CHAPTER 5

ACCOUNTING AND REIMBURSEMENT PROCEDURES
Appendices

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5.1 INTRODUCTION

This chapter instructs project Sponsors (hereafter Sponsor) in the basics of applying for and receiving Federal Highway Administration (FHWA) reimbursements for transportation projects. It outlines the information that the New York State Department of Transportation (NYSDOT) requires from the Sponsor to execute a contract with the New York State Office of the State Comptroller (OSC) from which project expenditures may be reimbursed to the Sponsor. Instructions on how to request payment from NYSDOT and OSC for eligible reimbursable costs are documented.

The chapter refers to specific forms that the Sponsor must complete, certify, and submit to NYSDOT’s Regional Local Project Liaison (RLPL) and which the RLPL will review, certify and submit to the NYSDOT Main Office Accounting Bureau for payment. The procedures include special consideration for Sponsors whose non-federal match contributions may be partially provided under the State’s Marchiselli Program (see Chapters 3 and 4 of this Manual).

5.2 PREPARING A CONTRACT FOR EXECUTION

For OSC to approve the Sponsor’s State-Local Agreement (SLA) with NYSDOT, the project must be part of an approved federally aided transportation program and be authorized for federal funding (see Chapters 3 and 4 of this Manual). When the SLA is approved, State funds are encumbered (dedicated to the contract) on OSC’s Accounting System. If it becomes necessary to amend the SLA, NYSDOT reviews the request, and if applicable and upon concurrence initiates a supplemental SLA. When the funding is authorized, and the supplemental SLA is fully-executed, the additional State funds are then entered into OSC’s Accounting System, and request for reimbursements can be applied.

5.3 REIMBURSEMENT PROCESS

5.3.1 General Processing Guidelines

After OSC has approved the SLA, the RLPL provides the Sponsor with a fully executed copy of the SLA or supplemental SLA. The Sponsor may then begin to submit monthly progress reimbursement requests to NYSDOT. Reimbursement requests are prepared by the Sponsor and must be certified by the Sponsor and the RLPL overseeing the project. NYSDOT recommends that reimbursement requests not be submitted more frequently than monthly for a typical project. In all cases, reimbursement requests must be submitted at least once every six months. Failure to request reimbursement within twelve months of Authorization to Proceed and OSC’s approval of the SLA can result in the loss of federal funding for a project. Loss of federal funding may result in NYSDOT initiating action to recover any losses from prior reimbursements.

To identify, accumulate, allocate and seek payment for allowable costs on a project, as stipulated in the SLA, the Sponsor should be familiar with ‘Cost Principles for State, Local, And Indian Tribal Governments’ (formerly OMB Circular A-87) and nonprofit organizations with ‘Cost Principles for Non-Profit Organization’ as outlined in 2 CFR 200.

Sponsors must have an accounting system that separates direct and indirect costs and accumulates costs of a project in a project cost detail ledger. Sponsors wishing to seek reimbursement for indirect costs on a project, as allowed for in the SLA, must follow the requirements outlined in 2 CFR 200, as applicable. Reimbursable costs are subject to the terms
of the SLA, including the maximum amounts payable and the completion date outlined in the Schedule A for the activities specified in Schedule B attached to the SLA (see Chapter 4 of this Manual).

The spreadsheet titled “Sponsor’s Reimbursement Request Forms” with individual tabs for each of the forms that NYSDOT uses in the accounting and reimbursement process can be found at the LPM website¹ under Chapter 5 forms, which are to be used as provided without alteration. Modification of the forms will result in the forms being returned by the RLPL to the Sponsor.

1. The FIN 426LL, Sponsor’s Reimbursement Request, is used for reimbursement on all projects. It allows for reimbursement of federal and State aid funding. Federal, Marchiselli State and non-Marchiselli State reimbursement will be paid by NYSDOT.

2. The FIN 427LL, Sponsor’s Reimbursement Request Continuation, must be used by the Sponsor to provide a summary of the costs incurred on project phases during the billing period.

