



Georgia Department of Transportation

Transit Financial Management & Oversight Policy Manual

**Federal Transit Grant Administration
5311 and 5307 Public Transit Programs**



Table of Contents

Chapter One	5
Financial Management Oversight Basic Requirements	5
Purpose and Applicability	5
Financial Resources and Local Match Certification	5
Basic Requirements for Subrecipient Financial Management System and Oversight	6
Third Party Operator Contracts	10
Basis of Accounting - Accrual Accounting Guidelines	11
Reimbursement of Expenses to Subrecipients	11
Subrecipient 3-5-year Financial Plan	11
Chapter Two	12
Subrecipient Match Requirements and Types of Eligible Expenses	12
Overview	12
Subrecipient Reimbursement Percentages	12
Types of Eligible Expenses	13
1. Operating Expenses	13
2. Capital Expenses	14
3. Planning	15
4. Local Expense Share	15
Common Sources of Eligible Local Match	16
Unallowable Costs	17
Profit	17
Indirect Cost Rate Percentage or Cost Allocation Plan Process	18
Budget Revisions	18
Budget Supplementals	19
Insurance Proceeds	19

Chapter Three	21
Subrecipient Reimbursement Process & Contract Closeout	21
Overview	21
GDOT and Subrecipient Staff Technical Capacity	21
Invoicing Requirements	21
The Subrecipient Reimbursement Workbook	21
The Uniform System of Accounts (USOA)	22
Steps in the Subrecipients Reimbursement Process	23
The Importance of Monthly Reimbursement Submittals by Subrecipients	26
Submittal of Final Invoices and Contract Close-out	27
Risk Factors Triggering an Enhanced Review of Monthly Reimbursements	27
Random Reviews Performed as Oversight	28
GDOT Checking Peoplesoft for Reimbursement Status	28
Reimbursement of Capital Expenses	29
Overpayment or Underpayment of Small Equipment (5311 only)	29
Electronic Filing of Reimbursements	29
GDOT Perceptive Content	30
Chapter Four	32
Indirect Cost Allocation Rate Plans – ICRP	32
Overview	32
Definitions	32
Options Available to Subrecipients Seeking to Recover Indirect Costs	33
Option # 1: ICRP Approved by Subrecipient’s Cognizant Agency	34
Option # 2: ICRP Calculated and Submittal to GDOT for Approval	35
Option # 3: Declaring 10% De Minimis Rate of Modified Total Direct Costs	40
Determining Direct and Indirect Costs in a Transit Environment	42
Allocation of Shared Indirect Costs	43
Chapter Five	45
Program Revenue and Purchase of Service Guidelines	45
Overview	45
Definitions	45
Human Services Transportation Income	47

Other Sources of Local Match	48
Program Income in Excess of Needs for Local Match	48
GDOT Public Transit Program Reserve Policy Statement	50
Establishing a Transit Operating Reserve Account (TORP)	51
Chapter Six	54
Coronavirus Aid, Relief, and Economic Security (CARES) Act.....	54
Overview	54
Contract Supplemental Agreements issued to Subrecipients for CARES Act Funds.....	54
Subrecipient Contract Expiration and close-out	55
Local Match/State Match for Capital Items.....	55
Subrecipient Reimbursement Process and Percentages using CARES Act Funds	55
Amendment for Subrecipients with Third Party Operator (TPO) Contracts.....	55
CARES Act – Frequently Asked Questions.....	56
APPENDIX.....	57
List of Exhibits & Supporting Documents	57
References.....	58
Revision History.....	60

Chapter One

Financial Management Oversight Basic Requirements

Purpose and Applicability

The information contained herein outlines the requirements related to the financial management of funds awarded under the Federal Transit Administration's (FTA) Section 5311 Rural and 5307 Urban programs and must be implemented by applicable Georgia Department of Transportation (GDOT) subrecipients. As required by federal financial management principles, subrecipients must maintain effective control and accountability for all federal funds, property, and other assets. Subrecipients must ensure FTA funded assets are used solely for the originally authorized purpose upon which conditions the subrecipient contract was awarded.

