

Network for Success

Local Programs Workshop



Federal Strategy

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October 24, 2012

Federal Strategy

- **Federal Strategy demonstrates how the State plans to utilize its' Formula OA to ensure no funds lapse**
- **Federal Strategy is developed by Programming Division, Central Office, with data review/provided by districts, divisions, and DRPT.**
- **Federal Strategy includes Formula OA projects and Special OA projects.**
 - **Formula OA -- use or lose; examples – IM, NHS, BR, BROS, STP, Enhancement, RSTP, CMAQ, SPR, Safety, PL**
 - **Special OA - typically carries over; examples – Demo, Earmarks, Equity Bonus (Minimum Guarantee), Appalachian**

Federal Strategy Components

New phase starts in construction program -- Districts

- PD runs queries to develop project list to send to Districts for review and confirmation that projects will be obligated in the federal fiscal year
 - PE and RW Starts – October through September of current FFY
 - PE and RW Starts – For Advancements – October through September of the following FFY
 - CN starts – November through October of current year; and November through October of next year for potential advancement

Divisions

- TMPD/Research Council – SPR/PL funds
- S&C – Rail Safety Funded Projects
- OPD – Maintenance projects
- LAD - Enhancement

Federal Strategy Components

DRPT

- Annual transfer (flexed to FTA) – 7% STP
- CMAQ and RSTP funded projects to flex to FTA

Financial Transactions – Programming Division

- Modifications – Phase estimate increases based on existing federal agreement and federal funds allocations in SYIP
- AC Conversions – based on federal allocations in SYIP
- FIRE/Final Voucher Releases

Options

Plan should have more than needed to obligate

Federal Strategy Development

For each project, planned obligations must be calculated

- Projects being dropped/added to strategy have to be evaluated for impact to strategy OA and federal funds available

Information input into database

OA and Apportionment Analysis

Monthly goals established

Federal Strategy provided to Management and FHWA

Federal Definitions:

Allocation – A federal administrative distribution of funds for programs that do not have statutory distribution formulas (i.e. – Earmarks, Bridge Discretionary, National Scenic Byways, TCSP)

- Federal definition
- Do not confuse with state allocations

Apportionment – The federal distribution of funds as prescribed by a statutory formula (i.e. IM, NHS, STP, BR, CMAQ, etc)

NOTE: WITH MAP21, APPORTIONMENT/ELIGIBILITY IS CHANGING....STATES STILL RECEIVING REGULATIONS FROM FHWA

- Provided to States to utilize annual formula obligation authority
- Lapses after 4 years
- Traditionally, the apportionment provided in a year is more than the OA amount

Federal Definitions:

Obligation Authority (OA) – The total amount of funds that may be obligated in a year

- Formula OA – use or lose (federal strategy); examples – IM, NHS, BR, BROS, STP, Enhancement, RSTP, CMAQ, SPR, Safety, PL
- Special OA - typically carries over; examples – Demo, earmarks, Equity Bonus (Minimum Guarantee), Appalachian
- OA level is federal budgetary control and is less than the apportionment/allocated level
- VDOT budgets at the obligation authority level not the apportionment level

Federal Strategy

Federal Definitions:

Obligation – The federal government's legal commitment (promise) to reimburse the state for the federal share of a project's eligible costs

- Federal project agreement is the means for obtaining federal authorization and obligating federal funds
- A separate federal project agreement is executed for each project phase, so typically there are 3 agreements for a project/UPC, except design-build projects
- Agree to meet all applicable federal requirements for that phase
- VDOT must execute the federal agreement on behalf of the entire Commonwealth—no matter who administers the project

Federal Definitions:

Obligation (Cont'd)

- Federal project agreements include total phase estimate and are for specific types of federal funds (by federal appropriation code) by amount
- Must have apportionment/federal allocation and obligation authority available to obligate
- VDOT bills FHWA up to the obligated amounts; cannot bill for expenses prior to federal authorization date

Federal Strategy

Acronyms:

- **IM – Interstate Maintenance Funds**
- **NHS – National Highway System Funds**
- **BR – Bridge Funds**
- **BROS – Bridge Off-System Funds**
- **STP – Surface Transportation Program Funds**
- **RSTP – Regional Surface Transportation Funds (only for urbanized areas greater than 200,000 population)**
- **CMAQ – Congestion Mitigation & Air Quality Funds**
- **SPR – Statewide Planning & Research Funds**
- **PL – Metropolitan Planning Funds**
- **FTA – Federal Transit Agency**
- **FHWA – Federal Highway Administration**

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FIRE OVERVIEW

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FIRE Process

- **The Financial Integrity Review & Evaluation (FIRE) is a federal audit mandated by Congress to all states.**
- **The purpose of FIRE is to review all inactive projects to ensure that federal funds are properly managed and utilized efficiently.**
- **The FIRE report consists of Inactive & Proactive projects separated by “Tiers”. States are required to respond to Tiers 1, 2, 3 and Proactive Tier 1.**
 - **Inactive Projects:**
 - Tier 1 – Inactive projects for past 12 months with unexpended obligation balance of more than \$500,000
 - Tier 2 – Inactive projects for past 24 months with unexpended obligation balance of \$50,000 to \$500,000

FIRE Process Cont.