3. The FIN 428LL, Sponsor’s Payroll Abstract, must be used by the Sponsor to record the direct technical labor of the Sponsor’s employees on project phases.

After the RLPL has certified by signature that the reimbursement request form has been completed correctly, the request is forwarded to NYSDOT’s Main Office Accounting Bureau. The Accounting Bureau processes the request and sends it to OSC, recommending payment by electronic funds transfer.

As noted in Chapter 4, Section 4.5.1 of the LPM, to receive electronic payments, the Sponsor must comply with OSC’s procedures for authorizing such payments. Authorization forms are available at the State Comptroller’s website or by email at epunit@osc.state.ny.us.

5.3.1.1 Allowable Sponsor Direct Costs

Direct costs are those which can be identified explicitly with a final cost objective, i.e., a project, job, service, activity, function, task, or item whose cost is to be measured. Typical direct costs which may be reimbursable for locally administered federal aid transportation projects are:

a. Compensation of employees for the time devoted to and explicitly identified for the performance of work items for such projects.

b. Cost of materials acquired, consumed, or expended specifically for implementing such projects.

c. Equipment used and other approved capital expenditures made for such projects.

d. Travel expenses incurred specifically to carry out the implementation of such projects.

Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost to all cost objectives.

Sponsor labor costs usually included in overhead cannot typically be billed as direct costs on a project. Examples of expenses quantifiable as indirect costs would be compensation for the chief executive officer, department heads and their administrative staff; accounting and billing functions performed by Sponsor employees; and contracting, procurement and legal services

¹ http://www.dot.ny.gov/plafap
performed by Sponsor employees (see section 5.3.1.2 “Allowable Sponsor Indirect Costs”).

For any of the previously mentioned costs to be billed directly to a federally-funded or State-funded project, these costs must be consistently treated for similar circumstances. Sponsor employees must keep detailed records of hours charged to each project (federal or non-federal), supported by a payroll labor cost distribution system. Sponsors must be able to demonstrate they have time records, labor distribution records, and an accounting system that supports direct charges of labor for the indicated job and labor categories if they bill these as direct costs.

5.3.1.2 Allowable Sponsor Indirect Costs

Indirect costs\(^2\) are those elements of the cost necessary in the production of a good or service which is not directly traceable to the product or service. Usually, these costs relate to objects of expenditure that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management, and supervision. As noted in the previous section, Allowable Sponsor Direct Costs, costs incurred for functions such as accounting (including billing), general administration, information technology, legal services, personnel, and procurement will often be billed as indirect costs. There can be no duplicate recovery of such labor costs as a direct charge and as a component of overhead.

The base period for allocating indirect costs is the cost accounting period during which such costs are incurred and accumulated for allocation to work performed in that period and will typically be the fiscal year used for financial reporting purposes following generally accepted accounting principles.

The Sponsor must have indirect cost rates approved by the cognizant federal oversight agency\(^3\) to bill for indirect costs. The Sponsor must submit a schedule showing how the computation of the amount billed for overhead was made (see instructions for FIN 427LL in the Chapter 5 Appendices for procedures to bill for indirect costs).

Sponsors and nonprofit organizations should be familiar with *2 CFR 200* for additional information about indirect costs.

5.3.1.3 Prompt Payment Policy

Sponsors must establish a contract clause to require prime contractors and consultants to pay subcontractors (or sub-consultants) for satisfactory performance of their contracts no later than seven (7) days from receipt of each payment made to the prime contractor. For purposes of this section, a subcontractor’s work is satisfactorily completed when all the tasks called for in the subcontract have been accomplished and documented as required by the Sponsor. When a Sponsor has made an incremental acceptance of a portion of a prime contract, the work of a

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\(^2\) As defined in 2 CFR 200): Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term “indirect costs,” as used herein, applies to costs of this type originating in the Sponsor’s department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

\(^3\) Oversight Agency vs. Cognizant Agency: Oversight agency for audit is the federal awarding agency that provides the most funding to a non-federal entity not assigned a cognizant agency for audit. With no direct funding, federal agency with the most pass-through funding is the Oversight Agency. Cognizant agency for audit (or indirect costs) is the federal agency designated to carry out responsibilities for oversight/review.
subcontractor covered by that acceptance is deemed to be satisfactorily completed.

