

# Locally Administered Projects (LAP) Manual

## **PART 3**

Standards and  
practices for LAP

### **Chapter 19**

Financial Management /  
Reimbursement Processing

# CHAPTER 19

## FINANCIAL MANAGEMENT AND REIMBURSEMENT PROCESSING

### Table of Contents

- 19.1 [Introduction](#)
- 19.2 [Applicability](#)
- 19.3 [Processing of Invoices](#)
- 19.4 [Local Percentage](#)
  - [19.4.1 In-Kind Match](#)
  - [19.4.2 In-Kind Contribution](#)
- 19.5 [Recovery of VDOT Costs](#)
- 19.6 [Non-Completion of Projects](#)
- 19.7 [Record Review](#)
- 19.8 [Comprehensive Annual Financial Report \(CAFR\)](#)
- 19.9 [Key Submittals / Requirements](#)
- 19.10 [Regulatory Requirements](#)
- 19.11 [Miscellaneous References](#)

[Appendix 19-A Sample Invoice](#)

[Appendix 19-B Eligible Expenses for Federal Aid](#)

## 19.1. INTRODUCTION

This chapter provides guidance for the LPA in complying with VDOT and FHWA financial requirements for federal and state-funded transportation programs and projects. This chapter includes guidance on eligible expenses and invoicing requirements.

All progress billings shall be submitted to the project coordinator by the LPA in accordance with the terms of the Project Administration Agreement (PAA). Billings will not be accepted before the PAA is executed and authorization in writing has been received from VDOT. The execution of the PAA does not constitute approval of federal funds. This authorization from VDOT is separate from the PAA. The PAA, when completed, establishes an account which permits billing to the project. The VDOT-assigned project number and UPC number identifies the project and must be used on all project invoices and correspondence with VDOT.

One of the fundamental requirements of VDOT and the LPA personnel is to effectively manage their programs and projects. In order to fulfill this requirement, it is imperative that the LPA staff capture project detail information accurately and record it correctly. The VDOT project coordinator should ensure the coding used on all transactions is accurate to the best of their knowledge. In addition, the project coordinator must also ensure all federally related expenditures are coded with the appropriate participating and non-participating activity codes in accordance with federal regulations.

Federal agreements between VDOT and FHWA are based upon the detailed estimates, and all expenditures that are charged to FHWA should be included on the detail estimate. In a case where the expenditure is not listed on the detail estimate, it should be coded/charged with a non-participating activity code, ie., (7XX). In special cases where FHWA has agreed to pay for exceptional items, documentation of this agreement must be forwarded to the Fiscal Division.

The Financial Integrity Review and Evaluation (FIRE) is part of the Federal Highway Administration's (FHWA's) annual certification of internal and financial controls. The purpose of the review is to assess the administration of the federal aid program and the compliance of grant payments with federal requirements.

Costs are eligible for Federal Highway Administration (FHWA) federal participation if claimed in accordance and in compliance with 23CFR and OMB Circular A-87. A list of FHWA eligible expenses is found in [Appendix B](#). No costs may be claimed for reimbursement if incurred prior to FHWA authorization to proceed with the work. VDOT is responsible for programming work with FHWA. Expenses on state-funded only projects must be deemed necessary, reasonable, consistent treatment, and adequately documented. Direct costs to the project are generally allowable, such as materials, employees, use of equipment, consultants, and contractors. Some funding programs, such as access road projects, have additional restrictions on eligible expenses.

Compliance with the requirements set forth by the VDOT, Department of Accounts (DOA) and FHWA will ensure:

- 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.

