide direction to Grant Recipients (Recipients) for the successful management and completion of “California Climate Investments” program funded projects. The GAP identifies roles and responsibilities of all parties, and describes the processes and procedures required by the terms and conditions in the Grant Agreement.

### General Responsibilities

#### *California Department of Food and Agriculture*

The CDFA, Office of Grants Administration (OGA) oversees the 2017 DDRDP Recipient Grant Agreements. The OGA is responsible for monitoring Recipients to ensure compliance with program requirements and grant terms and conditions. The OGA will also provide Recipients with on-going assistance and consultation throughout the duration of the project term.

#### *Grant Recipients*

Recipients are responsible for project implementation as outlined in the Grant Agreement Scope of Work (SOW). Further, Recipients must ensure all project activities, including contractor/consultant activities, are compliant with applicable federal, state, and local laws, regulations, and ordinances set forth in the Grant Agreement terms and conditions. Moreover, Recipients are responsible for obtaining and maintaining all necessary permits, licenses, agreements, and approvals for the construction, operation and maintenance of projects.

Recipients are responsible for submitting timely and accurate invoices and reports during the project term. Additionally, Recipients must maintain clear and consistent communication regarding project progress status throughout the grant term, particularly if problems or issues arise resulting in project delays. Upon discovery of problems and/or delays, Recipients must notify the CDFA Grant Specialist immediately for purposes of resolving such problems and/or delays.

Recipients may be required to provide specific requested documentation related to the project as CDFA deems necessary.

To demonstrate the estimated benefits from 2017 DDRDP awarded projects, Recipients are expected to report to CDFA Greenhouse Gas (GHG) emissions reduction data for five years after implementation of the digester. Refer to Phase II Reporting for detailed information regarding reporting requirements after project implementation.

## Required Forms

Forms and templates referenced in this manual can be found at [www.cdfa.ca.gov/go/DD](http://www.cdfa.ca.gov/go/DD).

## Assistance

A CDFA Grant Specialist is available to answer questions regarding program requirements and Grant Agreement terms and conditions. Recipients should contact their assigned CDFA Grant Specialist for assistance with grant management.

## Prior Approval Required

Prior approval is required from CDFA for material revisions, including, but not limited to:

- Revision of the SOW, objectives, activities, milestones, dates or deliverables
- Line item shifts (i.e., budget revisions)
- Change in Recipient organization or key project team members

Failure to obtain prior approval may result in costs being deemed unallowable and request for reimbursement being denied.

## Project Management

### Allowable Costs

A cost is allowable if it directly relates to project implementation of the digester, and is incurred solely to advance work under the Grant Agreement SOW. Allowable costs may include supplies and materials, equipment, and contractor/consultant services, and other costs associated with implementation of a digester.

Expenditures must conform to the 2017 DDRDP requirements, be made in compliance with federal and state laws and regulations as applicable, and be:

- Necessary and reasonable for proper and efficient performance and administration of the project.
- Easily identifiable to a specific project activity and tracked separately from other funding sources.
- Determined in accordance with generally accepted accounting principles.
- Authorized or not prohibited under federal, state, and local laws, regulations, and ordinances.

Allowable costs must be documented, reasonable, and allocable to the project. 2017 DDRDP project costs must be incurred for the purpose for which the funding was granted and charged to the award on a specifically calculated basis. All project expenses billed to the 2017 DDRDP project must maintain all invoices, receipts, agreements, etc. In addition, 2017 DDRDP project expenses must be necessary for award performance, as well as prudently incurred.

## Unallowable Costs

A cost is unallowable if it does not comply with program requirements or other terms and conditions in the Grant Agreement. A cost is also unallowable if it: (1) is covered by another Federal or State grant program; and (2) is not directly related to the implementation of a digester. Unallowable costs will not be reimbursed. Questions regarding allowable costs should be directed to the assigned CDFA Grant Specialist.

Unallowable expenses may include, but are not limited to:

- Costs incurred outside of the proposed project period.
- Pre-development costs (i.e., permits, project designs, and any other activities that contribute to a project's "shovel-readiness").
- Costs associated with environmental review required for project permits, including preparation of Environmental Impact Report.
- Purchasing or leasing land and/or buildings.
- Purchase of dairy manure (tipping fees) or other feedstock.
- Costs associated with the five-year GHG emission reductions reporting.

## Matching Funds

Matching contributions include allowable costs (i.e., supplies and materials, equipment, contractor/consultant fees, and other associated project costs) incurred that are directly related to the implementation of the digester.

In-kind contributions include contributions in the form of project installation (labor), pre-development activities conducted prior to the project term, and donated supplies, materials or equipment necessary to the project. In-kind contributions must not exceed 25% of the total matching contribution to the project.