Sponsors must provide appropriate means of enforcement. Such means may include penalties for failure to comply with the terms and conditions set forth. A Sponsor’s program may also provide that any delay or postponement of payment among parties may take place only for a good cause, with prior written approval.

Sponsors may also establish any of the following additional mechanisms to ensure prompt payment:

a) A contract clause requiring prime contractors and consultants to include in their subcontracts a provision stating that they will use appropriate alternative dispute resolution mechanisms to resolve payment disputes. Sponsors may specify the nature of such mechanisms.

b) A contract clause providing that the prime contractor and consultants will not be reimbursed for work performed unless and until the prime contractor and consultants ensures that the subcontractors/sub-consultants are promptly paid for the work they have performed.

c) Other mechanisms, consistent with this part and applicable State and local law ensuring Disadvantaged Business Enterprise’s (DBE) and other subcontractors are fully and promptly paid.

Per General Municipal Law Article 5-A, Section 106-b (3); Chapter 12 of the LPM; and Sections 102 and 109 of NYSDOT Standard Specifications⁴.

5.3.1.4 Retainage Policy

NYSDOT’s policy is not to hold retainage on construction or consultant contracts. (See Section 103-6, Article 7, of the NYSDOT Standard Specifications). Title 49 CFR 26.29 mandates that states adopt Prompt Payment requirements as part of their DBE program, and describes how this affects retainage. New York State’s Prompt Payment requirement has been incorporated into New York State Finance Law 139-F and Article 5A Section 106-b of the General Municipal Law. Both the Sponsor and the Prime Contractor/Consultant (if employing subcontractors/sub-consultants) are subject to this law.

Sponsors advancing federally funded transportation projects must comply with NYSDOT’s Disadvantaged Business Enterprise (DBE) Program Plan⁵. This Plan does not permit retainage to be held on federally-funded construction or consultant contracts. Payments by prime contractors to subcontractors must be made promptly within seven (7) calendar days of receipt of payment from the Sponsor.

5.3.2 Sponsor Reimbursement Requests

After OSC has approved the SLA, the Sponsor may begin to submit monthly progress reimbursement requests to NYSDOT’s RLPL; however, the Sponsor must submit payment within six months of the approved SLA. At the very least, subsequent progress payments should be

⁵ https://www.dot.ny.gov/main/business-center/civil-rights
submitted at six-month intervals to demonstrate that the project is progressing. Reimbursement requests of $500.00 or greater are preferred. Reimbursement requests less than $500.00 will be accepted at the RLPL’s discretion. There is no set minimum for the final reimbursement request payment amount.

Payment is requested in a reimbursement request package which is assembled by the Sponsor and submitted to the RLPL. The reimbursement request details project expenditures including, the Sponsor’s direct labor costs, other direct costs, indirect costs and, non-participating or ineligible costs. Reimbursement request packages must be reviewed by the RLPL or another NYSDOT staff person familiar with the project and the SLA. The review has two principal objectives: (1) to confirm the charges are reasonable and adequately supported, and (2) to ensure compliance with the provisions of the SLA and with federal requirements. If no significant problems are identified, the RLPL will certify and forward the reimbursement request to the NYSDOT Accounting Bureau for processing in the format described herein.

5.3.2.1 Required Forms from Sponsor for Submission to RLPL

The following forms: FIN 426LL, 427LL, 428LL, and Certification are tabs within an Excel spreadsheet titled “Sponsor’s Reimbursement Request Forms” and found under Related Forms in Chapter 5 of the electronic version of the Local Projects Manual. For a Local Project Reimbursement Request Checklist, see Appendix 5-9 of the LPM.

