



Georgia Department of Transportation

FINANCIAL MANAGEMENT CONSIDERATIONS AND INVOICE PROCEDURES OVERVIEW

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GDOT Financial Management Oversight Manual

GDOT developed an in-depth Financial Management and Oversight Policy Manual that:

Provides subrecipients with financial management compliance guidance

Provides tools for subrecipients to help achieve compliance



The Monthly CARES Act Invoice Process

- GDOT has developed a new monthly invoice for the CARES Act funding process that will:
 - Meet FTA subrecipient oversight requirements
 - Meet NTD reporting requirements
 - Allow for timely processing of invoices and payments



Accounting Requirements

- All subrecipients are required to establish and maintain an accounting system to which all transportation-related costs, revenues, and operating costs are recorded so that they may be clearly identified, easily traced and substantially documented. The fully allocated cost of the public transit program must be clearly identified regardless of the operational nature of the agency.
 - Established chart of accounts
 - Accrual accounting basis

Accounting

- Setting Up Your Financial Books and Accounting System
 - Organize your operating and capital expenses and revenues into a formal set of “accounts”
 - Enter the system’s expenses and revenues into the proper accounts
 - Use commonly accepted accounting policies and procedures

Accounting

- The Subrecipients Accounting System Must be Able to Segregate the Section 5307 and 5311 Programs from all Other Agency Programs.
- The Subrecipients Accounting System Must be Capable of Generating Revenue and Expense Reports Specific to the Section 5307 and 5311 Programs.

Receipt of 5307 and 5311 Funds

Recipients May Receive Funding Under the Formula Grants for Rural Areas (49 U.S.C. § 5311) and the Urbanized Area Formula Program (49 U.S.C. §5307)

- When an Entity Receives Funding Under Both Programs, It is Necessary to Allocate Eligible Costs to Both Programs
- Historically, FTA Has Provided Little Guidance on How to Do Such Allocations
- Requirement is Based on FTA Circular 9040.1G and NTD Manual

Background

- *“Because of the Wide Range of Circumstances Under Which an Operator May Provide Services in Both Urbanized and Rural Areas, FTA Expects the Subrecipient to Develop a Reasonable Basis Related to the Service Provided For Allocating Operating Costs Between the Two FTA Funding Sources”*
- The Subrecipient Should Also Apply This Procedure to “Joint” Capital Projects

Serve Rules

- A Transit System Serves Both Urban and Rural Areas as Its Primary Service Area
- FTA Has “Serve” Rules When a System Meets the Criteria That Dictates an Allocation of Expenses
 1. If 5311 Funding Is the Only FTA Funding Used to Support the Service, the Transit Agency Must Report All Federal Funding Data For the Service to the Rural Area

Serve Rules

2. If The Service Is Supported By 5311 Operating or Capital Funding and §5307 Capital Funding, the Transit Agency Must Report All Federal Funding Data For the Service to the Rural Area
3. If The Service Is Supported By 5311 Operating or Capital Funding and 5307 Operating Funding, the Transit Agency Must Allocate Federal Funding Data

Key Issues

- Key Issues in Urban/Rural Cost Allocation
 - Accounting Structure
 - Passenger Accounting
 - How Trips are Counted
 - Method (Preferably Service-Based) to Allocate Costs Between Urban and Rural Service

Accounting Structure

- Accounting Structure
 - Two Typical Scenarios
 - One Bucket
 - All Costs are Accumulated in One Transit Department Fund
 - **Recommended Scenario**
 - **Transit System Creates Modal Funds So That All Direct Costs are Recorded by:**
 - » **Mode 1**
 - » **Mode 2**
 - » **Shared Costs (Not Specific to Either Mode)**

Accounting Refresher

- 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," applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities.

Accounting Refresher

- Where an accumulation of indirect costs will ultimately result in charges to a Federal award, an indirect cost allocation plan is required.
- Amounts not recoverable as indirect costs or administrative costs under one Federal award may not be shifted to another Federal award, unless specifically authorized by Federal legislation or regulation.

Accounting Refresher

- Indirect cost rate proposals are prepared annually and submitted to the cognizant Federal agency, an agency designated by OMB as responsible for reviewing, negotiating, and approving indirect cost rate. In the absence of a designated cognizant agency, the Federal funding source providing the most significant amount of funding will typically serve as the cognizant agency.

Accounting Refresher

- Program Income is revenue generated directly or indirectly from grant-supported activities.
 - Contract Revenue from purchase of service contracts.
 - Sale of maintenance services.
 - Advertising revenue.
 - Lease/rent of transit facility office space

Accounting Refresher

- Program Income generated from POS from an FTA program cannot be used as match for another FTA program
 - Section 5310 POS revenue cannot be used to match the Section 5311 grant

Poll Question

- What purchase of service revenue may be used to match the 5307 or 5311 grant?
 - a) Health and human service transportation paid for by an agency using 5310 funds to pay for the service.
 - b) Health and human service transportation paid for by an agency using state funds

Answer: b – Federal transit funds are not eligible to match federal transit funds however other local, state and federal funds may be used to match FTA funds

Accounting Refresher

- Grantees may retain program income so long as it is used only for transit purposes:
 - Planning
 - Capital
 - Operating Expenses
- Program Income, except for purchase of transportation service for program purpose, may not be used to reduce the local share of the grant from which it was earned but may be used in future grants.

CARES ACT OVERVIEW

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$25 billion to transit agencies to help to prevent, prepare for and respond to the COVID-19 pandemic.
- CARES Act funding does not require matching funds.

CARES ACT OVERVIEW

- CARES Act funds are available for all operating activities (net fare revenues) that occur on or after January 20, 2020 are eligible.
- CARES Act funds are available for non-transit essential service on or after January 20, 2020 through January 20, 2021.
- <https://www.transit.dot.gov/frequently-asked-questions-fta-grantees-regarding-coronavirus-disease-2019-covid-19#>

CARES Act Non Transit Services

- Non transit essential services provided by the transit provider expenses must be:
 - Accounted for independent of transit expenses
 - Be justified with supporting documentation
 - Must not be paid for or eligible for payment by any other funding source
 - Must not be reported as a transit expense on NTD reports
 - Must be treated as a reconciling expense

The CARES Act Monthly Invoice



- DEMO OF NEW CARES INVOICE POINTING OUT THE CHANGES AND 150% Reserve Acct

Timely Submission of Invoices

- ◆ Timely submission of invoices to GDOT allows for timely review and payment to the subrecipient.
- ◆ Accrual accounting, required by FTA, allows the revenue and expense to be claimed for reimbursement at the time the revenue was earned and the expense incurred.

Questions?

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