Chapter 23  Progress Billing (Reimbursement Costs)

23.1  General Discussion

All progress billings shall be submitted monthly to WSDOT Headquarters Local Programs by the local agency in accordance with the terms of the Local Agency Agreement. Billings will not be accepted before the Local Agency Agreement is executed and authorization in writing has been received from the Washington State Department of Transportation (WSDOT).

The execution of the Local Agency Agreement does not constitute approval of federal funds. This authorization from WSDOT is separate from the Local Agency Agreement. This authorization may include Advance Construction (AC), where FHWA provides federal authorization so that projects can move forward at their own cost prior to FHWA funding being available to reimburse the local agency for costs incurred. When FHWA funding becomes available, project funds will be converted so that the local agency can submit reimbursement for costs incurred from the date of authorization forward. To minimize the financial impact to local agencies, Local Programs expedites conversions soon after the beginning of each FFY.

Once written authorization is provided the Agency agrees to show continuous progress through monthly billings. Failure to show continuous progress may result in your project becoming inactive, as described in 23 CFR 630.106 and subject to deobligation of federal aid funds and/or agreement closure.

The Local Agency Agreement, when completed, establishes a work order account which permits billing to the project. The Work Order Accounting Plan (WOAP) and the work order ledger may be seen at the region office where the Region Local Programs Engineer can answer questions pertaining to these items.

WSDOT assigns a contract number on all federal aid construction projects. This number identifies the project. It should be used in addition to the federal aid project number when corresponding with WSDOT.

23.2  Billing Procedures for Local Agency Ad and Award and Agency Force Work

Once Local Programs has executed the Local Agency Agreement and WSDOT has given the local agency written authority to proceed, the agency submits progress billings monthly for each phase of work. Any work that is performed before the official authorization date does not qualify for federal participation.

Also, Federal grant requirements nationwide have now been consolidated and detailed in 2 CFR 200, please refer to them for additional guidance and eligibility.

As part of the changes included in the CFR is specific to signature authority on reimbursement requests. Per 2 CFR 200.415(a) – To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budget, the annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal entity.

1  Form 140-039
All progress billings shall be submitted as follows:

1. Local Programs sends the local agency the original fund authorization letter.

2. The agency submits a progress billing to WSDOT Headquarters Local Programs in accordance with the Local Agency Agreement. The form must be completed in accordance with the instruction outlined in Appendix 23.72.

All progress billings, including the final progress bill may be submitted electronically via email to hqlpbillings@wsdot.wa.gov or hard copy to

WSDOT Local Programs  
PO BOX 47390  
Olympia, WA 98504-7390

- All hard copy progress billings must have an original signature in order to be processed.
- All email progress billings must include all of the following in order to be processed:
  - Agency
  - Project title
  - Federal aid project number
  - Local Agency agreement number
  - Signature of the official who is authorized to legally bind the local agency, on the progress billing, as the progress billing form includes the following certification statement:

  “By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements, and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil, or administrative penalties for fraud, false statements, false claims, or otherwise. (US Code Title 18, Section 1001 and Title 31. Sections 3729-3730 and 3801-3812)”

Note: State funds only projects must include a different certification statement on the progress billing form.

The first progress billing requires the local agency to submit back-up documentation to:

- Support for the reimbursement request. (e.g., consultant invoices, contractor pay estimates, staffing dates & hours worked, mileage logs, equipment rental, etc.) and

- Local Agency's documentation confirming the individual signing the reimbursement request is authorized to legally bind the agency (council/commission resolution of delegation, etc). Therefore, to implement this requirement, will depend on the structure of your agency on who has this authority or has delegated this authority to another individual in the agency (e.g. Mayor (official) to the City Administrator, Public Works Director or Finance Director)
Thereafter, the billing period needs to be consecutive and if requested, documentation needs to support dates within that billing period. An explanation needs to be provided for billing periods that overlap or have a gap between them. The amount claimed on the progress billing must be billed at the Federal Participation Rate per the Local Agency Agreement up to the maximum authorized amount. If not, an explanation must be provided with the progress bill. Progress billings that claim a negative amount will need an explanation for the credit and a check will need to be sent to WSDOT. Progress billings claiming zero dollars will only be processed when marked as the final billing.

