

CHAPTER 5 INVOICING

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FLOW CHART

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FLOWCHART 5-1 INVOICE PROCESSING 5-1

EXHIBITS

EXHIBITS APPLICABLE TO THIS CHAPTER CAN BE FOUND AT:

[HTTP://WWW.DOT.CA.GOV/HQ/LOCALPROGRAMS/LAM/FORMS/LAPMFORMS.HTM#GOHERE8](http://www.dot.ca.gov/hq/localprograms/lam/forms/lapmforms.htm#gohere8)

[EXHIBIT 5-A SAMPLE FEDERAL -AID INVOICE \(EXCEPT FOR STIP AND ATP PROJECTS\)](#)

[EXHIBIT 5-B SAMPLE FEDERAL-AID INVOICE WITH TWO APPROPRIATIONS & DIFFERENT REIMBURSEMENT RATES \(EXCEPT FOR STIP AND ATP PROJECTS\)](#)

[EXHIBIT 5-C SAMPLE OF STATE PROJECT INVOICE](#)

[EXHIBIT 5-D SAMPLE RIGHT OF WAY INVOICE](#)

[EXHIBIT 5-E SAMPLE OF “STIP OR ATP PROJECTS” FEDERAL INVOICE](#)

[EXHIBIT 5-F SAMPLE OF “STIP OR ATP PROJECTS” STATE INVOICE](#)

[EXHIBIT 5-G ALTERNATIVE PAYMENT PROCEDURE SAMPLE](#)

EXHIBIT 5-H COGNIZANT FEDERAL AGENCIES (deleted LPP 15-02)

[EXHIBIT 5-I SAMPLE INDIRECT COST RATE PROPOSAL](#)

[EXHIBIT 5-J LOCAL AGENCY INVOICE REVIEW CHECKLIST](#)

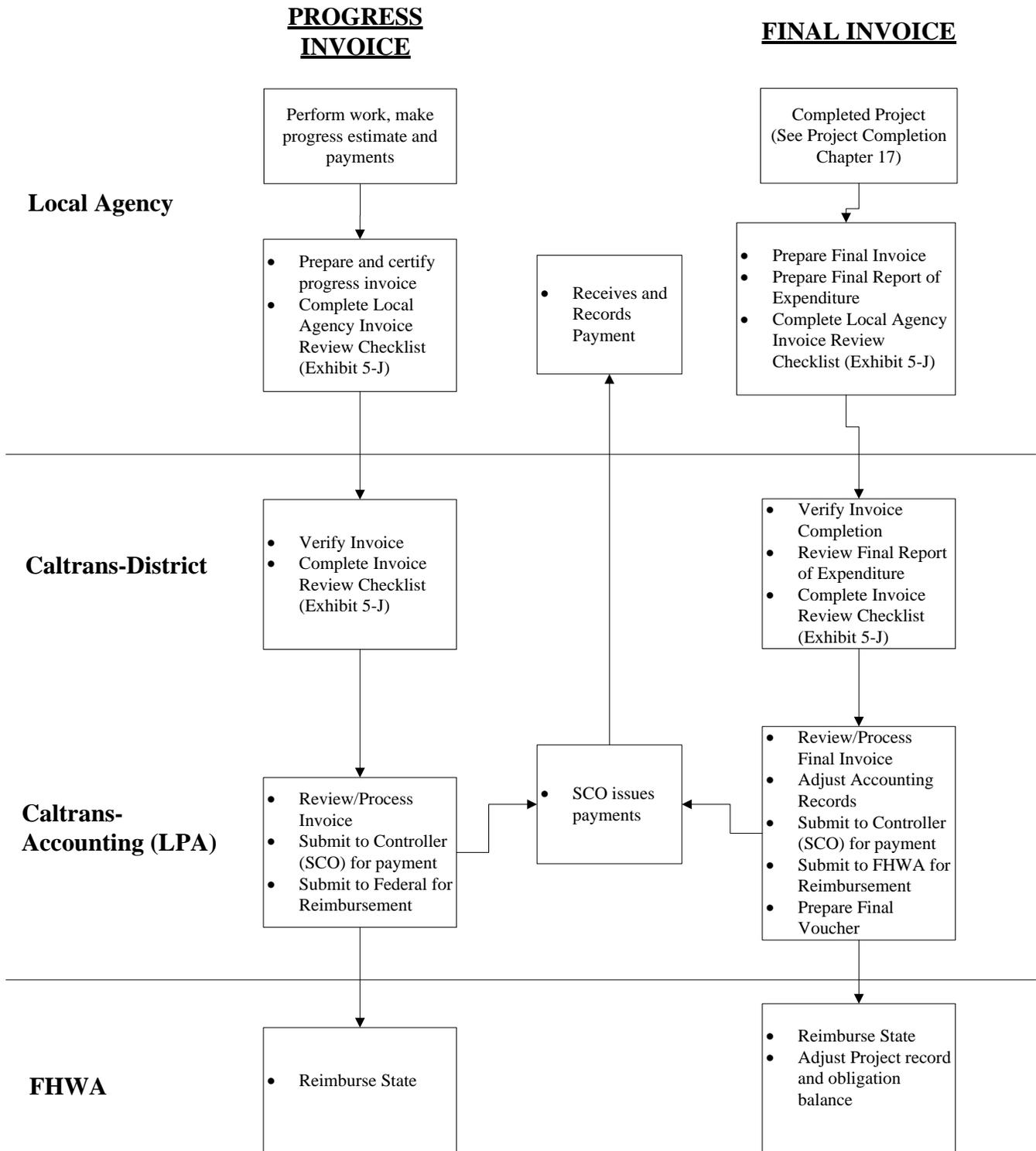
[EXHIBIT 5-K SAMPLE BILLING SUMMARIES](#)

[EXHIBIT 5-L BILLING SUMMARY INSTRUCTIONS](#)

[EXHIBIT 5-M SAMPLE SCENARIOS – PRO RATA VS. LUMP SUM AGREEMENTS](#)

* Unless stated otherwise, all references to Chapters, Sections and Exhibits refer to this Local Assistance Procedures Manual (LAPM).

Flowchart 5-1 Invoice Processing



CHAPTER 5 INVOICING

The purpose of this chapter is to provide local agencies with basic information required to obtain reimbursement for their expenditures on local federal-aid and state funded projects. Additional information may be obtained from Local Program Accounting (LPA) through the District Local Assistance Engineer (DLAE). Payments made under these provisions are for expenditures paid by the local agency prior to claiming reimbursement from the California Department of Transportation (Caltrans).

