



Expires – Upon Issuance of LPP

Risk-Based Invoicing

I. BACKGROUND

Under the FHWA/Caltrans Joint Stewardship and Oversight Agreement, the California State Department of Transportation (Caltrans) accepts responsibility for administering federally funded transportation projects on and off the State Highway System (SHS). The Caltrans Division of Local Assistance (DLA) is responsible for oversight of projects off the SHS including compliance with Federal and State laws, regulations, policies and procedures related to the implementation of these local transportation projects.

During the mid 1990s, the State Budget resulted in Caltrans staff reductions and a change in the way Caltrans provides oversight of local transportation projects. The project development and implementation procedures for the Local Assistance Program were “reengineered” to delegate many of Caltrans’ Federal-aid responsibilities to the local agencies. Local agencies are required to certify compliance with Federal and State requirements. The Caltrans DLA provides implementation and procedural guidance on Federal and State funded local transportation projects. This guidance is communicated via various publications and the DLA website at: www.dot.ca.gov/hq/LocalPrograms/.

Process reviews of the Local Assistance Program conducted by FHWA, Caltrans and local agency staff identified the need for additional Caltrans oversight, including District review and approval of local agency progress invoices prior to payment. Invoice review had previously been performed entirely by Local Programs Accounting (LPA). To address FHWA concerns and improve Caltrans oversight of the Local Assistance Program, local agency project sponsors are now required to submit ALL progress and final invoices and support documentation (to verify eligibility and reasonableness of costs invoiced) directly to the Caltrans District Local Assistance Engineer (DLAE) for review and concurrence prior to payment.

Recently local agencies and the Districts have expressed concerns regarding the amount of effort, both in terms of calendar days and resources, involved in processing invoices. A Risk-Based Invoice (RBI) Team was assembled with representatives from Caltrans (Districts and HQ), regional and local agencies, and FHWA. The RBI Team determined that the actual workload being expended on invoice reviews by the Districts was over 20 Personnel Years, with the average invoice taking 5.0 hours of District staff time to process, which translates to roughly 12% of all District Local Assistance time. Therefore, providing a consistent statewide invoice review process became the first order of work for the RBI Team. This Office Bulletin (OB) provides guidance to determine which documentation is appropriate for local agencies to include and Districts to review with the various invoices. This OB also introduces a “*Local Agency Invoice Review Checklist*” (see Attachment A) which will assist both the local agencies and the Districts in completing an invoice review.

This DLA OB supersedes DLA-OB-09-05 and provides clarification to the policy and procedural guidance for the review of local agency invoices by the DLAE. This DLA OB is effective **October 1, 2014**; however, agencies are allowed and encouraged to begin processing invoices using the new RBI procedure outlined herein *immediately*.

II. POLICY

Federal regulations hold Caltrans accountable for all projects funded with Federal-aid funds including those projects within local agency jurisdictions.

As previously stated, ALL invoices and support documentation are submitted to the DLAE. At a minimum, the Invoice Package includes the following:

1. Exhibit 5-A “*Sample Federal Aid Invoice*”, of the LAPM or equivalent,
2. Attachment A “*Local Agency Invoice Review Checklist*”
3. Attachments B-1 “*Billing Summary Support Phases*”, B-2 “*Billing Summary R/W Capital*”, B-3 “*Billing Summary Cost to Date*”, B-4 “*Billing Summary Non-Infrastructure*”, or equivalent, and
4. Additional documents as required per the Attachment A “*Local Agency Invoice Review Checklist*”.

Following DLAE concurrence with payment of the invoice and input of the Disadvantaged Business Enterprise (DBE) and contract award information into the Local Assistance Project Database (LP2000), the Invoice Package will be forwarded by the District to LPA. (Note: subsequent invoices will not be processed for submittal to LPA until after the District has concurred with the prior invoice).

Upon LPA concurrence to pay the invoice, LPA will forward the local agency invoice to the State Controller’s Office (SCO) for payment.