The Sponsor is responsible for completing and submitting to the RLPL the following forms and documents:

1. Sponsor’s Reimbursement Request (FIN 426LL): This form shows the accumulation of total life-to-date costs on all project identification numbers (PINs) included in the SLA through the current billing period. Payment is made using data starting on page 2 of the form, which should show all nine-digit PINs within the fully-executed SLA regardless of whether there is current work in each PIN. For instructions, see Appendix 5-1 of the LPM.

2. Sponsor’s Reimbursement Request Continuation (FIN 427LL): The FIN 427LL provides the supporting breakdown of the Sponsor’s direct labor costs, indirect costs and other direct costs by full nine-digit PIN. It sets forth a current period, prior period, and life-to-date summary of the charges for each nine-digit PIN (phase of work). For lump sum milestone contracts, submit a listing of the milestones achieved and their respective dollar values per the SLA. For instructions, see Appendix 5-2 of the LPM.

The sponsor’s calculation of indirect costs billed requires a FIN 427LL for each nine-digit PIN with current work period charges only. Sponsors billing indirect costs against a State-Local Agreement must follow the requirements outlined in 2 CFR 200 as applicable. If eligible to bill indirect costs, the Sponsor must attach a schedule showing the rate applied, a description of the base, the dollar amount of the base to which the rate is applied, and the amount billed.

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6 Indirect costs of the sponsor must be submitted in accordance with Title 2 of the Code of Federal Regulations Part 200 (2 CFR 200).
7 Non-participating costs, including costs determined to be ineligible, are costs for work being done outside the federal aid portion of a project. Non-participating costs are not the non-federal match to federal funds which would be considered part of the federal aid portion of a project (see instructions for the FIN 426LL for more information on reporting non-participating costs).
8 Lump sum milestone contracts will not have a local share. All funding on such contracts will be federal or non-Marchiselli State aid. Payment is not made until each individual milestone is met.
3. **Sponsor’s Payroll Abstract** (FIN 428LL) (one form for each nine-digit PIN with current work period charges only): This form details the Sponsor’s direct labor costs showing name, title, hourly rate, hours and current work period charges for each employee. It provides documentation in support of the direct labor costs shown on form FIN 427LL. For instructions, see Appendix 5-3 of the LPM.

4. For the Sponsor’s other direct costs, provide a summary for each nine-digit PIN with current work period charges only. Include: Date Paid; Check No; Paid to; Services Rendered or Property/Materials Purchased and the Amount of the check. See **Sponsor’s Reimbursement Request – Other Direct Costs Summary**, Appendix 5-10 of the LPM.

5. Contractor invoices and Sponsor payment vouchers: The invoices must have sufficient detail and must identify and support the amount charged to each nine-digit PIN. Submit only for PINs with current work period charges.

For payment to consulting engineers, which are subject to audit if billings exceed $300,000, it is recommended the Sponsor require consultants to use the NYSDOT reimbursement request forms indicated below.\(^9\) (The engineering community is familiar with these forms which they use for contracts with NYSDOT). This documentation supports consultant charges billed to the Sponsor and provides the documentation needed to fulfill the Sponsor’s audit. A copy of these forms should be submitted to the RLPL as backup documentation for the Sponsor’s Reimbursement Request. Submit only for PINs with current work period charges.

- **Consultant Payment Request** (FIN 421LL) [one copy of FIN 421LL for each engineering/architectural consultant hired by the Sponsor for the project and each sub-consultant hired by the prime consultant]
- **Consultant Payment Request Continuation** (FIN 422LL)
- **Consultant Payroll Abstract** (FIN 423LL)
- **Consultant Cost Control Report** (CONR 324-2LL) [One copy of FIN 422, FIN 423, and CONR 324-2 for each nine-digit PIN for each consultant and sub-consultant]
- **Consultant Direct Non-Salary Cost Summary** [This is not a form but a schedule the consultant must prepare to document any non-salary costs claimed.]

