



## Section 12 – Reimbursement and Auditing

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### REIMBURSEMENT AND AUDITING

The Missouri Department of Transportation (MoDOT) will request from the Federal Highway Administration (FHWA) payments for cost of completed work which meets eligibility requirements as set forth by FHWA directives. As a supplement to the specific requirements as outlined elsewhere in this manual, the following audit requirements shall be applied by the local agency to insure full participation:

1. Authorization and federal funding must be approved prior to incurring costs. This applies to all types of work, such as preliminary engineering or right-of-way. Preliminary engineering costs may be incurred only up to the construction contract award stage. Specific MoDOT concurrence in the awarding of any contract must be obtained before a notice to proceed is issued.
2. All costs incurred by the local agency for both contract work and work performed by local agency personnel for whom reimbursement is sought must be supported by original source documents or documentation which provides adequate assurance that the quantities of completed work were determined accurately and on a uniform basis. Whenever the actual cost method of payment is used, reimbursement requests for costs incurred should be substantiated as follows:
  - a. Labor costs are supported by the documentation described below in item 3.
  - b. Material and equipment costs are supported by submitting a paid receipt from the vendor.
  - c. Machinery rental costs are supported by submitting a paid receipt from the rental vendor.
  - d. Rental fees for agency-owned equipment and machinery are supported with hourly documentation. The rental rates and operating costs shall be based on either the Dataquest (Dunn & Bradstreet) Rental Rate Blue Book or the current Federal Emergency Management Agency (FEMA) public assistance schedule of equipment rates. The blue book is a standard reference for rental rates on all classes of construction equipment. The FEMA equipment rates and the agency developed prepared rates are an acceptable alternative.
3. Project-specific local agency costs (except for administration costs) are allowable to the extent that they are supported by original source documentation. Daily time records supported by a project number must be kept for audit. They shall include the daily breakdown of the employee's time. The hourly rates must be the rate the employee actually received, plus actual labor additives calculated on a percent of labor basis (Social

Security, Workmen's Compensation, insurance, etc.). The cost of vehicle and other equipment usage may be claimed on an hourly or mileage basis to the extent that the cost can be supported.

4. Incidental costs, arbitrary or otherwise unsupported costs or items not necessary to complete the project will not be reimbursed.
5. Additional construction costs due to error on the part of the contractor are not eligible for federal participation. Also, additional inspection costs incurred as a result of contractor error are normally assessed against the contractor and are not eligible for federal reimbursement. The term contractor shall also include subcontractors, fabricators, and suppliers working on the project.
6. A request must be submitted for additional federal funding if the construction change orders for the project exceed the construction contract. Federal funding for change orders is limited to the TIP amount for projects within an MPO, agreement amount for enhancement projects, and programmed amounts for BRM projects. Change orders for projects are limited to the local agency's federal allocation balance.
7. Additional engineering and/or resulting construction costs due to design errors and omissions are not eligible for federal participation. Participation in added project costs resulting from re-design or plan changes can only be considered in cases where it can definitely be established that the changes were the result of unforeseen site conditions or other causes that would not reasonably be under the control of the local agency or its engineer.

## **PROGRESS INVOICES**

The local agency may submit invoices for reimbursement of costs incurred as the work progresses. The invoices may not be submitted more than once every two weeks. Progress payments for preliminary engineering will not be made until after the preliminary plans have been submitted. The local agency may use either of the following alternate methods of seeking progress payments:

1. the local agency pays the contractor/consultant for work performed and then submits a progress invoice for reimbursement; or
2. the local agency prepares the pay estimate for work performed and monies due the contractor/consultant. This estimate is placed in line for payment under the local agencies normal payment procedure, and at the same time, the local agency submits a progress invoice to MoDOT. If the local agency adopts this method, it must develop cash management procedures to ensure payment is made to the contractor/consultant within two (2) business days of receipt of funds from MoDOT. Failure to disburse the funds promptly will result in a violation of federal cash management provisions and may result in an interest penalty assessment against the funds.

Whichever of the above methods is used, the state will expedite reimbursement back to the local agency as quickly as possible. It is estimated that the average length of time from invoice submittal to receipt of federal reimbursement will be about 20 working days. A local agency cannot withhold or make payment to a contractor/consultant contingent upon "reimbursement" of progress invoices.

The invoice shall be based on the total incurred costs, provided that no nonparticipating costs are involved. The invoice may include material allowance, the payment for which is subject to the approval or disapproval of MoDOT.

If nonparticipating costs are involved, it will be necessary for the local agency to include on each invoice an itemization of nonparticipating charges incurred to date and to deduct them from the total incurred cost of the project. If nonparticipating costs are involved in the project but not yet paid, a statement by the local agency to that effect will suffice.

[Figure 12-1](#) illustrates a sample invoice form, which must be used when submitting all invoices. Items not applicable to the project may be omitted. Special items peculiar to that project should be added.

Two copies of the progress invoice shall be submitted by the local agency. Invoices shall be accompanied by one copy of the supporting details indicating the units for which payment is allowed, the unit price for each item and total price for each item. MoDOT personnel may request additional documentation to support the costs billed on the progress invoice to obtain assurance that the costs are reasonable and allowable. Such documentation may include, but not be limited to, detailed engineering invoices, contractor pay estimates, expense reports, equipment usage logs, payroll information, timesheets, materials or other vendor invoices, and other documentation as needed. The local agency shall also submit two copies of a request for payment of the invoice. If the invoice is submitted on the local agencies letterhead and signed by an authorized local agency official, the letter requesting payment may be omitted.

## **FINAL INVOICES**

Two copies of the final invoice should be submitted after all work has been completed and accepted. The final invoice must be marked Final Invoice and be accompanied by a detailed itemization of total project costs. The final invoice should be submitted in the same manner as progress payment invoices. For detailed information on the procedures to be followed see [Section 11](#).

## **AUDIT AND FINAL REIMBURSEMENT**

The FHWA and the MoDOT have the right to audit the local agency's records at any stage of completion. MoDOT will process invoices by requesting payment from the FHWA. The final invoice will require an audit of project records that will be conducted by MoDOT Audits and Investigations Staff. It is the local agency's responsibility to supply a copy of the final audit report to their respective MPOs. Source documentation (timesheets, lodging receipts, etc.), accounting records, and project records (construction diary, etc.) must be retained for three years

following the date on which the local agency receives reimbursement of their final invoice from MoDOT.