DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
441 G STREET, NW
WASHINGTON, DC 20314-1000

REPLY TO
ATTENTION OF

CECW-P

DEC 23 2015

MEMORANDUM FOR MAJOR SUBORDINATE COMMANDS

SUBJECT: Modifications to Project Partnership Agreement (PPA) Models

1. Reference: Engineer Regulation No. 1165-2-208, In-Kind Contribution Provisions of Section 221(a)(4) of the Flood Control Act of 1970, as amended. This Engineer Regulation provides that the non-federal sponsor's costs for participation on the Coordination Team and for audits are not in-kind contributions, are not included in shared costs for cost sharing purposes, and are not eligible for credit or reimbursement. Further, the federal Government's costs of Coordination Team participation and for audits are not included in shared costs for cost sharing purposes although these costs are included in calculating any limit on federal participation.

2. As model agreements are developed or updated, they will be revised to include the changes related to costs for Coordination Team participation and for audits. Pending revision of these agreements, the following guidance, effective immediately, applies to the negotiation and execution of new PPAs:

a. Delete the Project Coordination Team Article from the PPA, and references to that Article in the agreement;

b. Revise the definition of "total project costs" to delete costs for participation in the Project Coordination Team and cost of audits;

c. In Article II – Obligation of the Parties, include the following new paragraph at the end thereof:

"_____. In addition to the ongoing, regular discussions of the parties in the delivery of the Project, the Government and the Non-Federal Sponsor may establish a Project Coordination Team to discuss significant issues or actions. The Government's costs for participation on the Project Coordination Team shall not be included in the design and construction costs that are cost shared but shall be included in calculating the Federal Participation Limit. The Non-Federal Sponsor's costs for participation on the Project Coordination Team shall not be included in the design and construction costs that are cost shared and shall be paid solely by the Non-Federal Sponsor without reimbursement or credit by the Government."; and

Printed on Recycled Paper

d. Replace the existing Maintenance of Records and Audits Article with the following:

"ARTICLE __ - MAINTENANCE OF RECORDS AND AUDITS

"A. The parties shall develop procedures for the maintenance by the Non-Federal Sponsor of books, records, documents, or other evidence pertaining to costs and expenses for a minimum of three years after the final accounting. The Non-Federal Sponsor shall assure that such materials are reasonably available for examination, audit, or reproduction by the Government.

"B. The Government may conduct, or arrange for the conduct of, audits of the Project. Government audits shall be conducted in accordance with applicable Government cost principles and regulations. The Government's costs of audits shall not be included in total project costs, but shall be included in calculating the Federal Participation Limit.

"C. To the extent permitted under applicable Federal laws and regulations, the Government shall allow the Non-Federal Sponsor to inspect books, records, documents, or other evidence pertaining to costs and expenses maintained by the Government, or at the request of the Non-Federal Sponsor, provide to the Non-Federal Sponsor or independent auditors any such information necessary to enable an audit of the Non-Federal Sponsor's activities under this Agreement. The costs of non-Federal audits shall be paid solely by the Non-Federal Sponsor without reimbursement or credit by the Government."

3. For those model agreements for which approval has been delegated to the MSC Commanders, the MSC Commander is also delegated authority to approve the revisions required by this memorandum. Division Counsel review of, and concurrence in, the revisions is required prior to approval by the MSC Commander. Any questions may be directed to the appropriate HQUSACE Regional Integration Team.

STEVEN L. STOCKTON, P.E.
Director of Civil Works

DISTRIBUTION:
(see next page)

CECW-P
SUBJECT: Modifications to Project Partnership Agreement (PPA) Models

DISTRIBUTION:
COMMANDERS,
GREAT LAKES AND OHIO RIVER DIVISION, CELRD
MISSISSIPPI VALLEY DIVISION, CEMVD
NORTH ATLANTIC DIVISION, CENAD
NORTHWESTERN DIVISION, CENWD
PACIFIC OCEAN DIVISION, CEPOD
SOUTH ATLANTIC DIVISION, CESAD
SOUTH PACIFIC DIVISION, CESPD
SOUTHWESTERN DIVISION, CESWD