For donated services, the project team members and contractors/consultants performing the service must have the proper licenses/certificates required in their respective disciplines. (For in-kind contributions to be considered an allowable match for services donated to a project, refer to [Timekeeping Requirements](#).)

Recipients must have a mechanism in place to track costs associated with 2017 DDRDP project activities. Accordingly, Recipients must ensure cost of 2017 DDRDP activities are readily distinguishable from all other matching funding sources.

Recipients are required to report matching funds expenditures, and therefore, must maintain all financial records associated with matching funds contributed to the project. Recipients must report matching funds to date with all invoices submitted to CDFA, and include supporting financial documentation (i.e., receipts, invoices, etc.) to substantiate matching funds contributed to the project. For detailed information regarding matching funds reporting requirements, refer to [Proof of Matching Funds](#).

Recipients must expend matching funds at a rate that is equal to or exceeds the amount 2017 DDRDP funds requested for reimbursement. CDFA will withhold reimbursement anytime the amount of matching funds is less than the cumulative amount of funds requested for reimbursement (e.g., if a Recipient submits an invoice for \$100,000 and has only contributed \$50,000 in matching funds; CDFA will reduce the invoice to \$50,000). For more information Refer to [Withhold Notification](#).

## **Contractors/Consultants**

Recipients may contract for services that cannot be performed by staff employed by the Recipient. Generally, these services are for a short-term period and provide a specific and identifiable product or service.

Recipients are responsible for ensuring their contractors/consultants comply with all applicable federal, state, and local laws, regulations and ordinances. Moreover, all contractors/consultants must have the proper licenses/certificates required for their respective disciplines.

If adding or changing a contractor/consultant, Recipients must provide reasonable notice to the CDFA Grant Specialist.

### *Timekeeping Requirements*

Activity reports or timesheets must be submitted to support salary and wage, and fringe benefit expenditures charged to 2017 DDRDP grants or contributed to the project as match/in-kind contributions. Each report must account for the total activity for which each employee is compensated, as well as hours worked on a particular 2017 DDRDP grant project. Costs not supported by timekeeping requirements are potentially unallowable.

## **Permits, Licenses, Agreements, and Approvals**

Recipients must obtain and maintain any and all permits, licenses, agreements, and approvals required for the project.

Recipients are required to notify the CDFA Grant Specialist in writing regarding the status of all necessary permits, licenses, agreements, and approvals. Furthermore, once permits, licenses, agreements, and approvals are issued, the Recipient is required to provide a copy to the CDFA Grant Specialist.

If there are issues or unforeseen circumstances resulting in delays in obtaining required permits, licenses, etc., Recipients must notify the CDFA Grant Specialist immediately in writing.

## **Notifications of Problems and Delays**

Upon discovery of problems, delays, or adverse conditions that will materially affect project implementation, Recipient must immediately notify CDFA in writing.

Examples include, but are not limited to:

- Inability to complete any portion of the project installation according to the Grant Agreement SOW
- Inability to obtain the necessary permits or licenses to construct the digester
- Substituting supplies, materials, or equipment identified in the Cost Summary
- Change in project technologies
- Inability of contractor/consultants to perform work resulting in activities delayed or eliminated.

## Scope of Work Revisions

Scope of Work revisions may be required when project modifications are essential to complete project implementation. Requests for revisions must be made in writing to the CDFA Grant Specialist, and must provide detailed information explaining the need and how the change affects the estimated project GHG emission reductions.

Examples of project changes requiring a SOW revision include but are not limited to:

- Change in project design
- Modifications or material changes to any technical aspect of a project
- Addition or deletion of activities and/or deliverables outlined in the Work Plan
- Budget revisions
- Change of Recipient organization name or organizational status
- Changes in the status of the Project Manager, such as withdrawing from the project entirely, being absent during any continuous period of three months or more, or reducing the time base by 25% or more.
- Changes to project partners and/or project team members

Recipients must obtain approval from CDFA before proceeding with revision to the SOW. Changes that result in a lower estimated projected project GHG emission reduction may not be approved.

## Budget Revisions

For SOW revisions that also require adjustments to the Cost Summary, a Line Item Shift Request (LISR) must be submitted in advance for CDFA approval. Follow instructions under [Financial Management, LISR](#) section to request a budget revision.

LISR must be accompanied by a revised Cost Summary. A total project budget cannot be increased or decreased through this process.

## Publicity and Acknowledgement

Recipients must acknowledge the Climate Change Investments Program's 2017 DDRDP support whenever projects funded, in whole or in part, are publicized in any news media, brochures, publications, audiovisuals, or other types of promotional material.

