

## SEO ACADEMY – COURSE E: REIMBURSEMENT

### Chapter E-I: Reimbursement



#### CHAPTER OBJECTIVES:

After completing this chapter, you will be able to . . .

- Describe reimbursement and identify the annual deadline for filing with the state.
- Identify who is responsible for filling out the reimbursement paperwork.
- Recognize the role the local agency SEO plays as part of the reimbursement procedure.
- Discuss why a local agency must submit a reimbursement application to DEP for reporting purposes even if the local agency is not requesting reimbursement.
- Apply appropriate information to DEP's Activity Record form and reimbursement application forms.
- List the expenses that are reimbursable and nonreimbursable to the local agency.
- Calculate the maximum amount of reimbursement that can be requested from the state.
- Assess whether a local agency can apply for 50 percent or 85 percent reimbursement.

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#### Act 537 Reimbursement Program

While administering and enforcing the Act 537 onlot sewage facilities program, local agencies incur costs. Some of the costs can be recouped through fees charged to users of the Act 537 program. In addition, the local agency has the ability to recover a portion of its expenses through a reimbursement program offered by the state. This chapter explains the reimbursement program and provides details about how the process works.

Under the Act 537 [reimbursement](#) program, the Department of Environmental Protection (DEP) reimburses a local agency for a portion of its actual expenses incurred in administering and enforcing Act 537 and the regulations (PA Code, Title 25, Chapters 71 to 73) over the prior calendar year (January 1 – December 31). To submit an application for reimbursement of its eligible Act 537 expenses, a local agency must fill out certain forms and keep paperwork records. This chapter will review the paperwork associated with reimbursement as well as provide a listing of eligible and ineligible expenses.

**Reimbursement** is the ability of the local agency to recover moneys from the Department of Environmental Protection for a portion of the local agency's eligible expenses incurred in administering and enforcing the sewage facilities program.

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#### Act 537 Reimbursement Program



Go to **Title 25, Chapter 72, Section 72.44**, to read the regulations on reimbursement.



Go to **Workbook E-I** to complete the following exercise:

#### **EXERCISE E-Ia: Reimbursement in the Regulations**

The following points from the reimbursement reference in the regulations should be stressed:

**Section 72.44(a): “Reimbursement may not exceed the total program cost minus total program income.”** The program does not allow a local agency to make a profit through reimbursement.

**Section 72.44(b): “. . . the Department will reimburse local agencies to the extent of the appropriations made by the General Assembly for that purpose.”** In recent years, the state legislature has not funded the reimbursement program to its full capacity. As a result, many local agencies have not received reimbursement at previously paid rates or in a timely manner. To make up for this shortfall of funds, it is recommended that local agencies make their Act 537 programs more self-sustaining by reconsidering the type and amount of fees they charge to administer the program.

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#### Act 537 Reimbursement Program

##### LOCAL AGENCY vs. SEO

The local agency or municipality is responsible for completing and returning the reimbursement forms each year to DEP. However, many local agencies turn to their SEO to provide a great deal of the information that becomes part of the application submission. For that reason, an SEO should be familiar with the reimbursement process, the application forms, and other relevant paperwork.

##### APPLICATION FORMS

The Department of Environmental Protection has two applications for reimbursement:

**1) Combined Application for Reimbursement for Enforcing the Pennsylvania Sewage Facilities Act and Onlot Sewage Disposal Program Annual Report (Form 3800-FM-WSFR0280)** – This form is for use by local agencies and by municipalities that administer SMPs where the municipality and local agency are the same jurisdiction. It provides for reporting and reimbursement of local agency activities related to enforcing Act 537 and administering a sewage management program (SMP) for the prior calendar year (January 1 – December 31).

**2) Combined Application for Reimbursement of Expenses for Sewage Management Program Administration Under Act 537 and Sewage Management Program Annual Report (Form 3800-FM-WSFR0284)** – This form is for use by municipalities where the local agency and the municipality are not the same jurisdiction but where the municipality administers a sewage management program (SMP). It provides for reporting and reimbursement for activities related to administration of an SMP for the prior calendar year (January 1 – December 31).

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#### Application for Reimbursement

##### ANNUAL DEADLINE

Applications for reimbursement and reporting for the prior calendar year are due to DEP by **March 1** of each year. DEP no longer automatically mails out reimbursement forms; local agencies and municipalities must obtain the appropriate forms at [www.depweb.state.pa.us](http://www.depweb.state.pa.us). The application forms will be reviewed in greater detail later in this chapter.