5.1 TRACKING STATUS OF INVOICES

As invoices are processed by LPA, local agencies can monitor the status of their invoices by viewing the data at the Vendor Payment History website at: <http://www.dot.ca.gov/hq/payhist/index.php>. This website is updated daily and contains all invoices for projects for the past 18 months.

5.2 REQUIREMENTS FOR REIMBURSEMENT

The following conditions must be met prior to reimbursement of costs:

BUDGET AUTHORITY

The State Legislature and Federal Government have provided budget authority and the projects have met all program budget conditions, e.g., timely use of funds.

AGREEMENT

1. The Administering Agency-State Master Agreement (Master Agreement) must be fully executed (all required signatures obtained), if one is used. This is an agreement between the state and a city, county or other local agency defining the general terms and conditions, which must be met to receive federal-aid (Federal Master Agreement) and/or state funds (State Master Agreement).
2. The Program Supplement Agreement (PSA), project agreement, or some other required applicant state agreement must be fully executed. These documents are agreements between the state and local agency (or applicant) identifying the type and amounts of funds used to finance the project and the specific covenants related to the project. The State can only reimburse the agency that signed this contractual document, unless there is a covenant in the PSA authorizing another entity to bill and/or be paid on behalf of the agency signing the PSA.

For additional information about agreements, please see Chapter 4, "Agreements".

FEDERAL-AID PROJECT AUTHORIZATION (E-76)

Prior to the beginning of the reimbursable work, the project phase of work eligible for reimbursement from federal funds must be formally authorized (approved) by Caltrans and the Federal Highway Administration (FHWA). The payment of federal funds is limited to the amounts approved on the "Authorization to Proceed" or "E-76". To initiate a federal project authorization for a phase(s) of work, or to increase a prior authorization, the local agency must prepare the "Request for Authorization" package (see Chapter 3, "Project Authorization") that provides the information needed by Caltrans and FHWA to process the request in a timely manner.

NOTE: Costs incurred prior to the authorization date are not eligible for FHWA reimbursement

except for Emergency Opening and Preliminary Engineering work that is part of the Emergency Relief program. See Chapter 11, “*Disaster Assistance*” of the *Local Assistance Program Guidelines* (LAPG) for additional details.

For additional information about phases of work and the project authorization process, see Chapter 3, “*Project Authorization*”.

INVOICE SUBMITTAL

The local agency may submit monthly invoices for reimbursement of participating costs (costs eligible for state and/or federal reimbursement). Amounts claimed must reflect the cost of completed work, which has been paid for. The local agency must claim all reimbursable work within 180 days of project completion or prior to the expiration date of the project agreement, whichever comes first. Per the Master Agreement, an invoice must be submitted at least every six months to avoid being classified as inactive and risk de-obligation.

Towards the end of the state fiscal year (June 30), it is very important for local agencies to submit invoices timely for all incurred project costs so that accrued expenditures are properly identified on Caltrans financial statements.

Each fiscal year, the Division of Local Assistance (DLA) will notify local agencies regarding projects funded from lapsing appropriations (funds that will expire/not be available for spending June 30 of that fiscal year). They will be notified of the deadline for submitting invoices for these projects.

AWARD PACKAGE

The local agency must submit a complete Award Package to the DLAE within 90 days of the award of the construction contract and prior to the local agency’s first invoice for construction. The DLAE will forward a copy of the Award Package to DLA and the Award Checklist (Exhibit 15-L) to LPA for processing.

If the DLAE does not receive a copy of the Award Package with the first invoice for the construction phase, the invoice will be returned to the local agency unpaid. No award package is required if the local agency utilizes only its own work forces. However, an approved Public Interest Finding (PIF) document must be included with the first invoice.

The Award Package for Federal-Aid funded construction contracts shall consist of the documents outlined in “Award Package” (see Chapter 15, Section 15.7)

1. *Local Agency Contract Award Checklist* (Exhibit 15-L) with attachments
2. *Detail Estimate* (Exhibit 15-M)
3. *Finance Letter* (Exhibit 3-O)
4. *Resident Engineer’s Construction Contract Administration Checklist* (Exhibit 15-B)
5. *Local Agency Bidder DBE Commitment (Construction Contracts)* (Exhibit 15-G)

Award Package for State Transportation Improvement Program (STIP) or Active Transportation Program (ATP) projects

The Award Package for state-only funded construction contracts shall consist of the completed “*Award Information for STIP Projects*” (see LAPG, Chapter 23, Exhibit 23-A) or “*Award Information for ATP Projects*” (see LAPG, Chapter 22, Exhibit 22-A)

5.3 REIMBURSABLE PROJECT COSTS

The costs of salaries, wages and related project costs may be reimbursable for the following activities. All costs must be broken down into eligible direct and/or indirect cost components. For list of ineligible costs see Chapter 16, Section 16.13 Contract Change Orders.

PHASES OF WORK

1. **Preliminary Engineering:** Preliminary Engineering is the initiation, design, and related work preparatory to the advancement of a project to physical construction. For local STIP and ATP projects, the Preliminary Engineering costs must be segregated into:
 - Environmental Studies and Permits (E&P)
 - Plans, Specifications & Estimate (PS&E)
2. **Right of Way:** Acquisition of Right of Way, real property, or rights thereto is included. It also includes the preparation of Right of Way plans, making economic studies and other related preliminary work, appraisal for parcel acquisition, review of appraisals, preparation for and trial of condemnation cases, management of properties acquired, furnishing of relocation advisory assistance, utility relocation, and other related labor expenses.

NOTE: Right of Way rental income and the proceeds from the sale of excess land may be retained by local agencies if it is used for a valid Title 23 purpose. It is the local agency's responsibility to assure they comply with Title 23 if this option is selected. For additional information about Right of Way topics, see Chapter 13, "*Right of Way*".