Acknowledgements must read as follows:

This publication [or project] was supported by the "California Climate Investments" program.

## Financial Management

Recipients are accountable for all grant funds awarded and must ensure all funds are used solely for their authorized purposes. Recipients must maintain financial supporting documentation (i.e. receipts, invoices, etc.) for all project expenditures. Accordingly, Recipients must provide financial supporting documentation for both expenditures submitted to the CDFA Grant Specialist for reimbursement and matching funds contributed to the project.

## Invoices

### *Reimbursement Payments*

Recipients submit invoices to the CDFA Grant Specialist for reimbursement of actual expenditures incurred to implement their project. Invoices must be submitted quarterly and include all financial supporting documentation to substantiate 2017 DDRDP expenses.

Reimbursements must be requested on the invoice template provided by the CDFA Grant Specialist. A scanned, legible copy of the signed invoice can be emailed to the CDFA Grant Specialist.

### *When to Submit Invoices*

Invoices are due no later than 30 days after the quarterly invoice period, and are required regardless of whether or not project costs are incurred during the invoice period. The quarterly invoice periods are:

<b>Quarterly Period</b>	<b>Invoice Due</b>
October 1 – December 31	January 31
January 1 – March 31	April 30
April 1 – June 30	July 31
July 1 – September 30	October 31

Final invoices are due no later than 30 days following the expiration of the Grant Agreement term or after the project is complete, whichever comes first.

Invoices and financial supporting documentation submitted to the CDFA Grant Specialist will be reviewed for completeness and accuracy. The CDFA Grant Specialist will promptly notify the Recipient of any incompleteness or deficiencies, which appear on the invoice. Once the incompleteness or deficiencies are corrected, the CDFA Grant Specialist will process the invoice for payment.

### *Completing an Invoice*

#### *Request for Reimbursement Invoice*

The CDFA Grant Specialist initiates each invoice cycle by generating an electronic invoice template. The CDFA Grant Specialist emails Recipients an invoice template with the Grant Agreement Number, Recipient Name, Project Title, Invoice Number, and the Project Budget Entered. Recipients complete the following and return to the Grant Specialist:

- Billing Period – Month/year when costs occurred
- Amount Requested – Dollar amount requested by budget category
- Preparer’s Signature – Signature, phone number, email address of preparer and date prepared
- Authorized Signature – Signature, phone number, email address of the authorized representative

#### *No Expenditure Invoice*

Recipient checks the “NO EXPENDITURES” box, signs, dates, and returns the invoice to the CDFA Grant Specialist. No Expenditure invoices must be accompanied by an explanation of why costs were not incurred during the billing period.

### Final Invoice

Recipient marks “Final Invoice” in the Invoice Number area, indicating all payment obligations have been met and no further payments are due.

### **Proof of Expenditures and Matching Funds**

Recipients must submit proof of expenditures and matching funds to the CDFA Grant Specialist. Proof of expenditures and matching funds must be submitted during the quarterly invoice period, and include all financial supporting documentation to substantiate project expenditures. As such, proof of expenditures and matching funds are due no later than 30 days after the quarterly invoice period.

Recipients complete the following and return to the Grant Specialist:

- Budget Category: Itemize project expenditures and matching funds activities into the applicable budget category
- Invoice Number: All itemized expenditures and matching funds activities must correlate to a project invoice.
- Description: Provide a brief description of the quantity or service
- CDFA Reimbursement, Matching Funds, In-Kind Contributions, State/Federal Funds, Other Funds: Dollar amount contributed for each project cost.

### **Line Item Shift Request**

When adjustments to the project result in the need to shift funds from one budget line item to another, Recipients are required to complete and submit to the CDFA Grant Specialist a Line Item Shift Request (LISR). All un-shaded areas of the LISR form should be completed. Recipient must enter the following:

- Enter the current approved budget values (these amounts should be taken from the most recent approved invoice, Project Budget column).
- Enter the amount of funds shifted from a budget category as a negative by using brackets “()”, and the amount of funds shifted to a budget category as a positive amount by using the plus sign “+”. The revised budget will automatically be calculated.

The total project budget cannot be increased or decreased through this process.

### **Withholds**

#### Withhold Payment Notification

Upon discovery of an invoice discrepancy or material issues adversely affecting project implementation, the CDFA Grant Specialist will issue a Withhold Payment Notification (Notification) to delay payment of an invoice. The Notification describes the reason for withholding payment and what actions may be required. Within ten (10) calendar days from receipt of the notice, the CDFA Grant Specialist will contact the Recipient for purposes of resolving any issues. Invoices are processed once all issues are resolved.

