

DEPARTMENT OF TRANSPORTATION

DIVISION OF LOCAL ASSISTANCE -- M.S. I

1120 N STREET

P. O. BOX 942874

SACRAMENTO, CA 94274-0001

PHONE (916) 653-1776

FAX (916) 654-2409

TTY (916) 653-4086

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October 17, 2007

To: Metropolitan Planning Organizations
Regional Transportation Planning Agencies
Local Transportation Commissions
Public Works Directors of All Cities and Counties in California

Dear Executive Director:

Subject: Potential loss of Federal Funds
Quarterly Review of Inactive Obligations – Quarter Ending September 30, 2007

The California Department of Transportation (Caltrans) has started the quarterly review process of inactive obligations for the quarter period from July 1, 2007, to September 30, 2007 as required under 23CFR 630.106 (http://www.access.gpo.gov/nara/cfr/waisidx_06/23cfr630_06.html). To prevent deobligation and/or loss of unexpended federal funds, the local agencies must do the following:

1. Review the list of currently inactive obligations available on the Division of Local Assistance website at <http://www.dot.ca.gov/hq/LocalPrograms/Inactiveprojects.htm>
2. Submit complete and correct invoice for eligible expenditure to Caltrans Local Program Accounting by November 8, 2007.
3. Identify unneeded project funds and submit deobligation requests to the District Local Assistance Engineer (DLAE) by November 28, 2007. Process project final closeout, if applicable.
4. Submit complete justification form (available on the website) along with all backup documentation to DLAE by November 28, 2007, for projects that do not have eligible expenditures to be invoiced or do not have unneeded funds to be deobligated.

A summary of the inactive projects listed by local agencies is enclosed for your reference.

This letter will be considered as the first notification to local agencies that their inactive obligations, if any, are available for review on the website and the local agencies are required to take one of the actions above by the due dates. In an effort to increase the efficiency of the quarterly review process, a second notification letter will be sent by the DLAEs to local agencies that do not respond by the due dates above. **If local agencies do not respond within five working days after receipt of the second notification, the non-action will be acknowledged as concurrence to deobligate remaining unexpended federal funds. Furthermore, local agencies might be required to repay any federal funds received to date for the projects.**

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A third notification letter will be sent by the DLAEs to the local agencies notifying them of projects that have unexpended federal funds deobligated and the amount of federal funds previously received that are subject to repayment.

The review of inactive obligations is performed each quarter. At the end of each review period, Caltrans meets with the Federal Highway Administration (FHWA) to review all the inactive obligations. Projects without financial transaction (invoice or deobligation) in FHWA's database (FMIS) would require a justification form to explain the delays in billing federal fund. If FHWA does not accept the justification provided by the local agency, the unexpended federal fund would be deobligated and local agency might be required to repay any federal fund received to date.

Local Agencies that have indirect cost rate proposal awaiting approval by the Caltrans' Audits Office should continue to submit invoices for eligible direct cost until the indirect cost rate proposal is approved.

In addition to the currently inactive local projects, a "Look Ahead Report" is also available on the website. The Look Ahead Report includes projects that will become inactive by end of December 2007 and by end of March 2008 if no expenditures are billed. This report provides an opportunity for Local Agencies to be proactive in preventing projects from becoming inactive and the potential loss of federal funds.

Please work with your district and local agencies to ensure all the inactive projects are made active by either invoicing or deobligating excess funds. Our goal is to prevent projects from becoming inactive and not have to depend on FHWA approval of a justification to keep the project from being deobligated.

If you have any questions regarding the quarterly review process, please contact your DLAE. A list of the DLAEs is enclosed for your reference.

Sincerely,



TERRY L. ABBOTT

Chief
Division of Local Assistance

Attachments

cc: District Local Assistance Engineers
Deputy District Directors for Local Assistance
David Youmans
Terry Abbott