Blank Consultant Forms (FIN 421LL, FIN 422LL, FIN 423LL, and CONR 324-2LL) may be found on-line in the Forms section of Chapter 5 of the LPM.

For payment for the Construction Contractor, acceptable forms of documentation are as follows:
- Contract Payment Request AIA (American Institute of Architecture) Form G702
- A report of Statement of Items, Quantities, and Amounts Used generated by various project management software programs.
- Or an applicable format that should at least show the contract bid items approved, used, remaining, percentage remaining and cost.
- “D/M/WBE Attainments Report” from EBO, including any corrective action taken.
- For final payment, a copy of the AAP21LL - Prime Contractor Report of Contract Payments
- EEO “Monthly Utilization” reports from EBO, including any corrective action taken.

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\(^9\) These forms have been modified from the NYSDOT form to accommodate the contractual relationship between Sponsor and consultant and, consequently, have been designated “LL” for “local let” projects.
6. Signed progress summary sheets and relevant backup documentation, e.g., Sponsor’s employee timesheets and proof of payment documentation: The latter could be canceled checks, remittance advices for electronic transfer payments, bank statements, etc.

For payment for the Sponsor’s workforce, acceptable forms of documentation are as follows:

**Record of Sponsors Forces Labor** – Sponsor may submit this information in summary format using Appendix 5-12a ‘Supporting Documentation Forms’, or in a format of their choosing; however, must include the following regarding labor when submitting a reimbursement request:

- Names of Employees who worked on the project,
- Dates and Hours Worked,
- Total Hours Worked,
- Pay Rate, and
- Total Pay.

**Record of Materials** - Sponsor may submit this information in summary format using Appendix 5-12b ‘Supporting Documentation Forms’, or in a format of their choosing; however, must include the following regarding materials when submitting a reimbursement request:

- Location of work/work limits,
- Vendor/Contractor who used the materials,
- Material and Work Description,
- Quantity,
- Unit Price,
- Total Cost,
- Date Paid,
- Proof of Payment Reference Number used to purchase materials or Payment Identification, and
- Source – “stock” or Invoice Number, if purchased.

**Record of Equipment** - Sponsor may submit this information in summary format using Appendix 5-12c ‘Supporting Documentation Forms’, or in a format of their choosing; however, must include the following regarding equipment when submitting a reimbursement request:

- Location of work/work Limits,
- Type of Equipment,
- Date and Duration of Use – what day was equipment used and for how long (in hours),
- Rate Per Hour,
- Total Hours Used,
- Total Cost,
- Vendor whom the equipment was rented from – Applies ONLY to rented equipment,
- Invoice Number – Applies ONLY to rented equipment,
- Date and Amount Paid – Applies ONLY to rented equipment, and
- Proof of Payment Reference Number used to pay for the rented equipment – Applies ONLY to rented equipment.

**Certification by Sponsor (Tab 2 on Sponsor Reimbursement Request Form):** This form certifies that the work performed, and reimbursement request has been completed and payments due
have been made. The form must contain the original signature of the Responsible Local Official with subsequent certification by the RLPL upon review and approval.

The Sponsor should verify the progress of work, receipt of the services/goods and dollar amounts billed on a sample basis:

- Confirming labor hours billed by PIN to the corresponding job number on timesheets.
- Verifying labor rates charged are within any contractual maximums for job titles billed.
- Confirming rates billed for overhead and fringe benefits equal the latest approved rates only when such rates are available through NYSDOT sources.
- Confirming rates billed for use of owned equipment published rates for the industry.
- Confirming rates billed for material handling to allowances provided for in Department manuals and federal regulations.
- Ensuring travel costs directly attributable to the project are billed in compliance with terms and clauses of executed contract agreements, as well as, State and Federal rules, regulations, and procedures.
- Tracing amounts billed for purchases, rentals, and subcontractors to copies of supporting invoices and proof of payment. (Proof of payment is the face and endorsement sides of a check or the printed record of electronic payment.)
- Confirming time billed for consultant/contractor-owned equipment to supporting documentation on its usage.
- Verifying quantities and prices of materials billed from the consultant/contractor’s stores to copies of supporting inventory and accounting records of the consultant/contractor.
- Reviewing the calculation of any fee/profit for compliance with agreement/contract terms.

