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FEDERAL-AID FUNDS INACTIVE OBLIGATION MANAGEMENT

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I. BACKGROUND

Under the Federal Highway Administration (FHWA)/Caltrans Joint Stewardship and Inactive Obligations Agreements, Caltrans is responsible for managing Inactive Obligations for federally funded transportation projects on and off the State Highway System (SHS). The Caltrans Division of Local Assistance (DLA) is responsible for managing Inactive Obligations for local agency Funded projects on Federal-aid eligible routes.

This DLA Office Bulletin provides policy and procedural guidance to Caltrans and local agency staff for the management of Inactive Obligations in compliance with 23 Code of Federal Regulations (CFR), Part 630, Section 106.

II. POLICY

1. Local Agency Projects on Local Federal-Aid Eligible Routes

   The DLA Office of Project Delivery and Accountability (OPDA) will manage Inactive Obligations for local agency administered Federal-aid projects on local Federal-aid eligible routes.

2. Local Agency Projects on State Federal-Aid Eligible Routes

   The Caltrans Single Focal Point (SFP) contacts in each district will manage Inactive Obligations for local agency funded/State administered Federal-aid projects on state Federal-aid eligible routes, on the State Highway System. OPDA will receive Justification forms and copies of billings if needed from SFP.

3. DLA 6 Month Invoicing Policy

   The DLA invoicing policy requires local agencies to submit invoices at least once every six months starting from the initial authorization date, as stated in the Master Agreement, Administering Agency – State Agreement for Federal-Aid Projects, Article IV, Section 4. This section also requires the local agency to submit the Final Closeout package within 6 months after completion of the project.

4. Federal Definition of Inactive Obligation

   Projects wholly or partially funded by Federal funds are required to submit invoices according to the schedule outlined in the 23 CFR 630.106, (a)(5). A project reaches inactive status when no expenditures have been charged against Federal funds and recorded in the Federal Fiscal Management Information System (FMIS) for specific

periods. The monetary thresholds and time frames are as follows:

- Tier I - Projects inactive for the past 12 months with unexpended balance of more than $500,000.
- Tier II - Projects inactive for the past 24 months with unexpended balance between $50,000 to $500,000.
- Tier III - Projects inactive for the past 36 months with unexpended balance of less than $50,000.

5. Justification Form (to Carryover) in lieu of invoice

In accordance with FHWA's Standard Operating Procedures (SOP), the local agency may submit a Justification Form if they are unable to submit an invoice for an inactive project within the current review period. This accepted Justification Form by FHWA is valid for the current review period only. If in the next review period, the local agency is still unable to submit an invoice, an updated Justification Form has to be submitted and accepted by FHWA.

The local agency is to explain and document in the Justification Form, why additional time is required to submit an invoice and when they intend to submit an invoice. A copy of the Justification Form can be found on the DLA website shown below.

http://www.dot.ca.gov/hq/LocalPrograms/Inactiveprojects.htm

The local agency must select one or more of the acceptable reasons listed on the Justification Form. The reason selected on the Justification Form must be supported by relevant backup documents. For example, a supporting document for selected reason "Litigation Filed" can be a copy of the summary of the actual litigation documents filed with the acceptance date and stamp by the Court system. Acceptance of a justification by FHWA allows additional time for the local agency to address the delay, without the loss of federal funds.

6. Quarterly Review Periods (Quarter)

Projects with an inactive status will be managed on a quarterly basis, as outlined below.

- First Quarter: October 1 through December 31. The First Quarter looks at projects that became inactive as of September 30.
- Second Quarter: January 1 through March 31. The Second Quarter looks at projects that became inactive as of December 31.
- Third Quarter: April 1 through June 30. The Third Quarter looks at projects that became inactive as of March 31.
- Fourth Quarter: July 1 through September 30. The Fourth Quarter looks at projects that became inactive as of June 30.

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Carryover Projects from Previous Quarter

In addition to projects, which have an inactive status during the time frames listed above, projects with an accepted Justification Form from the previous quarter will also be reviewed during the current quarter for compliance.

III. ROLES AND RESPONSIBILITIES

Acronyms:

OPDA	-	Office of Project Delivery & Accountability
OPI	-	Office of Project Implementation North & South
DLAE	-	District Local Assistance Engineer
LPA	-	Local Programs Accounting Office
FHWA	-	Federal Highway Administration
SHS	-	State Highway System
DLA	-	Caltrans Division of Local Assistance
SFP	-	Caltrans' Single Focal Point
Agency	-	Local Agency
LIST	-	List of projects with inactive status, source FHWA Fire Report. List includes projects that may reach the inactive status in the next six months.
FMIS	-	Fiscal Management Information System
E-76	-	Federal Request for Authorization
LAPM	-	Local Assistance Procedures Manual
DLA OB	-	Division of Local Assistance Office Bulletin

a. Office of Project Delivery & Accountability (OPDA)