- Tier 3 –Inactive projects for past 36 months with unexpended obligation balance less than \$50,000
- Tier F1–Inactive projects for past 9 months with unexpended obligation balance of more than \$500,000

Proactive Projects:

- Tier F2 –Future Tier 2 projects that will appear on next quarter's report as Tier 2 project if no action is taken
- Tier F3 – Future Tier 2 projects that will appear on next quarter's report as Tier 2 project if no action is taken

THE FIRE PROCESS

- **The FIRE report is submitted to Programming Division by FHWA on a quarterly basis.**
- **Upon receipt of the report from FHWA, Programming Division follows a structured internal process to get information to respond to FHWA.**

THE FIRE PROCESS

- **The Planning Investment Manager (PIM) has a total of two weeks to review projects and provide comments. For locally administered projects, they will be coordinating with the appropriate local project manager.**
- **Upon completion of PD review, of information submitted, the FIRE report is submitted to FHWA with each projects' current status and action to be taken by VDOT based on district/division responses.**
- **FHWA has two weeks to review VDOT's findings and provide feedback.**

HELPFUL HINTS

When reviewing projects:

- **Provide information requested for the PHASE identified on report**
- **Provide clear and concise responses**
- **For projects with billing related issues, provide date you anticipate billing to incur**
- **For locally administered projects, provide date of contact and contact info in case follow-up is needed**

HELPFUL HINTS cont.

- **RW Projects – coordinate response with Central Office prior to responding**
- **Review participating and nonparticipating expenditures to ensure all eligible participating activities are charged to participating activity code in Cardinal to allow for billings**
- **If project was delayed causing delay in expenditures, need to provide “why” the delay**

HELPFUL HINTS cont.

- **Timely billings can help keep projects off FIRE report**
- **Working together to provide timely and complete responses helps ensure VDOT does not have funds deobligated**

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Q U E S T I O N S

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Billing and Financial Management

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Assistant District Administrator – Business

VDOT Richmond District

October 24, 2012

Billing and Financial Management

- **Overview**
 - **Required Authorizations**
 - **Effective Management of Program/Projects**
 - **Compliance**
- **Processing of Invoices**
 - **Submissions**
 - **Final Invoice**
 - **Local Project Authority (Locality) Responsibilities**
 - **VDOT Project Coordinator (PC) Responsibilities**

Billing and Financial Management Overview

Required Authorizations

- **Project billings cannot be accepted before...**
 - The execution of the Project Administration Agreement (Agreement) **AND**
 - The authorization in writing from VDOT
- **Agreement**
 - Once completed, establishes an account which permits billing to the project
- **VDOT Authorization**
 - VDOT provides written authorization after FHWA has provided federal authorization for the proposed work
 - No work should be performed before authorization is received

The execution of the Agreement does not constitute approval of federal funds

Billing and Financial Management Overview

Effective management of program/projects

- **Maintaining good financial records and timely billings are extremely important**
- **Exceptional Items**
 - **Federal agreement between VDOT and FHWA are based on eligible items identified in the scope of work**
 - **If FHWA has agreed to pay for exceptional items not included in estimate, documentation of the agreement must be forwarded to VDOT's Fiscal Division**
- **Financial Integrity Review and Evaluation (FIRE)**
 - **FHWA's annual certification of internal and financial controls**
 - **Purpose is to assess the administration of the federal aid program and the compliance of grant payments with federal requirements**

Billing and Financial Management Overview

Compliance

- **Expenditures are accurate and properly documented**
- **Invoices are comprehensible and submitted timely**
- **Disbursements are made to the vendors**
- **Payments or reimbursements are received from FHWA**
- **Expenditures and invoices submitted to VDOT for reimbursement are accurate and properly supported for FIRE and audit purposes.**

Billing and Financial Management Processing of Invoices

Submission

- **Project level invoices should be submitted to the VDOT PC not more frequently than monthly, but within 90 days after any eligible project expenses are incurred by the Locality.**
- **Supporting documentation should include copies of invoices or a summary, as prescribed by the VDOT PC, paid by the Locality and a to-date project summary schedule, tracking payment requests and any adjustments.**