##### REPORTING PURPOSES

Every local agency and municipality with an SMP must file an application for reimbursement with DEP each year even if the agency or municipality is not seeking reimbursement. DEP uses the form to document the onlot sewage disposal program and sewage management program activities that occurred in a local agency during the previous calendar year.



##### Title 25, Section 72.42(a)(10 & 11)

According to the regulations, a local agency has a duty to submit reports and data to DEP as required and to submit the name and address of its certified SEO and alternate SEO to DEP each year.

According to the instructions for filing the Application for Reimbursement for Enforcing Act 537, “If reimbursement of program expenses is not requested, Sections A, B, E, F, G, H (if applicable), and I must still be completed and submitted.” (A similar provision is included in the Application for Reimbursement of SMP Expenses.)

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#### Understanding Reimbursement

Title 25, Section 72.1, Definitions

**Reimburse** – To pay back money actually spent.

Reimbursement may **not** exceed the total program cost minus total program income. When applying for reimbursement, local agencies (and municipalities with SMPs) must submit supporting documentation that shows both **program costs and income** for the prior calendar year.

Throughout the year, the local agency and its SEO (and municipalities with SMPs) are required to keep detailed records of Act 537 administration and enforcement and sewage management program activities. This information is used to fill out the reimbursement forms.



Go to **Workbook E-I** to complete the following exercise:

**EXERCISE E-Ib: Proof for Reimbursement**

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#### Understanding Reimbursement

##### PROOF FOR REIMBURSEMENT



##### Title 25, Section 72.44(f)

The regulations list the following as items that should be included as proof of onlot enforcement and administration and SMP activities and expenses. Local agencies (and municipalities with SMPs) will provide these items either as part of the reimbursement application form or as supporting documents accompanying the form.

- **Employee time and activity record** – This official DEP form must be included as supporting documentation with the reimbursement application form. The Activity Record will be reviewed next in this chapter.
- **A report of total fees, fines, and other money collected by the local agency** – This is addressed in Section D of the reimbursement application forms.
- **The DEP Central Office file copies of all Application for Sewage Disposal System permit denials, final inspections, and expirations** – The copies (labeled green at the bottom) of finalized permit application forms should be included as supporting documentation with the reimbursement application form.

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#### Understanding Reimbursement

##### PROOF FOR REIMBURSEMENT (continued)

- **Municipal ordinances, acts, regulations, or procedures used in enforcing Act 537 as well as any additions, deletions, and amendments made to these documents during the preceding calendar year** – The local agency would provide these documents the first time it is applying for reimbursement and in subsequent years would continue to provide copies of any changes made to these documents.
- **Proof of payment of expenses claimed for reimbursement** – The local agency (or municipality with an SMP) would include proof (such as relevant employee W-2s, hotel receipts, and training course certificates) as supporting documentation with the reimbursement application form. Specific items required as proof of payment will be reviewed later in this chapter.
- **Schedule of fees** – A copy of the schedule of fees charged to permit applicants should be attached to the reimbursement application form. This information is also copied into Section E of the application form.

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#### SUPPORTING DOCUMENTATION

##### Employee Time and Activity Record (3800-FM-WSFR0039)

The SEO, the local agency secretary, and all other applicable employees are required to keep track of activities and time spent administering and enforcing Act 537. Each employee tracks his or her relevant activity on an Activity Record for Enforcement of Act 537 (3800-FM-WSFR0039, a DEP form available on its Web site). The completed forms are submitted to DEP each year along with the reimbursement application.



Go to **Chapter E-I Resources** to obtain a copy of the **Activity Record for Enforcement of Act 537**.

The top of the form asks for the following information:

- Name of employee
- Title of employee (SEO, secretary, or other)
- Name of the municipality or local agency and county
- Flat hourly rate of the employee
- Mileage rate paid by the municipality or local agency

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#### SUPPORTING DOCUMENTATION

##### Employee Time and Activity Record (continued)

The remainder of the form is a table onto which activities and related information are recorded. For each activity performed by the SEO, secretary, or other relevant employees, the following information should be completed:

- Date of the activity
- Permit application number and applicant name, if applicable, related to the activity performed
- Description of activity performed
- Time spent on that particular activity, if applicable
- SEO's fee to municipality, if applicable, for performing the activity
- Miles incurred as a result of the activity
- Equipment and supplies purchased in support of the activity (For any single item that costs more than \$100, an invoice must be provided. All other purchases require a receipt.)
- Consultant's fee to local agency, if applicable, associated with the activity (An itemized invoice for services received must be provided.)
- Fees paid to municipality by the applicant

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#### Employee Time and Activity Record

##### HOURLY RATE VS. FEES FOR ACTIVITY

For performing services related to Act 537 administration and enforcement that are reported on the Activity Record, the local agency SEO is typically paid in either one of two manners:

- 1) Hourly – The local agency pays the SEO an hourly rate for services and activities that he or she performs.
- 2) Fee for Services – The local agency pays the SEO a fee for specified services and activities that he or she provides.