- Prepare, update and post LIST of projects on the DLA website.
- Notify DLAE, DLA office chiefs, SFP, LPA, and FHWA that the LIST for the current quarterly review period is posted on the DLA web site.
- Notify the DLAE, DLA office chiefs, SFP, and LPA when the LIST is updated.
- Monitor invoice submittal status for FMIS transaction and update the LIST posted on the DLA website.
- Assist LPA in prioritizing invoices submitted for processing.
- Review Justification Form received from the DLAE and forward those recommended for acceptance to FHWA. Return incomplete or unacceptable Justification Form to the DLAE.
- Monitor status of Justification Form under review by FHWA.
- Meet quarterly with FHWA to review Justification Forms that need further discussion.
- Inform the DLAE, DLA office chiefs, SFP, and LPA when the FHWA accepts or denies the Justification Form.
- Post FHWA's official notification list of projects that will need to have unexpended Federal

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funds deobligated by the end of the quarter on the DLA web page.
- Forward FHWA's official notification list of projects that need to have unexpended Federal funds deobligated by the end of the quarterly review period to the DLAE, DLA office chiefs, SFP, and LPA.
- Update the Master Inactive Obligation Status File and close the quarter.

b. Office of Project Implementation North & South (OPI)

- Work with DLAE and SFP to initiate and deobligate unexpended Federal funds for projects on the FHWA list, forwarded by the OPDA, by the end of the quarterly review period.
- Prepare and/or processes E-76 to deobligate unexpended Federal funds and submit to FHWA.

c. District Local Assistance Engineer (DLAE)

- Review LIST, posted by the OPDA on the DLA website, for projects in their district.
- Inform agencies with projects on the LIST, and advise of the need to either submit an invoice or Justification Form.
- Process invoices received from Agency per DLA OB 09-05, "Local Agency Invoice Review". Forward acceptable invoice packages for payment to LPA or return to Agency if incomplete or incorrect.
- Input invoice received, forwarded, or returned dates into LP2000 for tracking purposes.
- Review Justification Form received from Agency and forward those recommended for acceptance to the OPDA. Return incomplete or unacceptable Justification Form to Agency.
- Inform Agency of FHWA's acceptance or denial of Justification Form.
- Work with Agency and OPI to deobligate unexpended Federal funds, when directed.
- Prepare and submit E-76 to the OPI to deobligate unexpended Federal Funds.

d. Caltrans - Single Focal Point (SFP)

- Review LIST, posted by the OPDA on the DLA website, for local agency funded/State administered projects.
- Prepare and submit billing to Accounts Payable by deadline noted below or submit Justification Form to the OPDA.
- Verify accounting transaction occurs in FMIS.
- Work with OPI to deobligate unexpended Federal funds if directed by the FHWA.

e. Local Agency (Agency)

- Review the DLA website for any Agency projects on the LIST with an inactive status.
- Work with DLAE to submit either an invoice or Justification Form.

f. Local Programs Accounting (LPA)

- Ensure project invoices satisfy the requirements of Chapter 5, "Accounting/Invoicing" of the LAPM and are properly coded to bill eligible federal expenditures to FHWA accurately and

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timely.
- Work with OPDA on prioritizing invoices according to their urgency.
- Process invoices received from the DLAE and submit claim schedules to the State Controller's Office to issue the payment.
- Return incomplete or incorrect invoices to Agency, notify DLAE, and OPDA.
- Ensure federal expenditures are billed to FHWA for reimbursement (FMIS transaction).
- Return project invoices received after the submittal deadline to the DLAE.

g. Federal Highway Administration
- Provide the OPDA the list of projects with an inactive status (FIRE Report) at the beginning of each quarter.
- Review Justification Forms received from the OPDA.
- Schedule quarterly review meeting with the OPDA to review any Justification Forms where additional discussion is necessary.
- Notify the OPDA in writing whether the Justification Form is accepted or denied.
- Notify the OPDA in writing of which projects need to have funds unexpended Federal funds deobligated by the end of the quarter.
- Post billing transactions in FMIS.