3. **Construction Engineering:** Construction Engineering is the supervision and inspection of construction activities, additional staking functions considered necessary for effective control of the construction operations, testing materials incorporated into construction, checking shop drawing, and measurements needed for the preparation of pay estimates. Construction Engineering must be authorized to be eligible for reimbursement.
4. **Construction:** Eligible construction costs include the actual costs to construct the transportation facility and its appurtenant facilities. It also includes: removal, adjustment or demolition of buildings or major construction; utilities or railroad work that is a part of the physical construction of the project; and administrative settlement cost of contract claims.
5. **Administrative Settlement Costs:** These are service costs related to contract claims related to the review and defense of claims against federal-aid-projects. See Chapter 16, "*Administer Construction Contracts*"

DIRECT COSTS

Direct costs are expenditures incurred solely for a specific state/federal-aid funded transportation project. These include contract payments, Right of Way acquisition, direct material, salaries, wages, fringe benefits and related costs, which become eligible when an individual participates in project-related activities. Typical direct costs chargeable to federal-aid/state funded projects are:

- Compensation of employees for the time devoted and identified specifically to the performance of the project phase for which the federal-aid/state funding was approved. This is usually permissible up to and including the first level of supervision dedicated to the project.
- Costs of materials consumed, or expended specifically for the purpose in which the participating state/federal funds were authorized.
- Equipment and other approved capital expenditures.

- Expense items or services contracted, or furnished specifically for the project to carry out the purpose in which the participating federal/state funds were authorized.

Supervisory activities above the first level of supervision are recoverable as indirect costs.

INDIRECT COSTS

With the enactment of the Transportation Equity Act for the 21st Century (TEA-21) on June 9, 1998, indirect costs are eligible for federal reimbursement. Should any department, division or other organization unit within the local agency seek reimbursement of their indirect costs, they must receive an Approval/Acceptance Letter of the local agency's Indirect Cost Rate Proposal (ICRP)/Indirect Cost Allocation Plan (ICAP) for the fiscal year(s) involved from Caltrans Division of Audits & Investigations (A&I) prior to billing for any indirect costs. If a project involves more than one fiscal year, approval of the indirect cost rate(s) for each fiscal year for each unit of the government wishing to bill indirect costs are required prior to claiming reimbursement. The Indirect Cost Calculation section on the invoice must be completed and the summary data transferred to the first page of the invoice. Indirect costs must not be combined with direct costs on invoices. See Section 5.13, "*Obtaining Approval for Indirect Costs*" in this chapter for details on obtaining approval/acceptance of ICRP/ICAP.

After obtaining approval/acceptance, and at the discretion of the local agencies, indirect costs may be included when seeking reimbursement. However, any completed project with a Final Report of Expenditures will not be eligible for retroactive indirect cost reimbursement.

NOTE: Some programs may have special requirements or restrictions for indirect costs. As examples; the Environmental Enhancement and Mitigation (EEM) program does not allow reimbursement for indirect costs, and the Freeway Service Patrol program does not allow the use of state funds for administrative purposes pursuant to Streets and Highways Code Section 2564.

The sample invoice exhibits in the back of this chapter (Exhibits 5-A to Exhibit 5-G) show how the indirect costs should be billed.

UNDERFUNDED PROJECTS

When local agency personnel request federal funding for a project, it is either:

1. Fully funded (federal funds requested at maximum federal reimbursement rate, i.e., 88.53% for Surface Transportation Program projects), or
2. Underfunded, (federal funds requested at "less than" maximum reimbursement rate, i.e., 75% vs. 88.53%. See example below), or
3. There is nonparticipating work (costs that are not eligible for federal reimbursement).

The calculated federal reimbursement ratio is computed by dividing the amount of federal funds authorized by the total participating costs.

For example, project CML – XXXX (XXX) has:

- Federal participating ratio of 100%
- Normal pro rata share of 88.53%
- Total estimated costs of the project are \$1,000,000.00
- Total federal funds are \$750,000.00
- The Federal Appropriation Code is Q240
- The reimbursement ratio would be: $\$750,000.00/\$1,000,000.00 = 75\%$

If the federal funding (\$750,000) divided by the federally participating costs (\$1,000,000) is less

than the full pro rata share (88.53%), the project is considered underfunded. In this case, the progress payments must be reimbursed at the lower reimbursement ratio, which is 75%.

PRO RATA VS. LUMP SUM

23 Code of Federal Regulations (CFR) 630.106(f)(1) requires the federal share of eligible project costs to be established at the time of project agreement execution either by pro rata with the agreement stating the federal share as a specified percentage, or by lump sum with the agreement stating that federal funds are limited to a specified dollar amount not to exceed the legal pro rata.

In requests for federal authorization to proceed, local agencies must document whether the federal-aid share is to be pro rata or lump sum, by phase and fund type. Caltrans will then enter the pro rata or lump sum share in the Federal-Aid Data System (FADS) E-76 transmittals.

For the construction phase of work, the pro rata or lump sum share may be adjusted before or shortly after contract award in accordance with 23 CFR 630.106(f)(2). Requests for award adjustment must be submitted by a local agency to Caltrans within 90 days of contract award. Subsequent to an award adjustment, an increase in the federal funding obligation beyond the established lump sum share may be allowable as a result of an increase to the total project construction cost. A prior established lump sum amount less than the legal federal share does not prohibit reimbursement up to the maximum legal share.

On existing projects for which the lump sum or pro rata method had not been established during previous project agreement processing, the next request for adjustment must indicate the method to be established. Otherwise, the pro rata method will be assigned by default.

The federal share to be established will be identified in the local agency's project Finance Letter submittal (see "*Sample Local Federal-Aid Finance Letter*" [Exhibit 3-0]), LP2000 Finance Letter utility, and in FADS Fund Detail Screen prior to District E-76 transmittal to headquarters.

Upon establishment of a pro rata or lump sum share for a specific Fund Detail line in FHWA's Fiscal Management Information System, the same share method shall be set for that Fund Detail line for the life of the project. While not a preferred option, a multi-funded project may have a combination of lump sum and pro rata for different types of funds within the project (under such a scenario, the different types of funding must be shown in separate rows in a project finance letter).

It is recommended that local agencies "fully fund" (meaning that a project's federal share is the maximum allowable) projects whenever possible. If it is necessary to program a project phase as underfunded in anticipation that additional federal funds might become available to the project at a later date to increase the federal share, a local agency may consider programming Local Advance Construction in the project Federal Transportation Improvement Program/Federal Statewide Transportation Improvement Program prior to a request for authorization for the respective phase of work.

"*Sample Scenarios - Pro Rata vs. Lump Sum Agreements*" (Exhibit 5-M) provides sample funding scenarios to help illustrate some possible adjustments that might be made for the construction phase of a project established as either pro rata or lump sum share.