A reimbursement request should not be marked as final if it is merely the last for one PIN or phase of the project. Only the last reimbursement request for the SLA covering all its PINs and phases should be marked as Final and accompanied by form NYS 1446 LA, Final Acceptance of Locally Administered Federal-aid Project (see Chapter 17, Appendix 17-6 of this Manual). Once a final reimbursement request is processed, the SLA and the PINs are closed. It is very difficult to reopen the SLA and PINs for any subsequent payment submissions.

5.3.2.2 Reimbursement Request Documentation Packages Submitted by Sponsor to RLPL

Reimbursement requests must be submitted by the Sponsor to the RLPL as noted:

- One set of applicable forms (FIN 426LL, 427LL, 428LL, and direct cost summaries).
  - Preferably single-sided.
- One set of back-up documents.
- An originally signed Certification by Sponsor.

The Sponsor should retain one copy of all forms as well as originals of supporting documentation for Federal, State or single audit purposes (see Chapter 16 of this Manual).

The RLPL maintains a copy and the backup documentation in the project files. The RLPL submits a copy of the originally signed Certification, and copies of FIN 426LL, all FIN 427LL and 428LL form and all other direct cost summaries for processing by NYSDOT.

Original signatures and Merchandise/Invoice Received (MIR) dates must be provided on all copies. See section 5.3.2.4, “Time Requirements”; which discusses the MIR date in detail.
NYSDOT is unable to process the reimbursement request if the submission does not have:

1) Current versions of forms FIN 426LL, FIN 427LL and, if needed, FIN 428LL with implementation date (month/year). A FIN 427LL is required for each 9-digit PIN with current work period charges.
2) Original Sponsor signature on the Certification by Sponsor form.
3) Original RLPL signature on the Certification by Sponsor form.
4) MIR date on the FIN 426LL (inserted by the RLPL).
5) Form NYS 1446 LA for final payments.
6) Applicable backup documentation.

5.3.2.3 Reimbursement Request Approval and Processing Procedures

NYSDOT intends to reasonably accommodate the processing of the Sponsor’s Reimbursement Request. NYSDOT personnel responsible for review and approval will not reject reimbursement requests for minor errors. If significant errors are encountered, however, the errors may be discussed with the Sponsor, and the reimbursement request returned to the Sponsor for correction.

If errors are discovered after the reimbursement request has been processed and paid, the Sponsor will be instructed to make the necessary adjustments in the next submission. These instructions will be in writing and will describe the problem and the corrective action required. A copy of correspondence instructing the Sponsor to make these changes and a schedule showing full details of the correction including prior reimbursement request number(s), periods covered, cost adjustment by category, and rationale should be attached to each copy of the submission forwarded for payment.

Adjustments to payments after the final reimbursement request is submitted are very difficult. If the amount of the final reimbursement request needs to be increased, it will be returned to the Sponsor for correction, regardless of amount. As in all cases involving adjustments to reimbursement requests, the RLPL will discuss specific situations with the Sponsor. If payment is recommended, the RLPL will sign and enter the appropriate MIR date on all copies.

5.3.2.4 Time Requirements

The Merchandise/Invoice Received (MIR) date is the date on which the RLPL receives a correct and properly documented reimbursement request form (FIN 426LL). The RLPL is responsible for reviewing the reimbursement request and enters the MIR date on all copies of the FIN 426LL. Since documentation must be maintained in the project records to support all MIR date determinations, all reimbursement requests will be date stamped when received by the RLPL.