Billing and Financial Management Processing of Invoices

- **Submission cont'd...**
- **Locality should submit a statement providing details related to:**
 - **Civil Rights, EO and DBE's**
 - **Environmental controls**
 - **Materials used**
 - **Updated project schedule**
 - **Documentation submitted or certification of work performed by contractors**
- **Local Match**
 - **Should be noted and adequate records maintained to document the local contribution in the invoice package**
- **Progress billings will be numbered sequentially**

Billing and Financial Management Processing of Invoices

Final Invoice

- **Locality must indicate “Final” on the final invoice, so that project close-out process may begin**
- **Final estimate and voucher should be examined and verified by a qualified independent reviewer or auditor – written documentation should be provided with the final invoice**
- **C5 submission lets everyone know the work is complete!**

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LAP C-5
 LAD 10/11

COMMONWEALTH OF VIRGINIA
 DEPARTMENT OF TRANSPORTATION
 REPORTING STARTING AND COMPLETION OF PROJECTS
 LOCALLY ADMINISTERED PROJECTS

State Project No.	UPC	Federal Project No.
Locality/Local Sponsor		Local Project No.

Contractor: _____
 Project Description / Phase:

	DATE STARTED	DATE COMPLETED
Contract Work	_____	_____
Local Forces	_____	_____
Utilities	_____	_____

This project / phase is complete. All work has been inspected and deemed acceptable by the Locality or Project Sponsor for Enhancement projects. It is certified that work was completed in accordance with approved plans and specifications.

- This work was completed within VDOT right of way; land-use permit is on file.
- This work was completed outside VDOT right of way.

A final inspection was performed on _____ (date). _____ (name) of VDOT was in attendance.

Unless noted below, the project termini were not altered during construction.

REMARKS OR EXPLANATIONS:

 Local Official Signature

 Printed Name

 Title

 Local Acceptance Date

Once completed, a copy should be provided to the VDOT Project Coordinator for further distribution within VDOT.

Received By: _____
 VDOT Project Coordinator Signature

Date: _____

Billing and Financial Management Processing of Invoices

Locality Responsibilities

- **Responsible for effectively managing the projects they are administering or working on.**
- **Imperative that staff capture project detail information accurately**
- **Include only those eligible federal expenses and non-participating items stipulated in the Agreement.**
- **Records should be made available for review. A random review may be conducted of basic construction and project records by VDOT or FHWA.**
- **Project records must be retained for no less than three (3) years following FHWA and/or VDOT acceptance of the final voucher.**
- **Recommended verification with VDOT that file retention has expired before destroying project files.**

Billing and Financial Management Processing of Invoices

VDOT Responsibilities

- **Responsible for making payment to the Locality within 30 days after receipt of an acceptable invoice.**
- **After payment is made, VDOT shall have an additional 30 days to review the invoice and supporting documentation.**
- **The amount may be reduced if a project does not have sufficient allocations as shown on in the SSYP/SYIP.**
- **VDOT PC will review to ensure the coding used on all transactions is accurate and that expenditures are appropriate for using federal and/or state funds.**
- **VDOT PC will forward the correct invoice to the District Accounting office for processing and payment.**
- **If federal funds are involved, VDOT will bill FHWA for reimbursement for expenditures paid to localities.**

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Billing and Financials

Jan Vaughan

Urban Program Manager

VDOT Northern Virginia District

October 24, 2012

TIPS – TIMELY INVOICE PROCESSING

Locally Administered Projects (LAP) Manual Part III, Chapter 19

http://www.virginiadot.org/business/locally_administered_projects_manual.asp

Documents required as back up material

[http://www.virginiadot.org/business/resources/local_assistance/LAD_LAP_manual_final/CH19 Financial Management Reimbursement Processing.pdf](http://www.virginiadot.org/business/resources/local_assistance/LAD_LAP_manual_final/CH19_Financial_Management_Reimbursement_Processing.pdf)

ADVANCE PREPARATION

- **Agreement has been executed; phase authorized on federal projects**
- **Establish a numbering system**
- **Determine which phases (PE, RW and/or CN) are involved**
- **Send an email to alert the invoice processor that your invoice is in the mail**

FORMAT THE INVOICE

- **Use the VDOT UPC – the project name is not enough**
- **List the timeframe covered by the invoice**
- **For Revenue Sharing projects, list the total amount spent but specify the 50% reimbursement amount**
- **Break down expenses by phase (PE, RW, CN)**

FORMAT THE INVOICE

- **Don't batch multiple invoices from the same vendor but on different projects**
- **For Urban funded projects, don't calculate or withhold the 2% match**
- **If it is the final invoice, note "FINAL INVOICE" on the cover letter**

FINAL REVIEW

- **Have the locality Project Manager review the invoice**
- **Check the math**
- **Supply the certifications**
 - ✓ **Invoice is accurate, work was done satisfactorily, work has not been previously invoiced**
 - ✓ **Civil Rights, DBE, EO**
 - ✓ **Environmental Controls**
 - ✓ **Materials Used**