## 19.2. APPLICABILITY

- These processes are applicable to state and federally funded projects

<b>Requirement/Task</b>		
<i>Federal aid</i>	<i>State aid/VDOT</i>	<i>State aid/LPA</i>
	<i>Maintained</i>	<i>Maintained</i>
X	X	X

### 19.3. PROCESSING OF INVOICES

A project level invoice, accompanied by supporting documentation or summary of expenses, should be submitted to the VDOT project coordinator no more frequently than monthly, however in order to ensure timely processing and verification of invoices, all invoices shall be submitted within 90 days after any eligible project expenses are incurred by the LPA. For federally funded projects and pursuant to the Code of Federal Regulations Title 49, Section 18.43, violations of the provision may result in the imposition of sanctions including possible denial or delay of payment of all or a part of the costs associated with the activity or action not in compliance. **The supporting documentation should include copies of invoices or a summary, as prescribed by the PC, paid by the LPA and a to-date project summary schedule, tracking payment requests and any adjustments.** When submitting the monthly invoice, the LPA should submit a statement providing the following, where applicable:

- The voucher is accurate and the payment request for satisfactorily completed work.
- All Civil Rights, Equal Opportunity, and DBE-related documentation, as applicable to the project, has been submitted.
- All applicable environmental controls are in place and are being maintained by the contractor.
- All materials used on the project during the pay period meets applicable FHWA and VDOT requirements, as applicable to federal aid and VDOT maintained projects.
- A breakdown of current charges for material-on-hand, any price adjustment, fuel

adjustment, and change order(s).

- An updated project schedule (when a schedule is contractually required) showing the items completed during the pay period.

The LPA must also submit:

- Documentation submitted by the contractor when he requested payment from the LPA;

However, upon agreement between the LPA and the project coordinator in lieu of copies of invoices paid by the LPA, a one-page summary of what documentation the LPA has on file may be used, provided that the LPA's Director of Finance, Accounting Manager, or local employee of similar position signs it. Where the LPA submits a one-page summary of documentation it has on file, it must also certify that such records are retained in accordance with state and federal (where federal funds are utilized) records retention requirements for future audit purposes.

When an invoice is presented for payment to VDOT, the local match should be noted and adequate records maintained to document the local contribution. The use of direct-charge, in-house, LPA staff time is allowed to count towards the LPA's obligation provided adequate documentation is submitted by the LPA which details such staff time and costs.

LPA personnel are responsible for effectively managing the projects they are administering or working on. It is imperative that the staff capture project detail information accurately. LPA's should include only those eligible federal expenses and non-participating items stipulated in the PAA when billing VDOT.

Progress billings will be numbered sequentially and submitted not more than once per month and not less than once every 90 days. A certified project level invoice with supporting documentation to VDOT must include:

- Supporting documentation with copies of invoices.
  - The VDOT project coordinator may allow a summary of expenses in lieu of copies of invoices. The LPA remains responsible for providing all necessary supporting documentation as needed for later audits.
  - If the invoice is for internal labor provided by LPA employees the invoice should include the following at a minimum:
    - Project ID (project number and UPC)
    - Period of Time Covered
    - Amount

Sample billing shown in [Appendix 19-A](#): The Fund Summary Invoice Total is required. LPA must indicate “Final” on the final invoice, so that project close-out procedures with FHWA may begin. The final estimate and voucher should be examined and verified by a qualified independent reviewer or auditor and written documentation of the verification should be provided with the invoice for final payment to the department. The reviewer may be employed by the LPA but should not be affiliated with the project.

*VDOT Responsibilities:*

- *VDOT is responsible for making payment to the LPA within 30 days after the receipt of an acceptable invoice. After payment is made, VDOT shall have an additional 30 days to review the invoice and supporting documentation. If VDOT objects to any of the costs, it will advise the LPA and VDOT will make the adjustment on the next invoice. If no further invoices, VDOT will bill the LPA for the questionable costs.*
- *The amount may be reduced if a project does not have sufficient allocations as shown in the SSYP/SYIP.*
- *VDOT project coordinator will ensure the coding used on all transactions is accurate and directly relates to and/or supports the project they are seeking reimbursement. In addition, the project coordinator must also ensure all federally related expenditures are coded with the appropriate participating and non-participating activity codes in accordance with federal regulations.*

- *VDOT project coordinator will ensure expenditures are appropriate for using federal and/or state funds. Cost must be deemed necessary, reasonable, consistent treatment, and adequately documented. Direct costs to the project are generally allowable, such as materials, employees, use of equipment, consultants, and contractors.*
- *The project coordinator will forward the correct invoice to the District Accounting office for processing and payment.*
- *If federal funds are involved, VDOT will bill FHWA to recoup the cash paid to the local agency.*

#### 19.4. LOCAL PERCENTAGE

For projects utilizing federal funds, a local match may be required from the LPA. Under most circumstances the match must be made from local funds. The local match percentage varies between programs, but in most cases they are as follow:

- Urban Programs, 2 percent of the project cost, or as defined by agreement
- Enhancement projects or federal aid Secondary Construction Program projects in Arlington and Henrico County, 20 percent of the project cost.
- Other programs may also have match requirements.