Go to **Workbook E-I** to complete the following exercise:

**EXERCISE E-Ic: SEO Sample Activity Record**

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#### Employee Time and Activity Record

##### REIMBURSABLE AND NON-REIMBURSABLE EXPENSES

Not all local agency expenses related to onlot system administration and enforcement are reimbursable by the state. SEOs must understand what expenses and activities related to enforcing and administering a sewage facilities permitting program under Act 537 are reimbursable by the commonwealth and which are not.



#### Title 25, Section 72.44(h, i, g)

Section 72.44(h) provides a list of program costs **eligible** for reimbursement.

Section 72.44(i) notes that costs associated with staffing and administration of a **sewage management program** are eligible for reimbursement. Also note Section 71.73(c & d) addresses reimbursement of a municipality's eligible SMP administrative and personnel expenditures.

Section 72.44(g) provides a list of **ineligible** costs.

An SEO should be familiar with these regulation references so that he or she can help a local agency know what to keep track of and include as part of the paperwork seeking reimbursement from the state.

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#### REIMBURSABLE EXPENSES

##### Sewage Facilities Permitting Program



##### Title 25, Section 72.44(h)

In general, the following areas of activities and expenses related to permitting by the SEO are **eligible** for reimbursement:

- Permit application processing, including soil evaluation and testing procedures
- Administrative, management, and clerical work
- Complaint and malfunction investigations, including related chemical and bacteriological supplies and analysis
- DEP-required SEO training course expenses (The next page contains more detail about these expenses.)
- Nonmechanically powered tools for SEO and office supplies, including postage and duplicating
- Office expenses such as equipment, maintenance, and utilities (prorated)
- Mileage for administration and enforcement of Act 537, including permit application processing and complaint and malfunction investigations
- Employer costs for certain employee fringe benefits, including Social Security, workers' compensation, unemployment compensation, health care, pension, and life insurance
- Certain legal service costs, costs for subpoenaed witnesses at a hearing, and fees for technical consultants

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#### REIMBURSABLE EXPENSES

##### Sewage Facilities Permitting Program

##### SEO Training Expenses

The following expenses for an SEO to attend DEP-required training courses or other related meetings are eligible for reimbursement:

- Regular rate of pay for actual hours of attendance at course
- Mileage to and from the training site
- Lodging, meals, and subsistence at the commonwealth rate when the only scheduled option is a course outside a 50-mile radius of the SEO's place of employment and residence

**Note:** Expenses related to certification or renewal fees as well as mileage and expenses for travel to the certification exam are not eligible for reimbursement.

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#### REIMBURSABLE EXPENSES

##### Sewage Management Program Expenses



Title 25, Sections 71.73(c & d) and 72.44(i)

Costs associated with staffing and administration of a **sewage management program** (SMP) under Title 25, Chapter 71, are reimbursable by the state.

A **sewage management program** is a program authorized by the official action of a municipality for the administration, management, and regulation of the disposal of sewage. (See Title 25, Chapter 71, Subchapter E, of the regulations.)

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#### Employee Time and Activity Record



#### NONREIMBURSABLE EXPENSES

**Section 72.44(g)** (**Note:** This is labeled as the second 72.44(g) in the regulations and appears after 72.44(i).)

The following expenses and activities are **ineligible** for reimbursement from the state:

- Legal fees resulting from an appeal or suit against the commonwealth; retainer fees
- Earth-moving or excavating equipment
- Clothing purchase or allowance
- Development or duplication of maps
- Surveillance activities for employees other than SEO
- SEO certification or renewal fees and expenses, including mileage and travel to certification exam
- Insurance coverage for liability and errors and omission [except as provided for in Title 25, Section 72.44(h) (6)(iv), which is errors and omissions insurance written specifically and billed separately to cover the SEO's enforcement responsibilities]
- Employee attendance at local agency meetings **not** related to administration of certain parts of Act 537

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#### NONREIMBURSABLE EXPENSES

##### Planning Costs

Local agency expenses incurred for permitting, enforcement, and sewage management activities directed by Act 537 are reimbursable from the commonwealth. However, local agency expenses incurred for sewage facilities planning for new land development are **not** reimbursable from the commonwealth.