All progress billings must be substantiated by the required standard documentation established in this manual, the Construction Manual, requirements of the contract documents, and as defined by FHWA and must be available for review.

Construction costs are not eligible for reimbursement until after the contract has been awarded. There are exceptions to this, and some expenditures can be reimbursed after the construction authorization date, but before the contract award date. They may include contract advertisement, staking, etc. However, a statement explaining these costs must be included with the progress billing.

Upon completion of project, the local agency must submit a final bill clearly marked “Final Billing” and final project summary to the WSDOT Headquarters Local Programs. The purpose of this summary is for the Agency to report the total project costs including federal, state, local and other funds received. The form must be completed in accordance with the instructions outlined in Appendix 23.76. For more information on closures please refer to Chapter 53.

### 23.3 Billing Procedures for State Ad and Award

Progress billings are submitted as follows:

- Requests for payment from contractors are submitted to the Regional Administrator in accordance with the Local Agency Agreement.
- The requests will be processed in the region using standard WSDOT procedures.

### 23.4 Number and Timing of Submittals

Progress billings will be numbered sequentially and submitted monthly.

If the billing is prepared properly, payment should normally be received within three weeks of submittal. If payment is not received within one month, the agency should contact WSDOT Headquarters Local Programs.

FHWA requires WSDOT to conduct a quarterly review of local agency inactive projects. Local Programs definition of an inactive project is any project for which no expenditures have been charged against the federal project for the past 9 months. Any project that meets this definition will require evaluation and documented justification for remaining open. If a federal project remains open without acceptable justification and supporting documentation for remaining open, the project is at risk of being closed by FHWA.

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3 Appendix 23.73
23.5 Identification of Federal Aid Participating and Nonparticipating Charges

Costs are eligible for Federal Highway Administration (FHWA) federal participation if claimed in accordance and in compliance with 23 CFR and 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

No costs may be claimed for reimbursement if incurred prior to FHWA authorization to proceed with the work. All work must be programmed with FHWA.

All local governments and units of local governments that claim indirect costs under federal awards must prepare an Indirect Cost Rate Proposal (ICRP) and related documentation to support those costs. The ICRP must be prepared in accordance with the instructions and regulations outlined in Appendix VII to 2 CFR Part 200 – States and Local Government and Indian Tribe Indirect Cost Proposals.

• A local government that receives more than $35 million in all direct Federal funding must submit its ICRP to its federal cognizant agency for indirect costs. The cognizant agency for indirect cost negotiations is the Federal agency providing the largest amount of direct Federal awards. A local government that has a current federally negotiated indirect cost rate approved by its cognizant agency may apply for a one-time extension of the rate for a period of up to four years as defined in 2 CFR Part 200.414, paragraph (g).

• Other local governments must develop and certify an ICRP in accordance with federal requirements and maintain the proposal and related supporting documentation for audit. These governmental departments or agencies are not required to submit their proposals unless they are specifically requested to do so by the cognizant agency for indirect costs.

If a local government has never received federal reimbursement for indirect costs, they may be eligible to use a de minimis rate of 10% of their modified total direct costs.

Eligible agencies that elect to use the de minimis rate must meet the requirements as defined in 2 CFR Part 200.414, paragraph (f).

Some costs have been deemed ineligible for federal participation. Ineligible costs include equipment purchase and repair (unless specifically approved by FHWA), future equipment replacement costs, and those costs unallowable under 2 CFR Part 200.