The State normally pays interest to nonprofit Sponsors if payment has not been made within thirty days of the MIR date. Municipal and State Sponsors are not eligible to receive interest for late payments. NYSDOT, however, will be diligent about maintaining the same prompt payment standards as those for interest eligible payments.

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10 Corrections initiated by the Sponsor or identified by NYSDOT as required for previous estimates should be included on page 1, line 2, of the FIN 426LL, in the row for current work starting on page 2 of the FIN 426LL, and under the “current work performed” column of the FIN 427LL. On the FIN 427LL the Sponsor should make use of an unused line and label it a correction of prior estimates. See instructions for completing FIN 426LL and FIN 427LL in the Appendices to this chapter.
11 http://www.osc.state.ny.us/agencies/abulls/a316.htm
5.3.2.5 Sponsor’s Force Account Work during Construction

Either NYSDOT or FHWA must approve all requests to use Force Account Work on locally administered federal aid transportation projects. The Sponsor’s request must justify why “no-bid force account work” is included in the contract. It can be done by showing how it is cost-effective to use the force account method vs. competitive bidding (e.g., during emergency conditions). This request must be approved through a Public Interest Finding (PIF) (see Chapter 12.5.1 of this Manual).

Reimbursement requests for the cost of labor and services provided by the Sponsor’s employees must be submitted on form FIN 427LL and supported by a Sponsor’s Payroll Abstract (FIN 428LL) for the period covered by the reimbursement request. For audit purposes, the Sponsor must retain copies of payroll timesheets for the billing period, copies of paid invoices and/or other supporting documents for all non-personnel service items. Only eligible direct project costs defined under federal regulations and incurred after the authorization of funds may be included. The Sponsor must keep supporting documentation for personnel service and non-personnel service costs, including the following material:

**Payroll Timesheets** – The employee’s approval and the employee supervisor’s approval is required on each timesheet. These approvals attest to the employee’s assignment and hours worked on the projects indicated and demonstrate that periods of paid leave are charged to appropriate leave categories or accounts. The individual employee’s paid leave time (i.e. holidays, vacation, etc.) cannot be charged to a PIN on a timesheet. Leave time charges are allocated to projects based on an approved methodology as part of the indirect cost rate. Timesheets must correspond with relevant payroll records and amounts paid for each employee based on a comprehensive payroll/labor cost distribution system.

**Non-Personal Service Costs** – Copies of invoices or documentation showing amounts and notations which identify the purpose of each item, must be retained and reflect a cost for an item on the project and the project identification.

**Project Detail Cost Ledgers** - For audit purposes, a Project Detail Cost Ledger, which is reconciled to the Sponsor’s General Ledger, is required as the official accounting record of the Sponsor to record and accumulate all cost transactions applicable to the project.

5.3.3 Marchiselli Program Reimbursements

The Marchiselli Program, as described in Chapter 4 of this Manual, will provide reimbursements, which will usually be in the amount set forth on the FIN 426LL reimbursement form, in the Marchiselli State share columns.

Payments of Marchiselli Program funds are limited to the Marchiselli allocation outlined in Schedule A of the State-Local Agreement. If the Marchiselli amount submitted for payment exceeds the allocation, there is a reduction in the amount paid for Marchiselli. A reduction may be restored after an additional allocation is approved and a Supplemental Agreement to include the additional Marchiselli funds is approved by OSC. The restoration of prior reductions to Marchiselli amounts submitted for payment is done on the first reimbursement request submitted after a Supplemental Agreement adds funding.
5.3.4 Additional Submission Requirement for State Agency Sponsors

In addition to the reimbursement request documents previously listed, Sponsors who are NYS agencies (Education Department; Office of Parks Recreation and Historic Preservation; Department of Environmental Conservation; etc.) need to submit a completed journal voucher, signed by the Sponsor, to the NYSDOT Main Office Accounting Bureau Expenditures Unit. NYSDOT signs the voucher and sends it to the Office of the State Comptroller (OSC).