It is important to know that local agency activities related to **planning for new land development are not reimbursable** by DEP. The local agency and the developer are solely responsible for any expenses associated with the sewage facilities planning for new land development.



Go to **Workbook E-I** to complete the following exercise:

**EXERCISE E-I-d: Reimbursable vs. Nonreimbursable Expenses**

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#### SUPPORTING DOCUMENTATION

In addition to the Activity Record for Enforcement of Act 537, supporting documentation accompanying a local agency's reimbursement application should include proof of payment for claimed expenses.

#### Proof of Payment for Claimed Expenses



##### Title 25, Section 72.44(k)

At a minimum, the local agency should submit the following as proof of payment of claimed expenses:

- 1) Payroll records or copies of both sides of cancelled checks stating the gross amount paid OR a statement from the SEO stating that he or she has received salaries or wages from the municipality of which he is a full-time employee
- 2) One copy of the time and activity record (document just reviewed in this chapter) OR receipted itemized invoices
- 3) Proof of attendance at training courses required by DEP
- 4) Copies of hotel receipts for overnight lodging
- 5) Minutes of local agency meetings where administration of the onlot program is discussed and employee attendance is claimed as a reimbursable expense

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#### Reimbursement Application Forms

SEOs should be familiar with both of DEP's application forms for reimbursement.

##### 1) **Combined Application for Reimbursement for Enforcing the Pennsylvania Sewage Facilities Act and Onlot Sewage Disposal Program Annual Report (Form 3800-FM-WSFR0280)**

- Provides for reporting and reimbursement of local agency activities related to enforcing Act 537 and administering a sewage management program (SMP).
- For use by **local agencies** and by **municipalities** that administer SMPs where the municipality and local agency are the same jurisdiction.
- Local agencies must complete certain sections of this form and submit it to DEP even if they are not applying for reimbursement.

##### 2) **Combined Application for Reimbursement of Expenses for Sewage Management Program Administration Under Act 537 and Sewage Management Program Annual Report (Form 3800-FM-WSFR0284)**

- Provides for reporting and reimbursement for activities related to administration of an SMP.
- For use by **municipalities that are not the local agency** but that administer an SMP.
- Municipalities with an SMP must complete certain sections of this form and submit it to DEP even if reimbursement of SMP expenses is not requested.

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#### Reimbursement Application Forms

##### 1) APPLICATION FOR REIMBURSEMENT FOR ENFORCING ACT 537 (FORM 3800-FM-WSFR0280)

Local agencies must fill out this form and submit it to DEP by March 1 of each year even if the local agency or municipality is not requesting reimbursement of any expenses.



Go to **Chapter E-I Resources** to view the **Application for Reimbursement for Enforcing Act 537**.



Go to **Workbook E-I** to complete the following exercise:

**EXERCISE E-Ie: Application for Reimbursement for Enforcing Act 537**

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#### Reimbursement Application Forms

##### 2) APPLICATION FOR REIMBURSEMENT OF EXPENSES FOR SMP ADMINISTRATION (FORM 3800-FM-WSFR0284)

Municipalities that are not local agencies but which administer their own sewage management program (SMP) use this application form to file for reimbursement of their SMP expenses. This form must also be submitted to DEP by March 1 of each year, even if no reimbursement is requested. Note that this form is only to be used if the municipality has not completed and submitted an Application for Reimbursement for Enforcing Act 537.



Go to **Chapter E-I Resources** to view the **Application for Reimbursement of Expenses for SMP Administration**.

The SMP reimbursement application form requires similar information as the Application for Reimbursement for Enforcing Act 537 (reviewed in the previous exercise), except the information is related exclusively to sewage management activities instead of both administration/enforcement and SMP activities.



Go to **Workbook E-I** to complete the following exercise:

**EXERCISE E-If: Application for Reimbursement of Expenses for SMP Administration**

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### REIMBURSEMENT RATE

#### 50 Percent Reimbursement for Local Agencies



Title 25, Section 72.44(b)

A **local agency** is eligible for reimbursement of its **program deficit** (total expenses minus net revenue, as calculated in Section B of the reimbursement application forms) or **50 percent** of total expenses, whichever is lower.

