

CALIFORNIA TRANSPORTATION COMMISSION
Guidelines for Allocating, Monitoring, and
Auditing of Funds for Local Assistance Projects

Resolution G-99-25
Amending Resolution G-99-05

- 1.1 WHEREAS, Government Code 14529.1, requires the Commission to establish Guidelines for Allocating, Monitoring, and Auditing of Funds for Local Assistance Projects, and
- 1.2 WHEREAS, on October 28, 1998, the Commission requested Caltrans to develop Guidelines for Allocating, Monitoring, and Auditing of Funds for Local Assistance Projects and submit them to the Commission in January 1999, and
- 1.3 WHEREAS, the Caltrans proposed Guidelines for Allocating, Monitoring, and Auditing of Local Assistance Projects were presented and discussed at the January 14, 1999, Commission meeting, and
- 1.4 WHEREAS, the Commission adopted such Guidelines by Resolution G-99-05 on February 17, 1999, and
- 1.5 WHEREAS, the Commission conducted a public hearing on July 15, 1999, to consider proposed amendments to the Guidelines to more clearly address Environmental Enhancement and Mitigation (EEM) projects, and
- 1.6 WHEREAS, subsequent to July 15, 1999, two technical adjustments were proposed making the Guidelines consistent with the proposed STIP Guidelines relative to transfer of funds to Federal Transit Administration and clarifying the Guidelines relative to statutes related to Proposition 116 Bond Funds.
- 2.1 NOW THEREFORE BE IT RESOLVED, the Commission hereby adopts the amended_Guidelines for Allocating, Monitoring, and Auditing of Funds For Local Assistance projects thereby replacing the Guidelines adopted by Resolution G-99-05, and
- 2.2 BE IT FURTHER RESOLVED, the Commission requests Caltrans in cooperation with the Commission staff, to distribute copies of the Guidelines to each regional agency, each county transportation commission and representatives of local agencies and transit agencies.

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GUIDELINES FOR ALLOCATING, MONITORING, AND AUDITING
OF FUNDS FOR LOCAL ASSISTANCE PROJECTS**

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I Authority and Purpose

The Commission is required by Section 14529.1 of the Government Code, as amended by Chapter 622, 1997 statutes (SB 45), to establish guidelines for Commission allocation of funds for local entity projects. The statutory intent of the guidelines is to protect the State's funds and to verify funds are used in a timely manner. The statutes provide the Commission the authority to establish guidelines to verify an entity receiving funds has the resources and capability to implement projects on a timely schedule, to establish a process for monitoring progress in implementing projects and expending funds and to require audits of allocated funds and project expenditures if necessary.

These guidelines become effective when adopted by the Commission. The Commission may revise these guidelines at any time after first giving notice of proposed amendments and conducting at least one public hearing.

II Scope Of Allocation Guidelines

These guidelines shall apply to all funds allocated by the Commission for all projects programmed in the STIP that are implemented by entities other than Caltrans. Funds allocated by the Commission for projects funded under the Environmental Enhancement and Mitigation (EEM) Demonstration Program shall be administered consistent with Section IX of these guidelines. For purposes of these guidelines, the term "local entity" includes regional agencies, local agencies, transit agencies, and for EEM projects, nonprofit agencies. The guidelines are intended to provide policy guidance and direction for actions as well as activity processes and procedures related to allocations for local grant projects (projects not implemented by Caltrans). Specific activities governed by these guidelines include requests for Commission allocations, Caltrans review of allocation requests, allocation of funds, expenditure of funds, reimbursements, monitoring and reporting and audits.

The statutes stress that the allocation guidelines shall be kept to a minimum needed to protect State funds and to provide for timely use of funds. In keeping with this statutory intent and with the Commission's objective that the STIP be implemented stressing, accountability, flexibility and simplicity, it is the Commission's intent that these allocation guidelines provide the basic policy guidance for allocation and expenditure of funds. The Commission further intends that Caltrans, in consultation with local entities and Commission staff, develop and maintain detailed procedures for administering the allocation and expenditure of funds for local entity grant projects. The procedures shall include but not be limited to instructions for initiating requests for fund allocation, for authorization to proceed with work, for submittal of invoices, for reimbursement of costs, for project closeouts and for audits. The procedures shall be consistent with the Commission's STIP Guidelines and with federal and State funding and accounting requirements.

III Local Entity Resources And Capability

The Commission will allocate funds for a local project only after the Commission is assured the responsible local entity has the resources and capability to implement the project as programmed, and to complete expenditure of funds in compliance with the timely use of funds requirements as specified in section V of these guidelines.

For streets and highway projects, an entity's resources and capabilities will be judged acceptable by the Commission with the approval of a Master Agreement between Caltrans and the entity. Master Agreement shall be amended to include new projects by approval of a Program Supplement to the Master Agreement. Caltrans will continue to assess local entity compliance with federal-aid and state local assistance statutes, regulations and procedures through the Caltrans Process Review Program.