The following roles and responsibilities are implemented with this OB:

Local Agency

- Ensure work is performed, progress estimates are made and timely payments are made to the consultant/contractor.
- Ensure DBE information is submitted to DLAE.
- Ensure contract award information is submitted to the DLAE.
- Ensure progress and Final Invoice Packages are accurately prepared, include only eligible work and appropriate costs, and are submitted to the DLAE in a timely manner.

District Local Assistance Engineer

- Ensure work performed is eligible for reimbursement and appropriate costs are billed.
- Ensure DBE information is entered into LP2000.
- Ensure contract award package complies with Federal and State requirements.
- Ensure contract award information is entered into LP2000.

Local Programs Accounting

- Ensure Invoice Packages comply with invoice format, approved indirect cost rate(s), and other accounting requirements as outlined in Chapter 5 “*Accounting/Invoices*”, of the Local Assistance Procedures Manual (LAPM).

Headquarters Division of Local Assistance

- Assess the effectiveness of the invoice review procedures implemented by this OB.
- Monitor performance of District resources and establish performance measures for payment of local agency invoices.
- Provide reports to monitor the number of invoices reviewed and resource needs.



III. PROCEDURES

Local Agency

- Perform work, prepare progress estimates and make payments to the contractor.
- Prepare timely and accurate progress and final invoices, complete the “Local Agency” portion of the checklist (Attachment A), submit additional documentation as appropriate, and certify the accuracy of the Invoice Package.
- Verify that completed work is reasonably consistent with the level of Federal/State funds invoiced.
- Submit original and two copies of Invoice Package.
- For federally funded consultant service contracts, submit the following documents to the DLAE within 30 days of contract award:
 1. Copy of executed Consultant Agreement(s)
 2. Exhibit 10-C “*Consultant Contract Reviewers Checklist*”, of the LAPM
 3. Exhibit 10-O1 “*Consultant Proposal DBE Commitment*”, of the LAPM and
 4. Exhibit 10-O2 “*Consultant Contract DBE Information*”, of the LAPM
- For consultant service contracts over \$150,000, ensure that Exhibit 10-K “*Consultant Certification of Costs and Financial Management System*”, of the LAPM, for prime and sub-consultants has been submitted to Caltrans Audits and Investigations (A&I).
- Submit a copy of the construction contract award package (see Chapter 15 “*Advertise and Award Project*”, of the LAPM for federally funded projects and Chapter 23 “*Local Agency STIP Projects*”, of the Local Assistance Policy Guidelines (LAPG) for State funded projects) to the DLAE within 60 days of contract award or concurrent with submittal of first construction invoice, whichever occurs first. Failure to submit the award package will delay the payment of the first construction invoice.
- Submit an invoice a minimum of every 6 months and no more than monthly per the terms of the Federal-aid and State-Funded Master Agreements and Program Supplement Agreement.
- Process “final” invoices in accordance with the procedures specified in Chapter 17 “*Project Completion*”, of the LAPM.
- Unless authorized by the DLAE (e.g., to prevent the loss of federal funds) the invoice amount should not be less than 2% of the total Federal and/or State funds authorized or less than \$1,000.
- Caltrans encourages local agencies to take advantage of the Electronic Fund Transfer (EFT) option by which the SCO will transfer State funds into a State-controlled bank and then directly into the local agency’s designated banking account (see Chapter 5 “*Accounting/Invoices*”, of LAPM). The EFT process can reduce the processing time at the SCO by up to 10 calendar days.

District Local Assistance Engineer

- Immediately upon receipt of the local agency Invoice Package, “date-stamp” the invoice, and update the LP2000 Invoice Review milestone screen for “Invoice Amount”, “Invoice Date”, and “Date District Received”.
- For federally funded consultant service contracts, verify that copies of the following documents are in the project files: executed Consultant Agreement and Exhibits 10-C “*Consultant Contract Reviewers Checklist*”, 10-O1 “*Consultant Proposal DBE Commitment*” and 10-O2 “*Consultant Contract DBE Information*”, of the LAPM. For contracts with a total cost greater than \$150,000, verify that A&I has received copies of Exhibit 10-K(s) “*Consultant Certification of Costs and Financial Management System*”, of the LAPM by reviewing the list at: <http://audits.dot.ca.gov/external-audits-Contracts>.