IV. (a): PROCEDURE FOR PROJECTS ON LOCAL FEDERAL-AID ELIGIBLE ROUTES

- **FHWA**- Forward copy of FIRE Report to the OPDA at the beginning of each quarter.
- **OPDA -** Post LIST on the DLA website by the 15th day of the first month of the Quarter.
- **OPDA -** Notify the DLAE, DLA office chiefs, SFP, and LPA by email by the 15th day of the first month of the quarter that the LIST is posted on the DLA website.
- **OPDA-** Track FMIS transactions weekly and update the Master Inactive Obligations Status File for completed invoice transactions.
- **OPDA-** Post an updated LIST on the DLA website every Monday reflecting invoice progress and Agency actions. Projects with FMIS transactions will be deleted from the updated LIST.
- **OPDA-** Notify LPA to accept invoices for processing until the 15th day of the third month of the quarter. LPA will return (rejected/not processed) any invoice received after this cut-off date.
- **DLAE-** Notify agencies by email by the 17th day of the first month of the quarter that the LIST is posted on the DLA website and instruct the agencies to review the LIST for projects within their jurisdiction. Instruct agencies with projects on the LIST of the need to invoice or submit a Justification Form by the deadlines noted below under AGENCY.
- **AGENCY**- Upon notification from the DLAE that they have a project on the LIST, inform DLAE how they plan to proceed. Agency may submit either an invoice (Option 1 below) or Justification Form (Option 2 below).

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Option 1: Submit Invoice

AGENCY - Submit invoice to DLAE by the 15th day of the second month of the quarter for projects that have been identified as inactive.
DLAE - Review invoice. Input required dates into LP2000. Forward invoice, if complete and correct, to LPA by the 8th day of the third month of the quarter. Return invoice, if incomplete or incorrect, to Agency.
LPA - Process invoices for inactive projects until the 14th day of the third month of the quarter. Forward to State Controller's Office for payment and submit bill to FHWA (FMIS transaction). Return incomplete or incorrect invoice to Agency.
FHWA - Post billing transaction in FMIS, occurs twice weekly.
LPA - Return (rejected/not-processed) invoice received after the 8th day of the third month of the quarter to DLAE.
DLAE- Notify Agency if LPA returned the invoice (rejected/not processed) due to late submission.

Option 2: Submit Justification Form

AGENCY - Submit a Justification Form to the DLAE by the 18th day of the second month of the quarter.
DLAE - Review Justification Form and forward, recommend acceptance and forward to OPDA no later than the last day of the 2nd month of the quarter. Return unacceptable Justification Form to the Agency for correction and resubmission (if time permits).
OPDA - Review Justification Forms, and forward to FHWA recommending acceptance. Return unacceptable Justification Form to the DLAE within two (2) business days.
OPDA- Notify the DLAE and/or SFP, within two (2) business days, of the FHWA's decision, either accepting or denying the Justification Form.
DLAE- Notify the Agency, within two (2) business days, of the FHWA's decision, either accepting or denying the Justification Form.

- **FHWA -** Schedule meeting with the OPDA to review Justification Forms that need further discussion on 2nd Thursday of the third month of the quarter.
- **FHWA -** Notify the OPDA in writing of final decisions two (2) business days after the meeting, which Justification Forms have been accepted or denied and which projects will need to have unexpended Federal funds deobligated by the end of the quarter.
- **OPDA -** Notify, DLAE, DLA office chiefs, SFP, and LPA one (1) business day after receiving notification of meeting results from FHWA, which Justification Forms (those discussed at meeting) have been accepted or denied, and for which projects the unexpanded Federal funds will need to be deobligated by the end of the quarter.

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- **DLAE -** Notify Agency of the FHWA's decision within two (2) business days after receipt of notification from OPDA.
- **DLAE -** Prepare E-76 to deobligate unexpanded Federal funds from the project and submit to the OPI between 15th to 22nd days of the third month of the quarter.
- **OPI -** Process E-76 to deobligate unexpended Federal funds during the 15th to 25th day of the third month of the quarter and submit to the FHWA.
- **FHWA** - Process E-76 received from OPI, update FMIS.
- **OPDA -** Update the Master Inactive Obligation Status File prior to end of the quarterly review period and notify, DLAE, DLA office chiefs, SFP, and LPA.

(b): PROCEDURE FOR PROJECTS ON STATE FEDERAL-AID ELIGIBLE ROUTES, ON THE STATE HIGHWAY SYSTEM

- **OPDA –** Notify the SFP by email by the 15th day of the first month of the quarter that the LIST is posted on the DLA website.
- **SFP** - Submit billing to Accounting.
- **SFP -** Track FMIS transactions weekly and inform the OPDA when FMIS transaction is posted.
- **SFP -** Submit Justification Form to OPDA no later than the last day of the 2nd month of the quarter, recommending acceptance.
- **OPDA** - Review Justification Form. Forward, recommending acceptance to FHWA. Return unacceptable request to the SFP within two (2) business days.
- **OPDA-** Notify the SFP, within two (2) business days, of the FHWA's decision, either accepting or denying the Justification Form.
- **SFP -** Work with DLAE and OPI to deobligate Federal funds from the project between 15th to 22th days of the third month of the quarter.
- **OPI -** Process E-76 to deobligate Federal funds during the 15th to 25th day of the third month of the quarter and submit to the FHWA.

IV. APPLICABILITY/IMPACTS

This Office Bulletin is applicable to all Local Agency funded Federal-aid projects.

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