A **local agency** is a municipality or a combination of municipalities acting cooperatively or jointly under the statutes of the commonwealth, county, county department of health, or joint county department of health.

| <b>EXAMPLE:</b>                       | <u>Scenario 1</u> | <u>Scenario 2</u> |
|---------------------------------------|-------------------|-------------------|
| Total Expenses                        | \$4,500           | \$4,500           |
| - <u>Net Revenue</u>                  | - \$2,000         | - \$3,000         |
| <b>Program Deficit</b>                | \$2,500           | \$1,500           |
| OR                                    | OR                | OR                |
| <b>50 Percent of Total Expenses</b>   | \$2,250           | \$2,250           |
| <b><u>Reimbursement Requested</u></b> | <u>\$2,250</u>    | <u>\$1,500</u>    |

The eligible reimbursement request is the lower of these two amounts: program deficit **OR** 50 percent of total expenses.

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### REIMBURSEMENT RATE

#### 85 Percent Reimbursement for Delegated Local Agencies



##### Title 25, Section 72.44(c)

A local agency that meets the criteria of Section 72.44(c) is eligible to receive reimbursement of up to **85 percent** of the cost of expenses incurred in the administration and enforcement of Act 537, as long as this amount is not more than the program deficit (as calculated in Section B of the reimbursement application forms).

##### EXAMPLE:

|                                       | <u>Scenario 3</u>      | <u>Scenario 4</u>      |
|---------------------------------------|------------------------|------------------------|
| Total Expenses                        | \$10,000               | \$10,000               |
| <u>- Net Revenue</u>                  | <u>- \$ 3,000</u>      | <u>- \$ 1,000</u>      |
| <b>Program Deficit</b>                | <b>\$ 7,000</b>        | <b>\$ 9,000</b>        |
| OR                                    | OR                     | OR                     |
| <b>85 Percent of Total Expenses</b>   | <b>\$ 8,500</b>        | <b>\$ 8,500</b>        |
| <b><u>Reimbursement Requested</u></b> | <b><u>\$ 7,000</u></b> | <b><u>\$ 8,500</u></b> |

The eligible reimbursement request is the lower of these two amounts: program deficit **OR** 85 percent of total expenses.

The 85 percent reimbursement rate was established when Act 537 was amended in 1994. The higher rate was created in an effort to increase the number of quality local Act 537 programs and to encourage local agencies to assume more responsibility.

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### Chapter E-1: Reimbursement

#### Reimbursement Paperwork

##### RETENTION OF PAPERWORK

This chapter reveals how reimbursement requests from a local agency or municipality to the state involve a great deal of paperwork. The SEO usually plays an important role in completing this paperwork on behalf of the local agency.

In the final determination letter sent to reimbursement applicants, DEP reminds local agencies that records related to the reimbursement application are subject to audit.

Thus, local agencies are required to retain these records for a period of **three years** after reimbursement payment, and these documents must be made available in the event a local agency's reimbursement application is selected for audit.

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#### KEY POINTS

- Local agencies may apply to the state for reimbursement of eligible expenses incurred in the administration and enforcement of Act 537.
- Reimbursement applications are due from local agencies and municipalities to DEP by March 1 of each year.
- A local agency must file a reimbursement application every year even if it is not seeking reimbursement.
- A local agency must submit supporting documentation that shows Act 537 program costs and income for the prior year.
- A local agency SEO and other applicable employees must use DEP's Activity Record form to keep track of activities and expenses spent administering and enforcing Act 537.
- Costs associated with Act 537 administration and enforcement and SMP administration are eligible for reimbursement.
- Activities and expenses related to planning for new land development are not reimbursable.
- A municipality that administers an SMP but is not the local agency administering and enforcing the Act 537 program may seek reimbursement of expenses for its SMP activities.

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#### KEY POINTS (continued)

- Local agencies are eligible for reimbursement of up to 50 percent of their total Act 537 program costs, and local agencies that meet certain criteria are eligible for up to 85 percent reimbursement of their program costs. However, reimbursement may never exceed the local agency program deficit.
- A local agency may not make a profit through reimbursement from the state.
- A local agency must retain records related to reimbursement for a period of three years.



#### CHAPTER QUIZ

Go to the **Academy Course E Quiz Book** and complete the **Chapter E-I quiz** and check your answers. This quiz was designed to check your understanding of the chapter materials.