The LPA should always consult with the project coordinator to determine what, if any, local match may be required. When an invoice is presented for payment to VDOT, this cost to the locality should be noted and adequate records maintained to document this.

The local match can be provided in cash or in kind match, based on program guidelines (i.e. Urban 2 percent is cash only). In Kind match is further discussed in [19.4.1](#). The use of direct-charge, in-house, locality staff time may be allowed to count towards the locality's obligation.

For state-funded projects financed by programs requiring a local match, such as revenue sharing, the various Access programs (in certain circumstances), and Urban Construction Program, the LPA shall provide documentation of total project cost while only billing VDOT for VDOT's portion of the eligible costs.

#### 19.4.1 In Kind Match

In-kind match can be a bit more complicated than cash match, because there may be several sources of match becoming available at different times, and there are frequent requests to use ineligible match sources. ***The first rule of in-kind match is that any contribution put towards match, must otherwise be eligible for reimbursement through the program, and that the costs must have already been incurred.***

- **Volunteer Labor or Donated Goods and Services:** Contributions of donated goods or services, including volunteer labor, can be used on projects to reduce the locality's share of the project cost and to meet the program's local match requirement. Note however, that any contribution put towards match, must otherwise be eligible for reimbursement through the program.

The value of volunteer or donated in-kind labor is calculated by actual rates (if locality staff or professional services are donated), or by an established rate for volunteers. Acceptable rates for volunteers depend on the type of work performed, and VDOT generally accepts what other state and federal agencies accept. Supporting documentation should include time records of volunteer work along with the applicable rates and calculation of in-kind match value. In the case of *pro bono* work donated by professionals (lawyers, engineers, archaeologists, etc.), a letter indicating the value of the services performed and that it is being donated to the project will suffice. Any donated services must be directly related to the project completion.

- **Donated Right of Way:** Private contributions of donated right of way can also be used to meet the match requirement. Note that match based on donated right of

The value of donated right of way is based on the appraisal or tax assessment at the time of donation. Another option for parcels or easements valued at less than \$10,000 is for the LPA to estimate the value using VDOT's Basic Acquisition Report (BAR). Although VDOT will not perform the BAR analysis on behalf of the LPA, District Right of Way staff can be consulted for technical assistance on using the BAR. The BAR analysis must be performed by a real estate professional, such as the local tax assessor.

#### 19.4.2 In-Kind Contribution

Project expenditure processing (information for VDOT project coordinator)

- Used for locally administered projects
- Used to reflect the total participating cost of the project, not just the portion reimbursed to the LPA. The deferral billing percentage is applied to the total cost to compute the amount to bill FHWA.

For locally administered projects, if there is a local match involved on the project that is federally funded, the amount of the local match needs to be shown on the coding distribution on the reimbursement voucher to the LPA as in-kind contribution.

Example: City of Roanoke

80 percent federal participation

20 percent local participation

0 percent state participation

Reimbursement to Roanoke is 80 percent of the cost

Remaining 20 percent should be coded to account code 98900 with the same coding as the 80 percent reimbursement

On the federal bill, billing program will take 80 percent of the total amount and bill FHWA.

The 98900 account code is set up to net itself out for expenditure reporting purposes. Its purpose is to provide a charge for federal billing.

If there was state portion on a locally administered project, the state portion would also be reimbursed to the LPA in the payment.

## **19.5. RECOVERY OF VDOT COSTS**

It is recognized that VDOT will have various costs associated with the processing of locally administered projects. VDOT will provide an estimate of such costs to the LPA. For routine activities such as plan reviews, environmental coordination, or civil rights compliance review, a fee may be charged to the project. The project administration agreement will provide guidance on how such costs are to be handled for a specific project.