.51 Participating Functions – Classifications of work programmed with FHWA and eligible for federal aid:

1. Preliminary Engineering – The work of locating and designing, making surveys and maps, sinking test holes, making foundation investigations, preparing plans, specifications and estimates, centerline, right of way plan preparation and other related preliminary work and incidental construction staking, to the extent such staking is necessary to review construction plans, and related general engineering preparatory to the letting of a contract for construction. The work may also include traffic counts, studies undertaken to determine traffic demands, holding of public hearings, preparation of right of way cost estimates, legal, and other costs incidental to the location and design of a highway project necessitating the acquisition of
right of way thereon up to but not including the appraisal of individual parcels for acquisition purposes.

These engineering costs are generally incurred prior to the date of construction PS&E approval, or the date construction plan changes are completed prior to the beginning of construction. The date of contract award is the cutoff for charging to preliminary engineering.

2. **Acquisition of Rights of Way** – The continuation of preparation of right of way plans; appraisal for parcel acquisition; review of appraisals; preparation for and trial of condemnation cases; management of properties acquired; furnishing of relocation advisory assistance; and other related labor expenses. If RW costs are claimed after the date of contract award, please provide an explanation.

- Excess land (appraised value) including uneconomic remnants.
- Improvements (appraised salvage value).
- Right of way acquired after certification by the local agency that right of way necessary for a designated federal aid highway project has been acquired.
- Judgments in condemnation cases not appealed when the attorney's closing report indicates a basis for appeal. The amount in excess of the review appraiser's determination of value is nonparticipating.
- Landowners:
  - Attorneys' fees;
  - Witness fees;
  - Expert witness fees; or
  - Similar costs to a landowner based on value of the services rendered to him which are paid by the local agency in connection with acquisition of rights of way, regardless of whether such costs are included in court judgments or court costs in litigated condemnation cases, e.g., statutory evaluation allowance.

3. **Construction Engineering** – The work of supervising construction activities; the inspection of construction and related mechanical aspects (e.g., staking necessary to review construction plans together with those staking activities necessary for the local agency to control construction operations); testing of materials incorporated into construction, checking shop drawings and measurements for and preparations of progress and final estimates, and as-built drawings. Construction engineering costs are generally incurred only after approval of the PS&E, a contract number is issued, and also incurred prior to:

- Completion date of the final contract pay estimate and its submission to the contractor.
- The final date of charges for required material testing; or
- Completion date of the separation of contract cost by code type, location, etc., whichever is applicable to that portion of the construction engineering phase involved.
4. **Highway Planning** – The orderly and continuing assembly and analysis of information about highways, such as the history of highway development and their extent, dimensions and conditions, use, economic and social effects, costs, and future needs.

5. **Research and Development** – The search for more complete knowledge of the characteristics of the highway system and the translation of the results of research into practice.

6. **Administrative Settlement Costs-Contract Claims** – Services related to the review and defense of claims against federal aid projects.

7. **Miscellaneous Functions** – Costs incurred for other activities which are properly attributable to, and for the benefit of, federal aid projects but are not assignable to any of the previously defined functions.

8. **Construction Costs Other Than Contractor Payments**
   - Royalty expenses for material furnished by the local agency that are used by the contractor.
   - Temporary signs, traffic control labor, traffic control devices, and temporary illumination furnished by the local agency. The initial basic cost of traffic control devices purchased for use on the project is an authorized participating cost.
   - Work performed by local forces.

.52 **Standards for Selected Items of Costs** – The following are standards for determining the allowability of selected items of cost. In general, costs must be reasonable, necessary, and allocable to the specific project. The allowability of the selected items of cost is subject to the general policies and principles stated above.