For rail transit guideway projects, an entity's resources and capabilities shall be judged acceptable by the Commission upon Caltrans' approval of the Senate Bill (SB) 580 review required by Sections 14085 - 14088 of the Government Code. SB 580 requires a two-part review. The first part is focused on the entity and is generally a one-time review unless there are significant changes in the management, accounting, and reporting procedures of the entity. The second part of the review is focused on the proposed funding and schedule for the project.

For projects other than streets and highways and rail transit guideways, an entity's resources and capabilities will be judged acceptable by the Commission upon Caltrans' review and approval of the overall project description, scope of work, and financial plan submitted by the entity as part of the allocation request package.

IV Allocation Of Funds

The Commission will consider allocation of funds for a project or project component when it receives an allocation request and recommendation from Caltrans. All allocation requests shall be rounded to the nearest \$1,000. The request will include a determination of the availability of funding and a recommendation on the source of funding. The recommendation on the source of funding shall include the amounts by fund account i.e., State Highway Account or Public Transportation Account as well as the fund type within the account including type of federal funds. Caltrans' recommendation to the Commission for State, only funding of a project will be made in accordance with Caltrans current policy for exceptions to federal funding. The final determination of fund type available for a project will be made in the Commission's allocation of funds to the project. The Commission will approve the allocation only if the funds are available and are necessary to implement the project as programmed in the STIP. Allocations for right-of-way acquisition or construction will be made only after documentation of the required environmental clearance for the project. In compliance with Section 21150 of the Public Resources Code, Commission allocations to local agencies for project costs, other than for environmental studies and permits, will be made only after documentation of environmental clearance under the California Environmental Quality Act. All funds allocated are subject to the timely use of funds provision as described in Section V of these guidelines.

All allocations shall be rounded to the nearest \$1,000. The Commission will consider making an allocation which exceeds the amount programmed in the STIP, if a region or the interregional program have adequate reserves in the STIP, or if the Commission finds it can approve an advance to the county share or to the interregional share from STIP reserves. Unallocated amounts are available for allocation until the end of the fiscal year in which they are programmed in the STIP. Funds not allocated are subject to the timely use of funds provision described in Section V of these guidelines.

If a project or project component is ready for implementation earlier than the fiscal year that it is programmed in the STIP, the implementing agency may request an allocation in advance of the programmed year. The Commission will consider making advanced allocations based on making a finding that the allocation will not delay availability of funding for other projects programmed in earlier years than the project to be advanced and with the approval of the responsible regional agency if county share funds are to be advanced.

When a local entity is ready to implement a project or project component, the entity will submit a request to Caltrans. Caltrans will review the request, prepare appropriate agreements with the entity and recommend the request to the Commission for action. The typical time required after receipt of the application to complete Caltrans review and recommendation and Commission allocation is 60 days. The specific details and instructions for the allocation, transfer and liquidation of funds allocated to local entities are included in the Procedures For Administering Local Grant Projects In The STIP in consultation with the Commission, regional agencies, local agencies and transit agencies.

The US Department of Transportation regulations require that transit projects using federal funds be transferred from Caltrans to the Federal Transit Administration (FTA) for the administration of the federal funds. The transfer requires FTA approval of a Grant Application from the responsible entity. In order to facilitate the transfer and assure timely use of funds, the Commission encourages all entities to submit a Grant Application to FTA soon after the project is programmed in the STIP to avoid delays in Commission allocation of funds for the project.

The Commission may delegate authority to Caltrans for making some fund allocations to local entities. If the Commission delegates such authority, Caltrans shall apply the conditions and standards in these guidelines to protect State funds and maintain local entity accountability for the project.

V Timely Use of Funds

Funds allocated for local entity project development or right-of-way costs must be expended by the end of the second fiscal year following the fiscal year in which the funds were allocated. For local grant projects, the local agency must invoice Caltrans for these costs no later than 180 days after the fiscal year in which the final expenditure occurred.

Funds allocated for construction, or for purchase of rail/transit equipment must be encumbered by the award of a contract within twelve months of the date of the allocation of funds. After the award of the contract, the local entity has up to 36 months to complete (accept) the contract. At the time of fund allocation, the Commission may extend the deadline for completion of work and liquidation of funds if necessary to accommodate the proposed expenditure plan for the project. Federal funds, which are transferred to FTA after Commission allocation, as discussed in Section IV of these guidelines, will be considered encumbered and expended. The local entity has 180 days after contract acceptance to make the final payment to the contractor or vendor, prepare the final Report of Expenditure, and submit the final invoice to Caltrans for reimbursement.

The Commission may extend the deadlines for allocation of funds, for award of a contract, for transfer to FTA, for expenditures for project development or right-of-way, or for contract completion no more than one time, and only if it finds that an unforeseen and extraordinary circumstance beyond the control of the responsible agency has occurred that justifies the extension. The extension will not exceed the period of delay directly attributed to the extraordinary circumstance, and will in no event be for more than 20 months.

Whenever allocated funds are not encumbered by the award of a contract or transferred to FTA, or expended within the deadlines specified above, all unencumbered or unexpended funds from the allocation will be rescinded except for Proposition 116 funds, in accordance with section 99612 of the Public Utilities Code. The Commission will not adjust the county or interregional share for any unencumbered balance of the allocation.