VDOT may agree to provide specific project services for which considerable manpower and financial resources are needed, such as: preparation of environmental documentation, purchasing right-of-way, etc. In these instances, the PAA will detail how costs shall be charged and will be detailed in a project services agreement appendix.

## **19.6. NON-COMPLETION OF PROJECTS**

In those cases where a LPA begins a project and then subsequently cancels it, state law requires that, in some cases, the LPA be responsible for reimbursing the net amount of all funds expended for planning, engineering, right-of-way acquisition, utility relocation, demolition, relocation, and construction to the date of cancellation. If the LPA and VDOT agree that a project should be cancelled due to changed conditions or

circumstances beyond the control of the LPA, the payback requirement may be waived. It is important that a LPA receive a determination regarding payback before canceling a project.

**For state-funded only projects**, even though the law specifically states that the CTB is to be reimbursed, the spirit of the law is to prevent a LPA from starting and then stopping projects and thus using highway construction funds without addressing a transportation need. The law has provisions for the CTB to forgive this obligation under extenuating circumstances. It is important that a LPA receive a determination regarding payback before canceling a project.

### **19.7. RECORD REVIEW**

A random review may be conducted of basic construction and project records, to verify compliance with applicable federal and state laws and regulations and any requirements within the standard agreement and/or these guidelines. Project records must be maintained for no less than three (3) years following FHWA and/or VDOT acceptance of the final voucher, and the municipality shall make such records available to VDOT upon request.

### **19.8. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

As a condition of receiving federal and state funds, the locality is required to conduct a yearly independent audit of its expenditures. As part of this audit, the auditors must certify that the funds under this program have been expended in accordance with applicable federal and state laws and regulations. This is similar to the statement required for certifying fiscal expenditures under VDOT's program.

VDOT is a pass-through entity of federal awards, meaning it is a non-federal entity that provides federal awards to sub-recipients to carry out federal programs. The Virginia Localities, Municipalities, Metropolitan Planning Organizations (MPOs), and Planning

District Commissions (PDCs) are sub-recipients of federal awards, meaning they are non-federal entities that spend federal awards received through VDOT to carry out a federal program, but do not include an individual that is a beneficiary of such a program.

All sub-recipients must comply with the requirements of [OMB Circular A-133](#) Subpart C – Auditees, Section 300, Auditee Responsibilities (e). The auditee shall ensure that the single audits required are properly performed and submitted within sixty (60) days of the audit being completed to the External and Construction Audit Division (ECAD) of VDOT. The auditee will provide access to any relevant records and financial statements as necessary to ensure such compliance. This requirement is to be followed by all localities receiving more than \$500,000 in federal assistance.

Within 150 days of the audit being received by ECAD they will:

- Review the single audits to ensure that sub-recipients expending \$500,000 or more in Federal awards during the sub-recipient's fiscal year have met the audit requirements of [OMB Circular A-133](#), Subpart B – Audits, Section 200.
- Submit a written report to the Local Assistance Director (LAD), detailing any sub-recipient audit findings identified in the Schedule of Findings and Questioned Costs related to VDOT pass-through Federal awards.

As provided in [OMB Circular A-133](#) Subpart D – Federal Agencies and Pass-Through Entities Responsibilities, Section 405, Management Decision (c), the LAD shall be responsible for:

- Notifying the sub-recipient of the audit findings that relate to the federal awards and requesting from the sub-recipient certification that appropriate and timely corrective action has been taken.

- Notifying the Fiscal Division of VDOT of the audit findings that relate to the federal awards for Fiscal Division's determination of whether the sub-recipient audit findings necessitate adjustment of VDOT's own financial records.

### 19.9. KEY SUBMITTALS/REQUIREMENTS

<b>Task/Submittal/File Documentation</b>	<b>LPA Responsibility</b>	<b>VDOT Responsibility</b>	<b>Submittal Timing/Recordkeeping Requirements</b>
Invoices	Submit with proper documentation and certifications.	Review and pay within 30 days	LPA must submit within 90 days of eligible expenses
CAFR audit	Must submit for projects over \$500,000	Send to ECAD for review	ECAD will review within 150 days.