1. **Salaries and Wages**
   a. Subject to appropriate authorization requirements, federal funds may participate in the cost of salaries, wages, and related payroll expenses incurred for periods of time public employees are actively engaged, either directly or indirectly, in project-related activities. Timekeeping procedures need to provide for allocating employees’ time to projects and/or other activities each day on an hourly basis. The timekeeping document, such as a time slip, time and attendance report, or time book, is the source document which must be available for examination by audit personnel to support direct labor costs claimed on any federal project. The document needs to be signed by both the employee and a responsible employee (supervisor) having knowledge that the time distribution is accurately reported.
   b. Salaries, wages, and related payroll expenses of a local agency for maintenance, general administration, supervision and other overhead are not eligible for reimbursement.
2. **Travel and Transportation**
   a. Federal funds may participate in the cost of commercial transportation, privately owned automobiles, and per diem or subsistence essential to the completion of the project and is performed in accordance with prescribed procedures.
   b. Reimbursement may be made for use of privately owned automobiles and per diem or subsistence incurred in conformance with the established reimbursement policy of the travel policy.

3. **Employee Leave and Holidays**
   a. A local agency may claim reimbursement for the costs of leave, e.g., annual, sick, military, jury, that is earned, accounted for, and used in accordance with established procedures. The cost of such leave must be a liability of the local agency, must be equitably distributed to all activities, and the pro rata costs distributed to a federal aid project must be representative of the amount that is earned and accrued while working on the project.
   b. Compensatory leave granted by a local agency in lieu of payment of overtime to eligible employees may be claimed for reimbursement if accrued and granted under established policies on a uniform basis. Such leave costs must meet the criteria discussed in paragraph (a) of this section.
   c. Costs for other leave of a similar nature which may be peculiar to a specific local agency may also be reimbursed provided it meets the criteria set forth in paragraph (a) of this section.

4. **Social Security, Retirement, and Other Payroll Benefits**
   a. Federal funds may participate in allocable costs incurred for social security, retirement, group insurance premiums, and similar items applicable to salaries and wages of public employees engaged in work in federal aid projects.
   b. The costs for such benefits must be a liability of the local agency and must meet the criteria set forth in paragraph 1 of c above.

5. **Utility Relocations, Adjustments, and Reimbursement** – Federal participation is subject to the provisions of 23 CFR part 645, subpart A.

6. **Reimbursement for Railroad Work** – Costs must be incurred per 23 CFR part 646, subpart B and will be reimbursed in accordance with 23 CFR part 140, subpart I.

7. **Other Costs Allowable Subject to FHWA's Approval** – Although some categories of expenditures are not mentioned specifically in Part 140, Reimbursement, of 23 CFR as eligible for federal participation, should the local agency wish to seek federal participation it is allowed to request approval from the FHWA prior to billing. The expenditures that relate to the federal aid project should be well identified through proper documentation.

8. **Other Unallowable Costs** – Other unallowable costs include those costs identified in 2 CFR Part 200.

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5 Appendix 23.77
23.6 Billing Reviews

Each year construction projects are selected for Billing Reviews. These reviews are conducted at the agency and include representatives of FHWA, WSDOT Local Programs, and the local agency. One or more progress bills for the selected project will be reviewed for compliance with documentation standards established in this manual, the Construction Manual, requirements of the contract documents, and as defined by FHWA. During a billing review, the agency must have all the required backup documentation necessary to support the invoice. The documentation must be available and filed in a way that is easy for the reviewers to locate.

At the conclusion of the review, a report is generated by FHWA and issued to WSDOT Local Programs. The report will include descriptions of the items reviewed, the backup documentation located in the files to support the payments, and a Supported or Unsupported finding for each item. Any unsupported payment findings are considered improper payments which may require corrective action and possible repayment of federal funds. Local Programs provides a copy of the report to the agency and identifies any findings.

23.7 Appendices

23.70 Vacant
23.71 Vacant
23.72 Local Programs Progress Billing – Instructions
23.73 Inactive Justification Examples
23.74 Vacant
23.75 Vacant
23.76 Local Programs Final Project Summary – Instructions
23.77 Local Programs Quick Reference Travel Guide

23.8 Forms

140-020 Progress Billing Checklist
140-554 Certificate of Indirect Costs
140-575 Local Programs Final Project Summary
140-576 Local Programs Progress Billing
Appendix 23.70  Vacant