5.4 METHODS OF REIMBURSEMENT

Local agency invoices are routinely processed for payment within 45 days after Caltrans receives a complete and accurate invoice. The State Controller's Office (SCO) issues payments within 15 days after receiving the claim schedules from LPA. To receive reimbursement ten days sooner, see "Electronic Fund Transfer (EFT) Reimbursement Method" below.

Local agency invoices should be submitted no more than once per month. The invoice format must follow the requirements in this chapter. If they do not follow the format, they will be

returned to obtain the additional information needed by Caltrans to process the payment.

PAYMENT IN ARREARS

State and federal law requires that all federal and most state funded local agency project payments be done on a reimbursement basis. Therefore, the local agency must incur and pay for project costs prior to invoicing Caltrans for reimbursement. The local agency is required to submit two copies of proper documentation with their invoices to validate that the expenditures were properly incurred. Acceptable documentation is discussed in Section 5.5.

LUMP SUM PAYMENT UP FRONT

Projects in which there is a request for direct deposit of funds into an escrow account must be approved by the DLAE and submitted to LPA 30 days prior to closing escrow for the purchase of the property. LPA will not process the invoice unless the local entity is able to provide a firm escrow closing date.

Planning, Programming & Monitoring and Freeway Service Patrol projects - Agreement clauses, when used, allow lump sum advance payments to all agencies, which receive \$300,000 or less per fiscal year. Sixty days after all expenditures have been made by the local agency; they must submit a Final Report of Expenditures, including a final invoice, to Caltrans showing how the advance has been spent. Agencies that receive over \$300,000 will be paid on a reimbursement basis.

State Match and Exchange Program (X projects) - These funds are advanced to the local agencies to be spent in accordance with the provisions in the Local Agency – State Agreement. It is the responsibility of the Regional Transportation Planning Agencies (RTPA) to provide the Division of Local Assistance’s Office of Implementation with an annual report on these funds. The report with an "as of date" of June 30, is due August 1 of each year. It must show the amounts given to each city and/or county. Failure to provide this report will result in future exchanges being held in abeyance. The SCO will review the actual expenditures to verify compliance with state law.

ELECTRONIC FUND TRANSFER (EFT) REIMBURSEMENT METHOD

Caltrans offers an EFT option to local agencies. Participation in the EFT program is limited to the local agencies that do not have a delinquent account receivable with Caltrans. EFT is the transfer of funds from the SCO to a State-contracted bank and then directly into a local agency’s designated bank account.

1. EFT Processing Time

The processing time within LPA for invoices paid by either EFT or warrant will be the same. EFT, however, will decrease the processing time at the SCO from 14 days to 4-6 days. With EFT, LPA will forward the EFT claim schedules to the SCO on Mondays and Thursdays. In general, the SCO will process the payments for the claim schedules submitted on Monday by electronically depositing the payments to the local agency’s bank account on Thursday of the same week. The payments for claim schedules submitted on Thursday will be deposited on Tuesday of the following week.

2. Enrolling in the EFT Program

The EFT program involves the electronic direct deposit of local agency’s invoice payments to their banking account. Therefore, it is very important that the local agencies verify with their financial institution that EFT payments are allowable.

Download the “EFT” Enrollment Form from www.dot.ca.gov/hq/asc/eft or request it from LPA if a form cannot be obtained.

If a local agency has not done business with Caltrans before, they are required to fill out the Payee Data Record Form, STD 204 (request from LPA), and Enrollment Form, FA-2656.

If the local agency has done business with Caltrans and has several accounts with Caltrans (multiple remittance addresses in Caltrans accounting system), the local agency's Finance and Public Works Directors must jointly decide if one or more of those accounts will be designated for EFT payments. Each account to be converted to an EFT account must have a complete separate Enrollment Form. Once an account has been identified to receive EFT payments, all payments will be made through EFT. Contact LPA for help in identifying the Vendor Number(s) that Caltrans uses to identify each mailing address.

For each account to be converted to EFT, the local agency must complete a separate Enrollment Form. Sections I and II of the Enrollment Form must be filled out by the local agency by typing or printing the following information:

- Name of the local agency and the address that will receive the Automated Clearing House (ACH) payment
- The local agency Federal Tax ID
- The designated contact person and phone number
- The signature of the authorized contact person

Section III of the Enrollment Form is filled out by the local agency's financial institution, which will receive the ACH payment by printing or typing the following information:

- Name and the address of the agency's financial institution, which will receive the ACH payments
- ACH coordinator's name and phone number
- Nine-digit routing transit number, depositor (agency) account title and account number. The bank account numbers must not exceed 17 digits.
- Type of accounts (select either checking account or savings account)
- Signature of authorized banking official
- Name, title and phone number of the authorized banking official

Caltrans will complete Section IV of the Enrollment Form.

Caltrans also requires a voided check or a savings deposit slip for the checking or savings account, into which the EFT payments will be electronically deposited, to be mailed to Caltrans along with the Enrollment Form. The voided check or savings deposit slip will aid in verifying the bank account and routing transit numbers.

After the Enrollment Form is completely filled out, mail it along with the voided check or deposit slip to:

Department of Transportation
Division of Accounting - MS 33
P.O. Box 168043
Sacramento, CA 95816-8043
Attn: Payee Data Records Unit

Do not mail the Enrollment Form to Local Program Accounting.

Caltrans will process the EFT Enrollment packet and work with the local agency's financial institution to establish the EFT payment processing of local agency invoices. During the

initial set up period (up to 30 days), Caltrans will regularly perform “pre-note” tests to verify that all financial routing and transit numbers are accurate while continuing processing payments of the local agency invoices the usual way. Once the EFT information has been verified, LPA will begin making all payments via the EFT payment process.

For additional information about the EFT program, please visit the Caltrans EFT website at: <http://www.dot.ca.gov/hq/asc/eft/>.

ALTERNATIVE CONSTRUCTION PROGRESS PAYMENT PROCEDURE

All federal and most state funded local agency projects must be invoiced in arrears. This means that the local agencies must pay their contractors before requesting reimbursement from Caltrans for their costs. The Alternative Construction Progress Payment Procedure is designed to assist local agencies in the implementation of their local transportation projects when they experience severe cash flow problems. These problems could be the result of either:

- Unusual cash shortages within the local agency caused by economic or other conditions,
- Significant cash shortages resulting from the payment to a contractor on an unusually large federal or state transportation project, or
- Cash drain to repair damages caused by flood, earthquake or other acts of nature.