#### Withhold Pending Closeout

CDFA will withhold 10% of the Grant Agreement award until approval of the Final Invoice and Final Performance Report, and/or resolution of any performance issues or audit findings.

### *Suspension of Payments*

If a Recipient is not compliant with the Grant Agreement terms and conditions, CDFA may suspend reimbursement. Upon discovery of any violations of the Grant Agreement terms and conditions, Recipient will be advised in writing of the terms breached and the reasons for imposing suspension of payments.

A determination of breach may be appealed in writing either mailed to:

California Department of Food and Agriculture  
Attn: Legal Hearing and Appeals Office  
1220 N Street, Suite 400  
Sacramento, CA 95814

Or via email to: Or via email to: [CDFA.LegalOffice@cdfa.ca.gov](mailto:CDFA.LegalOffice@cdfa.ca.gov)

The appeal must include a copy of the notification or the name of the Recipient organization, the grant agreement number, the title of the project, the reasons the action should not be imposed, including any documentation to support the appeal, and the signature of the authorized representative. Appeals must be postmarked (date stamped if via email) within 10 calendar days of the date of the notification of the action from OGA. Appeals not received within this timeframe will be denied. The action specified in the notification remains in effect while the appeal is under review.

## **Reporting Requirements**

### **Progress Report**

Recipients are required to submit quarterly progress reports no later than 30 days after each reporting period ends. The progress report is used to identify tasks and activities achieved (i.e., progress on construction activities, permitting, licensing, and/or agreement status, equipment purchased, etc.), potential concerns or delays, matching funds expended to date, and other pertinent information such as estimated GHG reductions and co-benefits achieved during the reporting period.

### **Final Report**

Recipients are required to submit a Final Performance Report no later than 30 calendar days following the expiration date of the Grant Agreement or after the project installation is complete, whichever comes first. The Final Performance Report is used to summarize project accomplishments, including benefits to disadvantaged communities, estimated GHG reductions for entire project, quantifiable improvements in air and water quality resulting from the project, and any additional co-benefits achieved during the grant term.

### **Phase II Reports**

Since 2017 DDRDP is supported by the GGFRF, projects are expected to provide real and quantifiable GHG emission reductions data to CDFA throughout the life of the digester project (five years), after the digester becomes operational. The purpose of such follow-up reporting is to demonstrate the long-term success of 2017 DDRDP projects by documenting the actual GHG emission reductions data.

After the digester becomes operational, CDFA will work with Recipients to collect GHG emission reductions data to validate initial project estimations. Recipients are required to determine and report

project GHG emission reductions consistent with guidelines in the CARB Compliance Offset Protocol – Livestock Projects.

Recipients will be required to collect data and submit Phase II reports to CDFA on an annual basis for a period of five years to support GHG quantification. In addition to GHG emission reduction data, Phase II reporting may include, but is not limited to:

- Tons of waste digested and type of waste
- Amount of biogas generated
- Amount of power generated
- Employment information

## **Compliance Reviews**

CDFA will conduct a Financial Audit and/or Critical Project Review upon reasonable notice at any time during the project term. The purpose is to review financial records and project documentation to ensure 2017 DDRDP funds are used for their intended purpose and the project is meeting the deliverables as approved in the SOW, specifically relating to the Work Plan and Budget.

### **Financial Review**

All invoices submitted to the CDFA Grant Specialist are subject to a financial compliance desk review by a CDFA auditor. The purpose is to review financial records and documentation, including matching and in-kind contribution records, to ensure 2017 DDRDP funds are used for their intended purposes in compliance with the GAP manual as well as the Grant Agreement terms and conditions. Documentation may include, but is not limited to, invoices/receipts for operating costs, contractor/consultant invoices and agreements, timesheets and payroll records, travel receipts, permitting fees, etc.

### **Critical Project Review**

2017 DDRDP awarded projects are subject to a minimum of one critical project review during the project term for CDFA to verify project progress as reported in Progress Reports.

## **Project Closeout**

Before the Grant Agreement is closed, OGA will review the Critical Project Review Report, Final Performance Report, Final Invoice, and ensure resolution of any project concerns. CDFA will withhold 10% of the Grant Agreement amount pending resolution of any issues. A closeout letter and final payment will be issued when a resolution is complete.

## **Record Retention**

Recipient must retain supporting financial records, project records, and any other relevant supporting documents for a period of three (3) years from the date the Grant Agreement is closed or until final resolution of any litigation related to the grant.

Records that must be retained include:

- Actual expenditure invoices of supplies and materials and equipment charged to grant fund;

- Contractor/Consultant reimbursement claims for work performed on the project;
- Permits, licenses, approvals and agreements obtained for project implementation;
- All other supporting financial documentation related to the Grant Agreement.