- Review the construction contract award package for completeness and make adjustments as required through FADS (see Exhibit 3-G “*Federal Project Log Sheet*”, of the LAPM).
- Forward a copy of Exhibit 15-L “*Local Agency Contract Award Checklist*”, of the LAPM with the first construction invoice to LPA, and verify the contract award information is entered into LP2000.
- Verify DBE commitment and utilization information has been entered into LP2000.
- Review Invoice Package for work performed and reasonableness of costs billed.
- Assess quality of local agency invoice package and work with local agencies to correct deficiencies, as appropriate.
 - If no deficiencies are found, the DLAE completes and signs the Caltrans sections of Attachment A “*Local Agency Invoice Review Checklist*”, concurring with payment of the invoice. The checklist shall identify the name and phone number of the District contact person.
 - If deficiencies are found, the DLAE shall contact the Local Agency to discuss/address the deficiencies.
 1. If the DLAE determines the deficiencies are minor in nature and can be quickly resolved, every attempt shall be made to resolve the invoice deficiency without returning the Invoice Package to the Local Agency for resubmittal.
 2. If the DLAE determines the deficiencies are significant in nature such that the Local Agency invoice cannot be paid, the DLAE will reject the invoice, notify the local agency with a “Dispute Notification Letter” (within 20 calendar days), and request correction and resubmittal.
 - a. The DLAE will update the LP2000 Invoice Review milestone screen for “Date District Returned to Agency”.
 - b. The revised/corrected local agency Invoice Package shall be “date-stamped” upon resubmittal to the DLAE, and LP2000 Invoice Review milestones will be updated accordingly.
- Upon DLAE concurrence to pay, the original Invoice Package (plus two copies) shall be forwarded to LPA within 20 calendar days of receipt by Caltrans.
- Update the LP2000 Invoice Review milestone screen for “Date District Forwarded to Accounting”.

Local Programs Accounting

- Review DLAE-concurred Invoice Package for compliance with invoice format, reimbursement rates, approved indirect cost rate(s), retention amounts and other accounting requirements (see Chapter 5 “*Accounting/Invoices*”, of the LAPM).
- Concur with Invoice Package and payment of the local agency invoice:
 - If LPA concurs with approval for payment, LPA shall forward original invoice to the SCO. Invoices should be processed for payment within 45 calendar days of receipt by Caltrans.
 - If LPA does not concur, LPA shall notify the District to contact the local agency. If the concern cannot be resolved, LPA shall inform the District and dispute the invoice by sending a “Dispute Notification Letter” to the local agency, and a copy to the DLAE. Local agency will then submit an appropriately revised Invoice Package to the DLAE.
- Update the LP2000 Invoice Review milestone screen for “Date Accounting Received” and “Date Accounting Returned to Agency”.



IV. APPLICABILITY/IMPACTS

Local agency and DLAE review of project invoices will improve Caltrans oversight of the Local Assistance Program by ensuring the costs billed are eligible for reimbursement. The intent of this OB is to establish consistent invoice procedures to clarify and streamline the review process. This will result in an invoice review process that will allow the Districts to process a large number of invoices in an efficient manner, while also identifying any billing or eligibility issues. The impact and ultimate goal is to provide a timely review process that also minimizes the local agency risk of losing federal/state funds.

Recommended: **Original Signed By** _____ 06/30/2014
Peter B. Anderson, Area Engineer _____ Date

Approved: **Original Signed By** _____ 07/01/2014
John Hoole, Chief _____ Date
Office of Implementation - South

- Attachment A – Local Agency Invoice Review Checklist
- Attachment B-1 – Billing Summary Support Phases
- Attachment B-2 – Billing Summary R/W Capital
- Attachment B-3 – Billing Summary Cost to Date
- Attachment B-4 – Billing Summary Non-Infrastructure
- Attachment C – Billing Summary Instructions

LAPM Chapter 5