Federal Funding Changes

Karen Hicks
Director of Project Finance, INDOT

June 29 thru August 25, 2015
Why is this meeting necessary?

- Oversight from the Federal Office of the Inspector General (OIG) has increased drastically in the last year. Obligated funds and how long those funds have or will be on a project has surfaced as a top priority. Although the OIG had previously focused on such processes they had not strongly enforced the regulations. They are now!

- This is a federal mandate coming from Washington DC.
The Funding Process

- A call for projects for a given state fiscal year.
  - Award - project is accepted in the call, a funding amount is given for the specified state fiscal year identified in the call. Note: an award does not authorize the federal funds.
  - Notice to Proceed – A NTP must not be given before federal authorization is in place.
The Funding Process

- Federal Authorization – A request given to the district for federal authorization on the phase you need to begin should be within six weeks. Note: This should never be more than eight weeks prior to phase start.

- District will request authorization through the Project Finance CAPWise system. Note: Federal authorization is only requested, not approved.
  - Project Finance requests federal authorization for the project phase.
  - Federal Highway has 5 days to approve or deny request.
  - Total processing time from request to District to federal authorization approval should be no more than 10 days.
The Funding Process

Purchase Order is received by LPA and a Notice to Proceed may be given.

- PO must indicate the project/phase end date. This date is the last date eligible cost against the phase will be eligible for reimbursement.

- Only an approved justification will move the project/phase end date out. The “consultant not starting work when expected” is not a qualifying justification to move out an end date.

- No more than 90 days may lapse from the end date for final reimbursement. That 90 days includes submission of invoice to District and payment to LPA. If you wait until the 90th day there will be no reimbursement.
The Funding Process

- Call for Project
- 6 wks to PE
- PO & NTP given
  - PO - project end date
- 6 wks to RW
- PO & NTP given
  - PO - project end date
- Project Lets
- CE PO & NTP
  - PO - project end date

- Funding Award
- Request Fed. Auth.
- Invoice w/in 6 mos.
- Preferably 6 weeks
- Request Fed. Auth.
- Invoice w/in 6 mos.
- Preferably 6 weeks
- Request CE Federal
- Invoice w/in 6 mos.
- Preferably 6 weeks

Note: Same path must be followed for UT and RR phases.
Inactives

- Inactives are projects where federal funds have been requested, but have sat dormant for 9 months. These are considered improper obligations where a decision by the federal government can be made to remove the federal obligation.

- If the federal obligation is removed, you can no longer seek reimbursement.
  - You either stop work and attempt to receive more federal funds or you pay 100% Local.
How to stop removal of Fed Aid

- Make sure you do not request federal funds to be authorized unless the work will begin within 6 – 8 weeks of your request.
- Make certain your consultant understands they must invoice you at least once a month. Even if it is just $10.
- Do not wait until all work has been completed and do not allow your consultant to do the same.
- Know that any funds expected for reimbursement are in jeopardy if the project falls into inactive or the project/phase date ends.
This is effective NOW
Project End Dates

- Project End Dates are dates defined by phase. Thus a project end date is actually a phase end date.
  - Another term you could hear or read about is Performance End Date. They are one and the same when referring to the federal requirement surrounding obligations.
  - As stated in the beginning, project/phase end dates will affect your ability to seek reimbursement.
Project End Dates

- If a project moves to the next phase before the phase (project) end date of the first phase you will be able to continue seeking reimbursement for the first phase, as well as the second phase. This is true for every phase that is added before the expiration of the prior phase (project) end date.
Project End Dates

- A phase that is added after a phase (project) end date lapses, creates a new project end date but only for that phase.
  - All reimbursements for the prior phase in this case lapsed with the earlier phase (project) end date.
  - Reimbursements for work up to the project end date are accepted. Work performed after the project end date will not be reimbursed.
Project End Dates

- The project end date is defined based upon the phase and what is considered to be a reasonable amount of time to complete the phase and move it on to the next phase. The date cannot be changed because you are adding funds to the phase unless you are also adding work that would push the date out.

- Each time a project end date is moved out a full justification is required and will be either accepted or rejected by Federal Highway.
  - You either stop work and attempt to receive more federal funds through a call or you pay 100% Local.
Wrapping up

- Questions?
Housekeeping

- Presentation copies will be on the INDOT web site under the LPA Training, Tools & Resources section. http://www.in.gov/indot/3241.htm

- A copy of the Local outline Word document used for this presentation will also be available on the site.