VI Monitoring And Reporting

Caltrans shall monitor funds allocated for project construction and purchase of equipment and provide monthly reports to the Commission of all projects for which a contract has not been awarded within six-months of the Commission's allocation.

Caltrans shall provide the Commission status reports on all fund allocations that are made by Caltrans in accordance with Commission delegation, which may have been made as specified in Section IV of these guidelines.

It is the Commission's intent that Caltrans, in consultation with regional agencies, develop and implement a process and mechanism to monitor and track local entity projects from the allocation of funds through project completion. The process should facilitate regional agency accountability, and provide for reporting to the Commission on the status of projects, expenditures, and reimbursements.

VII Authorization To Proceed And Reimbursements

Generally, the earliest date for which work will be reimbursed is the date of the fund allocation by the Commission. If federal funds are included in the allocation, the date of the allocation or date of approval of the Federal Authorization to Proceed (E-76), whichever is latest, establishes the earliest date for which work will be reimbursed.

All reimbursements for expenditures and costs are subject to the allocated funds being appropriated in the State budget approved by the Governor and execution of a Program Supplement, or a Fund Transfer Agreement. In no case shall reimbursements exceed the amount of funds allocated by the Commission. Reimbursements shall not be allowed for work, which is not included in the approved agreements with Caltrans. All reimbursed costs must be supported by an invoice documenting expenditures and costs.

VIII Project Completion And Audits

Local entities shall be responsible for establishing and maintaining records of project allocations, costs, expenditures and reimbursements. Upon completion of a project, the responsible entity shall be responsible for preparing a final project expenditure report documenting all project expenditures and reimbursements for submittal to Caltrans. Caltrans shall document and report on all allocated funds that were not expended.

Local entities receiving federal funds are subject to audit requirements of the Federal Office of Management and Budget's Circular A-133. A single audit is required if an entity receives more than \$300,000 in federal funds from all sources. Local entity expenditures for all local assistance programs are subject to financial and compliance audits by the State Controller's Office and by Caltrans' Office of External Audits. Normally, project audits are not necessary if expenditures for a project are covered by a single audit report accepted by the appropriate federal agency.

IX EEM Program

General. The EEM Program is an annual program of projects separate from the STIP. The EEM Program is funded with State Gas Tax Revenues from the State Highway Account. EEM projects must be consistent with the requirements of Article XIX of the State Constitution. The EEM Program shall be administered consistent with Section IX of these guidelines as well as the Environmental Enhancement and Mitigation Program Procedures and Criteria developed by the State Resources Agency, and the Applicant-State Agreement, Environmental Enhancement and Mitigation Program developed by Caltrans.

Eligible Costs. Generally, except as noted herein, all direct costs attributable to an EEM project are eligible for EEM funding. Eligible costs include: project development costs, *real property* acquisition costs, acquisition support costs, construction costs, and construction engineering costs. Ineligible costs include: general program administration and overhead costs, and costs incurred prior to Commission allocation of project funding, financial costs associated with borrowing funds to implement the project, costs of audits, and costs incurred after the end of the second fiscal year following the year in which the funds were allocated by the Commission.

Project Funding and Timely Use of Funds. When an entity is ready to implement a project, the entity will submit an allocation vote request to the appropriate Caltrans District. Caltrans will review the request, prepare appropriate agreements and recommend the request to the Commission for allocation action. The entity should allow up to sixty-days from the date of submittal until Commission action. The entity will advise Caltrans of changes in funding amounts and fund sources, and if the project will be re-advertised if bids are too high. Caltrans will approve minor changes in project scope, cost and shifting of funding between project elements. Commission approval is required on substantive changes in project scope. Cost increases must be covered with the applicant's own sources of funding.

Projects that cannot be made ready for Commission funding allocation during the State fiscal year, the program adopted will be dropped from the EEM program. Funding from the dropped project will be assigned to projects further down on the EEM program priority list, or elsewhere in the program. A project dropped from the program may compete for the EEM program in the following years.

The Commission will allocate funds for a project only during the fiscal year in which the project is programmed. The entity must complete the contract and receive reimbursement no later than the end of the second fiscal year following the year in which the funds were allocated. Allocated funds not expended by this deadline will be rescinded.

Reimbursements and Audits. The earliest date for which work will be reimbursed is the date of the fund allocation by the Commission. All reimbursements are subject to the allocated funds being appropriated in an adopted State budget. All expenditures will be subject to financial and compliance audits by the State Controller's Office and by Caltrans' Office of External Audits.

All reimbursements will be limited to the State's pro rata share of the project costs as stated in the Commission's fund allocation and in the Applicant-State Agreement.

Payments of EEM funds by the State to local entities will normally be made on a reimbursement basis after costs are incurred by the local entity. The local entity may request progress payments on a monthly or quarterly basis. At the request of an entity and Caltrans, the Commission may consider approving a one-time cash advance of funds if it can be demonstrated that such cash advance is necessary to ensure timely completion of the project.

This document is under "Policies and Procedures at website:
<http://www.dot.ca.gov/hq/LocalPrograms/EEM/homepage.htm>

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