### 19.10. REGULATORY REQUIREMENTS

49 CFR Part 18 – Common Rule	§15.2-2511 of the Code Virginia
OMB Circular A-87 (Cost Principles for State and Local Governments)	23 CFR 630
Sections 33.1-44 and 33.1-70.01 of the Code of Virginia	

### 19.11. MISCELLANEOUS REFERENCES

CAPP Manual (Commonwealth Accounting Policies and Procedures Manual)  
[www.whitehouse.gov/omb/circulars/a087/a087-all.html](http://www.whitehouse.gov/omb/circulars/a087/a087-all.html)  
[http://www.doa.virginia.gov/Admin\\_Services/CAPP/CAPP\\_Topics/60108.pdf](http://www.doa.virginia.gov/Admin_Services/CAPP/CAPP_Topics/60108.pdf)  
[www.vdot.virginia.gov](http://www.vdot.virginia.gov)

## Appendix 19-A

### Sample Invoice

SAMPLE LIFE TO DATE PROJECT SUMMARY SCHEDULE  
REQUEST FOR FEDERAL REIMBURSEMENT

Attachment A (Revised 04/09/08)  
DRAFT Life to Date Project Summary Schedule - Request to VDOT for Federal Reimbursement

City Name	Hampton	Invoice Number	121314
Project ID/UPC#	AAAAA/UPC 60104	Invoice Date	11/28/2005
Project Description	Metropolis Boulevard	Invoice Amount	\$ 12,000.00
Federal Project ID#	5401538	Billing Period	10/1-10/31/2005

Request Number	Invoice Number	Invoice Date	Invoice Amount	Adjustment Date	Adjustment Amount	Project to Date		Balance Outstanding	Comments
						Request for Reimbursement	Project to Date Collected		
1	1234	07/31/2004	\$ 10,000.00		\$ -	\$ 10,000.00	\$ 10,000.00		
2	5678	08/30/2004	\$ 5,300.00		\$ -	\$ 15,300.00	\$ 15,300.00		
3	91011	10/30/2004	\$ 7,000.00	09/22/2004	\$ (1,800.00)	\$ 20,500.00	\$ 20,500.00		
4	121314	11/28/2004	\$ 12,000.00		\$ -	\$ 32,500.00	\$ 20,500.00	\$ 12,000.00	Adjustment was made by VDOT due to transposition error on invoice 5678 (invoice amount should have been \$3,500 instead of \$5,300)

Phase	Total Federal Dollars Requested		State Dollars Applied		Local Match Applied		Total Project Expenditures	
	Dollars	Requested	Dollars	Applied	Dollars	Applied	Dollars	Applied
Pre. Eng	\$ 12,000.00	\$ 10,000.00	\$ 2,700.00	\$ 2,250.00	\$ 300.00	\$ 250.00	\$ 12,500.00	\$ 12,500.00
Right of Way	\$ -	\$ 3,500.00	\$ 787.50	\$ 87.50	\$ -	\$ 87.50	\$ 4,375.00	\$ 4,375.00
Construction	\$ -	\$ 19,000.00	\$ 4,275.00	\$ 475.00	\$ -	\$ 475.00	\$ 53,750.00	\$ 53,750.00
<b>Total</b>	<b>\$ 12,000.00</b>	<b>\$ 32,500.00</b>	<b>\$ 7,312.50</b>	<b>\$ 812.50</b>	<b>\$ 300.00</b>	<b>\$ 812.50</b>	<b>\$ 70,625.00</b>	<b>\$ 70,625.00</b>

\*This scenario assumes all reimbursements requested of VDOT are eligible federally participating expenses and the Federal participation rate is equal to 80% on all phases of work and a 2% local match is required on this project

**Certification**

I certify that the above invoiced amounts are correctly calculated, the items being requested for payment have been used or installed on the project, and the costs are allowable per state and federal regulations. Documentation to support the invoiced amounts is attached.