- If a list of Acronyms is needed please ask us for one. Copies are available today.
If you are curious as to whether you have any inactive projects that need immediate attention, please see one of us. We have individual list by LPA.

Thank you for taking time out of your day to make this a priority. We cannot stress enough the importance of the processes we have shared with you today.
Contact

- khicks@indot.in.gov
Local Outline

Why is this meeting necessary?

The Office of the Inspector General Federal oversight has increased drastically in the last year. A major focus on obligated funds and how long those funds have or will be on a project has surfaced as a top priority. Although the OIG had previously focused on such processes they had not strongly enforced the regulations behind federal obligations. They are now!

This is a federal mandate coming from Washington DC.

Before we begin with what Inactives and Project End dates are it is important to understand the process. When there is a call for projects, that call is for a particular state fiscal year. If your project is accepted in the call then you are given a funding amount that can be utilized that year for that project. This is called an award. An award does not authorize federal funding. It grants you approval to request federal funding at a set dollar amount in a particular state fiscal year in which you will start your project activity. When you are ready to begin your project you should contact the District Office so federal funding can be placed on your project. The District Office works with the Project Finance Division in Central Office who is responsible for submitting the request for the federal funding authorization. This is the formal approval from FHWA which does not occur until this process is complete. The District Office will communicate with you when the federal funding is in place.

Inactives

What are inactives?

Inactives are projects where federal funds have been requested and then sat dormant for 9 months. These are considered improper obligations where a decision by the federal government can be made to remove the federal obligation. If they remove the federal obligation, you no longer can seek reimbursement. You cannot begin work before you have a Notice to Proceed (NTP) from the District. A request for federal obligation should not be made more than 6 weeks prior to the need to give a notice to proceed. A notice to proceed should not be given unless the work is ready to begin. If the work is ready to proceed then an invoice should follow for incremental work. Please do not wait until all activity is complete. Your project could fall inactive and even those funds that you expected to receive reimbursement against can be in jeopardy.

Why should you care about inactives?

As stated before the federal government can and will remove federal obligations that are deemed improper. Your project can be in jeopardy if you do not have sufficient local funds to continue. Federal funding will no longer be available.

How do you prevent funds from being removed?
A reimbursement request to the District within 9 months

You will need to push your consultants to invoice immediately. No consultant will have the ability to request an extension to this time frame. As soon as a federal obligation is posted in the federal system, the clock starts ticking. There are no mechanisms to move the clock back. Consultants please know your time frame and locals it is just as important that you know the time frame and push for the invoicing. It is your money that is in jeopardy.

The more often you are invoiced, the more often you should seek federal reimbursement. It is much easier to keep the funds flowing in monthly increments than it is to attempt to beat the clock.

When is this effective?

NOW

INDOT has been moving the funds around on their projects for years in order to meet the federal threshold but INDOT no longer has excess funds on their projects and they no longer have projects that stall without immediately removing the funds. During the years we have been moving the funds on our projects we have been reaching out to Local units requesting information regarding projects and seeking claims in order to keep Local projects moving. This has not been a very effective practice but has allowed us to float a little longer without really disrupting the Local program. Unfortunately the time has come where we no longer have that latitude.

Project End Dates

Project End Dates are predefined dates for each phase based upon the expected timeframe required to complete a phase. Another term you could hear or read about is Performance End Date. They are one and the same when referring to the federal requirement surrounding obligations.

What does this mean to me?

Reimbursements for work up to the project end date are accepted. Work performed after the project end date will not be reimbursed.

How does it work?

When a request for federal obligation goes into the federal system, a phase (project) end date is defined. That date is defined based upon the phase and what is considered to be a reasonable amount of time to complete the phase and move it on to the next
phase. That date cannot be changed because you are adding funds to the phase unless you are also adding work that would push the date out. The addition of work is not automatically considered an acceptable reason to move out a project end date. Each time a project end date is moved out a full justification is required and will be either accepted or rejected by Federal Highway. INDOT will not have authority to approve any movement of dates. If a project end date is exceeded.

If you move to the next phase before the phase (project) end date of the first phase you will then be able to continue seeking reimbursement for the first phase as well as the second phase. This is true for every phase that is added before the expiration of the prior phase (project) end date. A phase that is added after a phase (project) end date lapses, creates a new project end date but only for that phase. All reimbursements for the prior phase lapsed with the earlier phase (project) end date.