Since this alternative procedure requires additional processing, it will be used only for the construction phase of projects, and contingent upon availability of State funds. Construction contract administration process reviews have found that some local agencies were not invoicing Caltrans for money that was due to them in a timely manner. Therefore, these agencies will not be eligible to use this procedure since they do not have a severe cash flow problem.

LPA will process a local agency’s invoice based on estimated payments to the contractor in the same manner as normal reimbursement billings. The invoice format for alternative construction progress payments is shown on “*Alternative Payment Procedure Sample*” (Exhibit 5-G). Local agencies should follow the procedures described below when requesting the use of the alternative payment procedures:

1. The governing board for the local agency must pass a resolution requesting the use of this procedure for a specific project. The resolution must include the reasons for the request and a statement that all other options have been considered and that the project cannot be implemented, or will be delayed unless this procedure is used.
2. The local agency must also provide a written schedule of estimated monthly construction payments for the project. This resolution and estimated payment schedule should accompany the local agency’s Request for Authorization (E-76) to the DLAE for the construction phase of their project no later than 45 days prior to the first month’s payment to the contractor. Earlier submittals are allowed. The DLAE will forward the estimated payment schedule to LPA through the DLA.
3. After approval of the E-76 and execution of the PSA (which must include language allowing a payment based on estimated costs), an invoice requesting payment for the first month’s estimated payment (less local match funds), may be submitted to LPA. This invoice can be submitted any time within 30 calendar days prior to the date of the first month’s payment to the contractor. This will allow the local agency to receive the payment at approximately the same time they are required to pay the contractor.
4. The estimated payment amount shown on the second and subsequent invoices must reflect the most current estimated payment to the contractor. In addition, the invoices will reflect the difference between the estimated payment claimed on the prior invoice and the actual payment made to the contractor.

5. The local agency must provide a final invoice and a final report of expenditures, showing actual project costs (including claims) within 180 days of project completion. The final invoice, final report of expenditures and final inspection form must be sent to the DLAE for written approval. For EEM projects, the final invoice and final report must be submitted to the district at least 60 days prior to the expiration of the Budget Authority.
6. If the local agency has been overpaid, a check for the amount of over payment along with a copy of the final invoice must be sent to LPA within 30 calendar days of the final payment to their contractor.
7. Failure by a local agency to adhere to all the terms of this procedure will result in termination of the alternative payment process for the agency.

5.5 INVOICE GUIDELINES, FORMAT AND CHECKLIST

The exhibits to this chapter contain a number of sample invoices and should cover the majority of projects. Local agencies are encouraged to cut and paste the samples to fit their specific need while maintaining the integrity of the invoice format. If there are significant questions, contact LPA through the DLAE for assistance. The sample invoices were designed so that only the information absolutely needed has been requested. Invoices with significant errors will be returned to the local agencies for correction without being processed for payment. At a minimum, an invoice package includes invoice, the “*Local Agency Invoice Review Checklist*” (Exhibit 5-J), and a “*Billing Summary*” (examples shown on Exhibit 5-K). Detailed instructions for preparing invoices for reimbursements are outlined below.

GENERAL GUIDELINES

1. The local agency may submit invoices once a month for reimbursement, but must submit an invoice at minimum every six months to avoid inactivity on a project.
2. Invoices must be submitted on local agency letterhead with the local agency’s address. If there is a change of the remittance address, the local agency must notify LPA in writing, so that LPA can update the Payee Data Record file in the Caltrans financial system to reflect the new remittance address. Verbal requests cannot be processed.
3. The first time that a local agency invoices Caltrans, they must fill out a Payee Data Record Form, STD 204. This Payee Data Record Form is required in lieu of IRS Form W-9 when doing business with the State of California. This form is also used to set up the vendor’s account in the Caltrans financial system.
4. Progress and final invoices are submitted directly to the DLAE, and should include, an original invoice and two copies (see Table 5-1).
5. Final invoices must include the Final Report of Expenditures (FROE) package. The DLAE verifies the project completion and approves payment before forwarding the Final Report of Expenditures package, including the original and two copies of the final invoice to LPA. More information regarding final invoice procedures are described in Section 5.6 of this chapter.
NOTE: According to the Federal/State Master Agreement, the state will withhold the greater of either two percent of the total of all state/federal funds encumbered for each PSA or \$40,000.
6. For local STIP and ATP projects, the preliminary engineering phase must be separated into E&P and PS&E.
7. The first invoice for construction must include the “*Local Agency Contract Award Checklist*” (Exhibit 15-L) for federally funded projects. State projects should include the Award

Information checklist.

8. For Right of Way Acquisition, if payment is to be made to a Title Company, the invoice and the covenants must identify the Title Company to be paid, address, escrow number, contact name, and include the Remarks and Covenants Form. If payment is to be made to the local agency for locally acquired Right of Way, a Right of Way Report of Expenditures is needed.
9. Invoices must have a current date when sent to the district or LPA. If for any reason an invoice is returned to the local agency, the resubmitted invoice must have a revised current date and number (e.g., rejected invoice 1 becomes 1A upon submittal).
10. Invoices must be certified and signed by the appropriate responsible persons in the local agency.
11. The certification statement on the invoice must be the same as shown on the sample invoice(s).
12. Invoices must list the name and phone number of the contact person should Caltrans staff need additional information about invoices.
13. Invoices must have two copies of the “Billing Summary”. Local agencies must maintain all supporting backup documentation for costs incurred and claimed for reimbursement in their project files (made available to DLAEs only upon request).

Table 5-1 Invoice Documents

Document	Agency Submits to DLAE	DLAE Submits to LPA	LPA Submits to SCO
Invoice	Original plus 2 copies	Original plus 1 copy	Original
Invoice Review Checklist	2 signed copies	1 signed copy by Agency & the DLAE	None
Billing Summary	2 copies	1 copy	None

DETAILED INVOICE FORMAT

The invoice format may vary (see Exhibits 5A-5F), but the following information must be included:

1. Date of invoice. Invoices must have a current date. If an invoice is returned to the local agency for any reason, it must be re-dated when resubmitted to the district.
2. Billing number. This is a serially assigned number that begins with #1. This progress billing number allows LPA to determine that they have received all the invoices for the project. Corrected invoices will include a letter along with the serial number (e.g., “1A” for a first revised invoice).
3. Invoice number. This invoice number is assigned by local agency’s Account Receivable Accounting system, if applicable.
4. Federal-aid or state project number, e.g. prefix-project number, STPL-5012 (005), CML-5006 (089), ER-3632 (002), etc.