FINAL REVIEW

Check the backup documentation

- ✓ **Proof of payment included (cancelled check)**
- ✓ **Progress report and narrative**
- ✓ **Documentation of local match provided**
- ✓ **Construction work orders on federally funded projects are approved by VDOT Project Coordinator**

FOLLOW UP

- **Advise the person who process your invoices if you haven't received payment within 60 days**
- **Remember, most funds have time limits for use; expenditures indicate progress**
- **Request a copy of the Cardinal "Locality Payment Template" spreadsheet used by VDOT**

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UPC #	84554			
PAYMENT #	7			
TIME PERIOD COVERED:				
LOCALITY		May 31, 2012		
VDOT		July 28, 2012		
TYPE OF GRANT:			PRIORITY # 1	GRAND TOTALS
TOTAL GRANT:	FE	\$ 60,000.00		\$ 60,000.00
	RW	\$ -		\$ -
	CN	\$ 240,000.00		\$ 240,000.00
	Total	\$ 300,000.00		\$ 300,000.00
REMAINING BALANCE		\$ 242,658.86		\$ 242,658.86
FEDERAL/STATE PARTICIPATING SHARE		100%		
		CMAQ		
		CURRENT	TO-DATE PRIOR	
		PARTICIPATING	PARTICIPATING	
		EXPENDITURES	EXPENDITURES	Total
VDOT EXPENDITURES:				
PE	\$ 818.75	\$ 6,656.85	\$ 7,475.60	
RW	\$ -	\$ -	\$ -	
CN	\$ -	\$ -	\$ -	
TOTAL VDOT	\$ 818.75	\$ 6,656.85	\$ 7,475.60	
LOCALITY'S SHARE OF VDOT EXPENDITURES	\$ -	\$ -	\$ -	
LOCALITY EXPENDITURES:				
DIRECT COSTS:				
PE	\$ 3,376.36	\$ 46,489.18	\$ 49,865.54	
RW	\$ -	\$ -	\$ -	
CN	\$ -	\$ -	\$ -	
SUBTOTAL DIRECT	\$ 3,376.36	\$ 46,489.18	\$ 49,865.54	
DONATED R/W (IN-KIND)		\$ -	\$ -	
LIMITATION TO MATCH INCURRED COSTS#		\$ -	\$ -	
LESSER OR DONATED R/W & LIMITATION		\$ -	\$ -	
MAXIMUM BENEFIT FOR DONATED IN-KIND		\$ -	\$ -	
VALUE OF DONATED R/W TO DATE		\$ -	\$ -	
(#LIMITS THE VALUE OF DONATED R/W TO THE FEDERAL MATCH AMOUNT)		\$ -	\$ -	
TOTAL LOCALITY (DIRECT AND VALUE OF DONATED)	\$ 3,376.36	\$ 46,489.18	\$ 49,865.54	
TO DATE PROJECT TOTALS	\$ 4,195.11	\$ 53,146.03	\$ 57,341.14	
FEDERAL/STATE SHARE	\$ 4,195.11	\$ 53,146.03	\$ 57,341.14	
MAXIMUM FEDERAL/STATE PARTICIPATION	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	
AMOUNT OF FED/STATE PARTICIPATION	\$ 4,195.11	\$ 53,146.03	\$ 57,341.14	
(GRAND TOTAL CANNOT EXCEED MAX FED/STATE PARTICIPATION)		\$ -	\$ -	
AMOUNT DUE LOCALITY		\$ -	\$ -	
AMOUNT OF FED/STATE PARTICIPATION	\$ 4,195.11	\$ 53,146.03	\$ 57,341.14	\$ 4,195.11
LESS VDOT'S EXPENDITURES	\$ 818.75	\$ 6,656.85	\$ 7,475.60	\$ 818.75
REIMBURSEMENT DUE LOCALITY	\$ 3,376.36	\$ 46,489.18	\$ 49,865.54	\$ 3,376.36
		\$ -	\$ -	
RECAP FOR CURRENT PAYMENT:				
LOCALITY'S TOTAL COSTS	\$ 3,376.36			
DIRECT COSTS	\$ 3,376.36			
SHARE OF DIRECT COSTS TO BE REIMBURSED (ACCT 1431)	\$ 3,376.36			\$ 3,376.36
REMAINDER - LOCALITY SHARE OF DIRECT COSTS (ACCT 989)	\$ -			\$ -
LOCALITY'S SHARE OF VDOT EXPENDITURES (ACCT 1451)	\$ -			\$ -
Amount of excess	\$ -			\$ -
Excess adjusted for participation rate	\$ -			#DIV/0!
Amount of excess applied	\$ -			\$ -
Remainder	\$ -			#DIV/0!

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VDOT Virginia Department
of Transportation

Good Job!



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