Director of Finance

## **Appendix 19–B**

### **Eligible expenses for federal aid**

Classifications of work programmed with FHWA and eligible for federal aid:

a. Preliminary Engineering.

The work of locating and designing, making surveys and maps, sinking test holes, making foundation investigations, preparing plans, specifications and estimates, centerline, right-of way plan preparation and other related preliminary work and incidental construction staking, to the extent such staking is necessary to review construction plans, and related general engineering preparatory to the letting of a contract for construction.

The work may also include traffic counts, studies undertaken to determine traffic demands, holding of public hearings, preparation of right-of-way cost estimates, legal, and other costs incidental to the location and design of a highway project necessitating the acquisition of right of- way thereon up to but not including the appraisal of individual parcels for acquisition purposes.

These engineering costs are generally incurred prior to the date of construction PS&E approval or the date construction plan changes are completed prior to the beginning of construction. The date of contract award is the cutoff for charging to preliminary engineering.

During the construction phase of a project when a major change takes place that requires additional design or PE effort, the appropriate job can be reopened on a case-by-case basis after approval from FHWA. Also, any construction staking done in advance of the award should be charged to construction engineering, not PE.

b. Acquisition of Rights-of-Way.

The continuation of preparation of right-of-way plans; appraisal for parcel acquisition; review of appraisals; preparation for and trial of condemnation cases; management of properties acquired; furnishing of relocation advisory assistance; and other related labor expenses.

- Excess land (appraised value) including uneconomic remnants.
- Improvements (appraised salvage value).
- Right-of-way acquired after certification by the local agency that right-of-way necessary for a designated federal aid highway project has been acquired.

- Judgments in condemnation cases not appealed when the attorney's closing report indicates a basis for appeal. The amount in excess of the review appraiser's determination of value is nonparticipating.
- Landowners;
- Attorneys' fees;
- Witness fees;
- Expert witness fees; or
- Similar costs to a landowner based on value of the services rendered to him which are paid by the local agency in connection with acquisition of rights-of-way, regardless of whether such costs are included in court judgments or court costs in litigated condemnation cases, e.g., statutory evaluation allowance.

c. Construction Engineering.

The work of supervising construction activities; the inspection of construction and related mechanical aspects (e.g., staking necessary to review construction plans together with those staking activities necessary for the local agency to control construction operations); testing of materials incorporated into construction, checking shop drawings and measurements for and preparations of progress and final estimates, and as-built drawings.

Construction engineering costs are generally incurred only after approval of the PS&E, a contract number is issued, and also incurred prior to:

- Completion date of the final contract pay estimate and its submission to the contractor;
- The final date of charges for required material testing; or
- Completion date of the separation of contract cost by code type, location, etc., whichever is applicable to that portion of the construction engineering phase involved.

- d. Highway Planning. The orderly and continuing assembly and analysis of information about highways, such as the history of highway development and their extent, dimensions and conditions, use, economic and social effects, costs, and future needs.
- e. Research and Development. The search for more complete knowledge of the characteristics of the highway system and the translation of the results of research into practice.
- f. Administrative Settlement Costs-Contract Claims. Services related to the review and defense of claims against federal aid projects.

- g. Miscellaneous Functions. Costs incurred for other activities which are properly attributable to, and for the benefit of, federal aid projects but are not assignable to any of the previously defined functions.
  
- h. Construction Costs for Other Than Contractor Payments.
  - Royalty expenses for material furnished by the local agency that are used by the contractor.
  - Temporary signs, traffic control labor, traffic control devices, and temporary illumination furnished by the local agency. The initial basic cost of traffic control devices purchased for use on the project is an authorized participating cost. When used items are furnished by the local agency, federal participation will not be requested.
  - Striping and pavement marking work performed by local forces.
  - Second stage fertilizing by local forces. Application of second-stage seeding and fertilizer, after other work on the project has been completed and the contractor has been released from the contract, is eligible for federal participation. All costs for the fertilizer and the application by local forces are carried as below the line expense on the preliminary estimate and will be fully eligible for the appropriate matching federal funds.