5. Local agency's Federal Tax Identification Number
6. Date project accepted by the local agency (for final invoice only). Show "On going" if project is not completed.
7. Project Location
8. Project Expenditure Authorization No. or Advantage project ID.
9. Local Agency/State Agreement, PSA numbers and date executed
10. Phase of work headings such as Preliminary Engineering, Right of Way, Construction Engineering, Construction Contract

For STIP and ATP projects, the Preliminary Engineering phase must be segregated into E&P and PS&E.
11. Federal Appropriation codes such as Q240, Q110, etc.
12. Federal Authorization/Agreement date for each phase of work. Costs incurred prior to the Federal Authorization/Agreement date (E-76) are not eligible for federal reimbursement.
13. Time period for which claimed project participating costs were incurred and paid for each phase of work from the beginning of the project to date.
14. Cost breakdown by Federal Appropriation codes for Preliminary Engineering (E&P and PS&E for STIP and ATP projects), Right of Way, Construction Engineering and Construction phases as follows:
 - Total Indirect Costs of project to date, if claimed and approved by Caltrans A&I by phases of work. Indirect Costs are described in Section 5.2. When calculating an Indirect Cost Rate, the most common Direct Cost Base used is direct salaries and wages plus fringe benefits. If this Direct Cost Base is used, when applying the Indirect Cost Rate, it should be applied to direct labor costs only (not to other direct costs, such as payment of construction contracts and Right of Way purchases).
 - Complete the Indirect Cost Calculation Section of the invoice and transfer the computed Indirect Costs to date to the front of the invoice.
 - Total direct costs of the project to date by phases of work. Direct costs are the labor, material, contract payments, and Right of Way acquisition for project-related activity.
 - Less total retention amount withheld from the contractor. Retention is not eligible for reimbursement until it has been paid to the contractor or deposited into an escrow account. At the end of the project and after all retention has been released, the amount should be zero.
 - Less liquidated damages.
 - Less nonparticipating costs to date.
 - Total federal participating costs to date. Participating costs are project costs paid for by the sponsoring local agency that are eligible for reimbursement in compliance with laws, regulations, and policies.
 - Less total federal participating costs shown on the previous invoice.
 - Change in participating costs.
 - State and/or federal reimbursement ratio. Federal reimbursement rate may vary depending on the type of funding used, i.e. 80%, 88.53%, etc. If state funds are matching the federal funds, the state reimbursement rate should be shown. If a federal project is not fully funded, see the discussion in Section 5.3, Underfunded Projects, for detailed instructions on how to compute the reimbursement ratio.
 - When multiplying the "change in participating costs" by the reimbursement ratio, the result must be rounded d

- own to the lowest cent. Federal rules do not allow rounding up.
 - Federal reimbursement ratio.
 - State reimbursement ratio.
 - Amount of the claim.
15. Certification statement, printed name, title, and signature of the local agency representative. The certification statement on the invoice must be the same as shown on the sample invoice(s).
 16. Contact Name. Provide the name and phone number of the person Caltrans can contact if there are questions about the invoice.

INVOICE CHECKLIST

Local agencies are required to complete and sign Sections 1 & 2 of the “*Local Agency Invoice Review Checklist*” (Exhibit 5-J) and submit the checklist as part of the Invoice Package for each invoice. At a minimum, the invoice package includes:

- Invoice (see Exhibit 5-A)
- Checklist (see Exhibit 5-J)
- Billing Summary (see Exhibit 5-K)
- Additional documents as required by the Checklist

The DLAE will ensure that the checklist and appropriate documentation are included, will concur with Sections 1 & 2, and complete and sign Sections 3 & 4.

Local agency’s invoices are normally paid within 50 days or 60 days if the local agency has signed up for EFT after DLAE receives the invoices, provided the invoices adhere to the format in this chapter. Please refer to and use the “*Local Agency Invoice Review Checklist*” (Exhibit 5-J) prior to sending invoices to the district for reimbursement. Invoices with significant errors will be returned to the local agencies for correction.

5.6 FINAL REPORT OF EXPENDITURES & FINAL INVOICE

Within six months of project completion, the local agency is responsible for preparing and submitting to the DLAE the Final Report of Expenditures, which includes the final invoice. See Chapter 17, “*Project Completion*” for detailed instructions on completing the Final Report of Expenditures. The Report of Expenditures is to be signed by the responsible person in charge of the project for the local agency. After the DLAE approves the “*Report of Expenditures*” including the final invoice, he/she will forward them to LPA for processing of the final invoice.

NOTE: For EEM projects, the final report (including the final invoice) must be submitted to the DLAE, 60 days prior to the expiration of the Budget Authority. This report provides key information required to initiate timely closure and payment.

If the final invoice is returned to the local agency for error correction, it must be re-dated with a current date and number before being resubmitted to the DLAE.

When preparing the final Expenditure Report, follow the instructions in Chapter 17. At a minimum, ensure that:

- The following are shown, for each phase of work:

Total Costs

Participating Costs

Nonparticipating Costs

Federal Funds

Other Funds (local, state, etc.)

- The costs shown, by phase of work, are the same on the:

Final Invoice

Final Detail Estimate (federal-funded projects), Exhibit 15-M

Final Detail Estimate Summary (federal-funded projects), Exhibit 15-M

Final Report of Expenditures – report (state-funded projects)

- If there are Liquidated Damages, they are shown on both the Final Invoice and the Final Detail Estimate. If there were none, write “None”.
- A Change Order Summary is provided, whether there were change orders or not. If there were none, write “None”.
- Contractor Claims are listed. If there were no claims, write “None”.

5.7 FINAL PROJECT COSTS

The final project cost listed in the local agency’s Final Report of Expenditures will be analyzed by Accounting’s Local and Reimbursement Final Vouchering Section to determine if the costs reported for each phase of work are eligible for federal reimbursement. Eligible amounts for each phase of work, as determined from the analysis are reconciled with the costs recorded in the Caltrans financial system.

If it is determined that the funds paid to the local agency are more than the amount eligible for reimbursement, Accounting’s Local and Reimbursement Final Vouchering Section will initiate an Accounts Receivable billing to the local agency for recovery of the overpayment.

5.8 AUDIT OF LOCAL AGENCY EXPENDITURES

The local agency shall maintain written source document records that account for agency costs and payments made to consultants, vendors, and contractors. Contract records must be retained by the local agency for a minimum period of three years from the date of the final payment by the state. Refer to Title 49 CFR, Section 18.42 for federal requirements for retention and access of records.