NYSDOT’s Regional offices typically do not see the journal voucher. When the Expenditures Unit receives reimbursement request forms submitted by NYS agencies from the RLPL, the relevant agencies are contacted, and the transactions concerning the required journal voucher are processed directly by the Expenditures Unit.

5.3.5 NYSDOT Oversight Cost Policy

While most costs incurred on locally administered federal aid transportation projects will be for work performed by the Sponsor or its agents, NYSDOT may also incur costs for review or oversight of the specific project. NYSDOT has the responsibility to make sure the Sponsor follows all applicable federal rules and regulations. The costs associated with this responsibility include consulting on the project’s cost, scope and schedule; monitoring project progress; and review and approval of certain project documents. These NYSDOT costs are included in the NYSDOT indirect cost rate and billed to the FHWA. Oversight costs are not billed to the Sponsor.

On those rare occasions when project-specific functions are performed by NYSDOT on behalf of the Sponsor, costs incurred by NYSDOT staff may be charged to an appropriate Project Identification Number (PIN) for reimbursement from the approved funding source. The amount will be identified in Schedule A and the tasks provided in Schedule B of the State-Local Agreement. If NYSDOT agrees to provide certain functions for a Sponsor in connection with its project, the Sponsor will be required to deposit funds with NYSDOT upfront in an amount sufficient to fully cover the non-federal share of the costs of performing these functions.

5.3.6 NYSDOT Cost Recovery and Repayment Process

If the Sponsor fails to monitor and administer contracts funded in whole or in part following federal requirements, the Sponsor will not be reimbursed for eligible activities within the affected contracts. Common reasons for an ineligibility determination are (1) issuance by the FHWA of a Federal Aid Ineligibility Notice (FAIN) after a process review or an audit and (2) a NYSDOT project review which finds noncompliance with State or federal laws and regulations.

If activities undertaken as part of a project are determined to be ineligible for federal or State funds after reimbursement, NYSDOT will send a request for the repayment to the Sponsor specifying the amount of the repayment and reason for it. The Sponsor will be expected to comply or respond to the request for repayment within the time specified.

Failure to repay will result in NYSDOT reducing its financial participation in any other transportation projects it may have ongoing with the Sponsor. If the Sponsor has no other ongoing transportation projects in which NYSDOT participates, NYSDOT will petition the Office of the State Comptroller to reduce State aid or another State grant the Sponsor may be receiving and apply that amount to the outstanding deficit. Sponsors will also be required to repay any
Marchiselli Program or other State aid which was used as a local match. For Non-Governmental Organizations, a civil repayment process will be pursued.

5.4 RECORD RETENTION REQUIREMENTS

To ensure that NYSDOT meets certain requirements under Federal Tax Law 26 CFR 1.150-2 (d)(2)(i), and to ensure that NYSDOT may authorize the use of funds for a project, the Sponsor must retain the following documents in connection with the Project:

- Documents evidencing the specific assets financed with such proceeds, including but not limited to project costs, and documents evidencing the use and ownership of the property financed with proceeds of the bonds; and
- Documents, if any, evidencing the sale or other disposition of the financed property.

The Sponsor agrees to retain those records, for thirty-six (36) years after the date of NYSDOT’s final payment of the eligible project cost(s) as per the SLA.

Failure to maintain such records in a manner that ensures complete access for the period described above shall constitute a material breach of the contract and may, at the discretion of NYSDOT, result in loss of funds allocated, or the Sponsor’s repayment of funds distributed, to the Sponsor under the project SLA.
5.5 REFERENCES

Federal Regulations
2 CFR 200
49 CFR 26.29
26 CFR Section 1.150-2

State Law
New York State Financial Law 139-f

General Municipal Law
NYS General Municipal Law Article 5-A, Section 106-b (3)