Local agency expenditures for all Local Assistance programs are subject to financial and compliance audits by Caltrans A&I or designee. Audits performed by A&I may, at a minimum, include an audit of the local agency’s financial management system, project costs incurred and reimbursed, and indirect cost allocation plans/ICRPs if applicable.

Any audit findings will be discussed with the local agency before finalizing the audit report.

Local agencies are also subject to the audit requirements of 2 CFR, Part 200. A single audit is required if an agency receives and spends more than \$500,000 in federal funds from all sources in their fiscal year. For fiscal years beginning on or after January 1, 2015, the threshold for requiring a Single Audit increases to \$750,000 per the federal Office of Management and Budget Circular A-133 Supplement 2014. Impacted agencies must send a copy of their single audit report to the SCO within nine months of the end of the agency’s previous fiscal years.

5.9 FINAL REPORT OF EXPENDITURES ON PROJECTS ADMINISTERED BY THE STATE

The final report of expenditures for state administered Local Assistance projects is prepared by a Caltrans Project Manager. On some projects, the state performs only specific phases of work associated with a Local Assistance project. For example, design engineering, Right of Way acquisition, or striping may be performed by the local agency for a construction project administered by the state. In such instances, the Caltrans Project Manager is responsible for preparing a Final Report of Expenditures for the work performed by state staff. The local agency is responsible for preparing the Final Report of Expenditures for work it performed and for any expenditure it incurred.

5.10 AUDIT OF STATE EXPENDITURES

Caltrans internal procedures and controls for major contracts do not require a formal audit of each construction project. However, projects may be selected on a random basis for an audit of extra work paid by a force account method of payment (see Chapter 12, “*Plans, Specifications & Estimate*”). State expenditures for Local Assistance Federal-aid major construction contracts (greater than \$500,000) may be audited based on a risk assessment established by A&I, as well as by the California State Auditors when they perform the annual single Audit of the State of California.

5.11 FINAL PROJECT COSTS OF STATE ADMINISTERED PROJECTS

Each final report of contract expenditures for state-administered Local Assistance projects is analyzed by Accounting’s Local and Reimbursement Final Vouchering Section to determine the final amount of federal, state and local agency funds expended for the project. The final expenditure of local agency funds is compared to the local agency deposit for the project. Refunds or billings are made upon completion of the Final Voucher analysis.

When all pending claims by the contractor have been settled, the Final Voucher package is prepared and submitted to FHWA via the FADS.

NOTE: If the Report of Contract Expenditures indicates that a claim by the contractor has not been settled, the final expenditure of federal, state and local agency funds cannot be determined. Consequently, the submittal of the Final Voucher is delayed until all pending claims are settled.

The Final Project Cost Adjustment analysis is prepared concurrently with the Final Voucher to determine the final allocation of federal, state and local agency funds for each phase of work. Budgeted amounts are adjusted to reflect the actual amount of funds expended for the project.

If during the final adjustment it is determined that the deposit of local agency funds is less than the agency’s share of expenditures, Accounting’s Local and Reimbursement Final Vouchering Section will initiate an Accounts Receivable Invoice, which is sent to the local agency for recovery of the required funds. If the deposit exceeds the agency’s share of expenditures, the excess funds are refunded to the local agency.

5.12 SERVICE CONTRACTS

Invoices for work performed by local agencies, consultants or other contractors under Caltrans Service Contracts shall be submitted to the designated program manager, e.g., Railroad Crossing Program Manager, for review and verification. The manager then forwards the invoice to LPA for payment.

5.13 OBTAINING APPROVAL FOR INDIRECT COSTS

At the discretion of the local agency, indirect costs submitted and accepted by Caltrans A&I may be included when seeking reimbursement for their federal-aid transportation projects, as well as STIP and ATP projects, and state funded projects. Specifically, this applies to federally authorized work with costs incurred after June 9, 1998, as well as STIP and ATP projects, and state funded projects. However, any completed project with a Final Report of Expenditures will not be eligible for retroactive indirect cost reimbursement.

Computation of Indirect Cost Rates are based on:

- 2 CFR, Part 200, Subpart E (Cost Principles), and Appendices V & VII for fiscal years beginning after December 31, 2014, 2 CFR, - 225 for fiscal years beginning before December 31, 2014; and
- Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government (ASMB C-10), issued by the United States Department of Health and Human Services.

SUBMISSION OF PROPOSAL

ICRPs are only applicable for the specific year(s) being submitted and only for the specific local agency division, department or segment submitted. All local agency divisions, departments or segments must have an approved indirect cost rate prior to billing for and being reimbursed the costs. For example; the local agency's Department of Engineering would have its own separately approved indirect cost rate if doing work on a federal-aid project for the local agency's Department of Public Works.

1. A local agency, which has been assigned a cognizant federal agency by the OMB, must submit its ICRP to its cognizant federal agency for approval. A list of the cognizant federal agencies assigned to cities, city departments, counties, and county departments are found in the Federal Register. See "*Cognizant Federal Agencies*" link at: <https://harvester.census.gov/fac/dissemination/Reports.asp> in this chapter for a list of cognizant federal agencies. The cognizant agency for a department may be different than the cognizant agency for its city or county. It is the local agency's responsibility to ensure that approval for indirect costs at the department level and central service costs at the city or county level is obtained from the appropriate cognizant federal agency. If the assigned cognizant federal agency is the U.S. Department of Transportation (DOT), and FHWA provides the largest amount of federal funds compared to other DOT administrations, the ICRP must be submitted to Caltrans A&I for approval, under delegation from the FHWA, California Division.
2. For local agencies that have not been designated a cognizant agency in the federal register, the cognizant agency must be the federal awarding agency that provides the predominant amount of direct funding to the local agency. Local agencies that receive the predominant amount of their direct funding from FHWA should submit their proposals to Caltrans A&I for review and approval under delegation from the FHWA, California Division.
3. Local agencies which have an ICRP and Central Service Cost Allocation Plan (CSCAP) approved by a cognizant federal agency other than FHWA must submit a copy of their approved proposal and plan with subsidiary worksheets and other relevant data, as detailed below, to Caltrans A&I for review and acceptance.

4. Mail the ICRP and CSCAP to:

Caltrans Audits and Investigations
Attn: External Audits, Review of ICRP
P.O. Box 942874 - MS 2
Sacramento, CA 94274-0001

DOCUMENTATION OF PROPOSAL

All local agencies desiring to claim their indirect cost for federal-aid and/or state funded projects must prepare an ICRP and CSCAP and provide related documentation to support those costs. All documents related to the ICRP and CSCAP must be retained for audit in accordance with the records retention requirements in the “*Common rule*”, Title 49, CFR, Part 18 and 2 CFR, Part 200.333. The following shall be included with each ICRP submission as prescribed by 2 CFR, Part 200, Appendix VII for fiscal years beginning after December 31, 2014 and by 2 CFR, Part 225 for fiscal years beginning before December 31, 2014.

1. INDIRECT COST RATE PROPOSAL

- a. Rate calculation schedule showing the calculation of rate(s) proposed including subsidiary worksheets and other relevant data, cross-referenced and reconciled to the financial data noted below.
- b. Subsidiary worksheets should include the following:
 - For final rates and/or carry forward years, a schedule of actual direct/indirect/unallowable costs incurred by cost category type (i.e., rent, utilities, etc...) as well as by department unit.
 - For fixed rates, a schedule of budgeted or estimated direct costs and indirect costs by cost category type and department unit supported by Board approved budget or prior year’s actual costs that were used as the basis for the rate(s) submitted.
 - Schedule showing calculation of the over/under carry forward provision when “fixed rate” is used.
- c. A copy of the financial data (audited financial statements, comprehensive annual financial report, single audit report, and management letters if applicable, etc) on which the rate is based.
- d. The approximate amount of direct base costs to be incurred under federal-aid reimbursement. These costs should be distinguished between salaries and wages and other direct costs.
- e. A chart identifying the organization structure of the agency during the period for which the proposal applies along with a functional statement noting the duties and/or responsibilities of all agency units. After initial submittal, only revisions need to be included with subsequent proposals.
- f. Certification that the ICRP was prepared in a manner consistent with the cost principles of 2 CFR, Part 200, Subpart E and Appendices V & VII for fiscal years beginning after December 31, 2014 and by 2 CFR, Part 225 for fiscal years beginning before December 31, 2014.

Local agencies, which are required to submit their “*Indirect Cost Rate Proposal*” to Caltrans for approval, shall submit it in the sample format of “*Sample Indirect Cost Rate Proposal*” (Exhibit 5-I) of this chapter, which includes documentation outlined in paragraph a, b and f above. In addition, submit the other required documentation (paragraph c, d and e above) which

includes documentation outline in paragraph a, b and f above, along with the documentation outlined in paragraphs c, d and e above.

Send it to Caltrans A&I at the address specified above.

2. CENTRAL SERVICE COST ALLOCATION PLAN (CSCAP)

If allocated central service costs are included in an ICRP, the local agency should submit its CSCAP along with the ICRP to A&I. For citywide and countywide cost allocation plans, the local agency should also submit to A&I a certificate showing approval from the cognizant agency. All CSCAPs should include supporting documentation in accordance with 2 CFR 200, Appendix V, Section E for fiscal years beginning after December 31, 2014 and by 2 CFR, Part 225, Appendix C for fiscal years beginning before December 31, 2014.

See Assistant Secretary Management and Budget Cost Principles and Agreements with the Federal Government (ASMB C-10), issued by the Department of Health and Human Services) for a Sample CSCAP and supporting documentation.

3. APPROVAL AND USE

If the local agency's cognizant federal agency is not FHWA and the cognizant agency has approved the local agency's ICRP and CSCAP for a fiscal year(s), the local agency must send a copy of its federal approval letter to Caltrans A&I along with its request for review by A&I. After A&I has notified the local agency that it has accepted the federal approval letter, the local agency may include indirect costs on its invoices.

If FHWA is a local agency's cognizant agency, at the ICRP and CSCAP levels, then Caltrans A&I will perform the review and approval. If the ICRP/CSCAP meets submission requirements, A&I will issue an acceptance letter. The local agency may bill for indirect costs once they receive the acceptance letter.

A&I will forward a copy of the acceptance letter to the LPA providing the authority to reimburse the local agency for their indirect costs (copies of the acceptance letter will also be sent to the local agency's DLAE).

Invoices claiming indirect cost prior to receipt of a written acceptance letter from Caltrans A&I will be rejected and returned to the local agency unpaid.

Accepted ICAPs for local agencies that have FHWA as their federal cognizant agency will be assessed for risk to determine if an audit will be performed by A&I. Material adjustments that may result from an audit will require reimbursement from the local agency if previously accepted rates are later found to have included costs that are unallowable as specified by law or regulation or by the terms and conditions of federal or State awards. FHWA may also conduct review/audits.

If federal-aid highway funds or state funds participate in indirect cost reimbursement, all invoices must include a line item for indirect cost, showing the calculation (Direct Cost Base Expense multiplied by the approved indirect cost rate for the fiscal year involved). Local agencies must ensure that the direct cost base used on invoices are the same as the direct cost base used in the accepted/approved ICRP.

Local agencies' indirect costs rates are calculated on an annual basis, so there may be several rates on a project. If the fluctuation causes a depletion of project funding, the local agency will be responsible for making up the difference.

Detailed information regarding allowable costs, Cost Allocation Plans and ICRPs are available in 2 CFR, Part 200, Subpart E & Appendices V & VII for fiscal years beginning after December 31, 2014, and in 2 CFR, Part 225 for fiscal years beginning before December 31, 2014 and ASMB C-10.

These documents are available on the Internet at:
the 2 CFR, Part 200, at: http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl, and
ASMB C-10 is at: <http://www.hhs.gov/grantsnet/state/asmbc10.pdf>

Additionally, 2 CFR, Part 200, provides single audit information for fiscal years beginning after December 31, 2014 and may be accessed on the Internet at:
<http://www.gpo.gov/fdsys/browse/collectionCfr.action?selectedYearFrom=2014&go=Go>.
For fiscal years beginning before 12/31/14, local agencies should refer to
OMB A-133 at: http://www.whitehouse.gov/omb/circulars_default.

5.14 REFERENCES

- State Administrative Manual
- Transportation Equity Act of the 21st Century (TEA-21)
- Title 2 CFR, Part 200, Subpart E (Cost Principles) and Appendices V & VII
- Title 2 CFR, Part 225
- Title 49 CFR, Section 18.42
- Federal Office of Management and Budget (OMB) Circular A-133
GAO Government Auditing Standards

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