As the recipient of these federal funds and the state agency designated to administer the funds for public transit activities, GDOT is also required to manage the fiscal elements of these programs in accordance with its existing procedures, FTA guidelines, and other applicable state and Federal regulations.

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.

This policy is applicable to Section 5311 and 5307 subrecipients in ensuring fiscal and programmatic accountability of federal, state, and local funds, and will outline the proper application of program income, local match, indirect costs, establishing a reserve, guidance in third-party operator processes, and define federal cost eligibility.

Financial Resources and Local Match Certification

Before GDOT awards any FTA funds in support of public transit under the Section 5311 or 5307 program, the authorized representative of the subrecipient must provide certain "Certifications and Assurances" as required by federal law. These certs and assurances are part of a complete

application package submitted by subrecipients annually to GDOT for review. By signing these “certifications and assurances”, the subrecipient agrees to comply with all rules and regulations in effect at the time funding is requested. An excerpt from Section 1 of the Assurances contains the following language which is agreed to by all subrecipients:

“As the duly authorized representative of the applicant, you certify that the applicant: has the legal authority to apply for Federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project cost) to ensure proper planning, management and completion of the project described in this application.”

Subrecipients, therefore, by signing these Certifications and Assurances annually, are committing to having adequate financial resources, including local match, to ensure the timely completion of the project proposed detailed within the application. (See [Exhibit # 1 in the Appendix for FTA’s Certifications and Assurances](#))

Basic Requirements for Subrecipient Financial Management System and Oversight

Subrecipient financial management procedures and internal controls must be in accordance with FTA Circular 5010.1E “Grant Management Requirements” and 2 CFR 200, commonly known as the “Super Circular”.

GDOT has developed a comprehensive checklist to assist subrecipients in determining if existing financial procedures and policies meet all federal requirements. (See [Exhibit # 2 in the Appendix](#)) A summary of the major components of a compliant financial management system are listed below:

- Establish the “Transit Program” as a separate Cost Center within their financial system;
- Ability to accurately identify and apply all expenses and revenues to the Transit Cost Center. These include federal awards, authorizations, obligations, unobligated balances, assets, liabilities, source of local match, expenditures, program income from incidental use, purchase of service contract revenues from DHS, DCH NEMT/Medicaid or other approved human service entity contract or subcontract, derived/earned from federally funded assets;

- List Federal awards received and expended for each cost center including:
 - The Federal program(s) under which awards were received,
 - The Catalog of Federal Domestic Assistance (CFDA) title and number,
 - Federal award identification number and year, and
 - Subrecipient/grantee name, and the name of the agency for which federal funds are being passed through to, (third-party operator), if applicable:
 - *(For example: FTA Section 5311 (CFDA 2509) GDOT Project # T00XXXX; 20XX Anywhere Regional Commission (pass through entity) to “ABC Company” Third-party operator);*
- Transparency in reflecting accurate, current, and complete disclosure of the financial results of each Federal award or program which is supported by source documentation;
- Demonstrate effective control and accountability for all funds, property, and other assets to adequately safeguard federal assets and ensure they are used solely for authorized purposes;
- Match all revenues derived from the federal program with related expenses for the same time period;
- Submit expenses based on the approved GDOT contracted budget and scope for each Federal project award;
- Have procedures governing “Advance” payment (when approved by GDOT) when drawing funds directly from the Treasury (§ 2 CFR 200.305) which is limited to the minimum amounts needed to carry out the purpose of the approved program or project (most commonly applicable to 5307 projects only). Advance payments must be limited to the minimum amounts needed by the subrecipient and be timed to cover the actual, immediate cash requirements in carrying out the grant program. Advance payments must be deposited and maintained in insured accounts whenever possible;
- Subrecipients must strive to make timely submission of expenses to GDOT (within 30 days of end of prior month);
- Subrecipients must make prompt payment to third-party operators/contractors within 30 days of receipt of payment by GDOT, in accordance with the federal regulations. (Exceptions may be made if the federal agency, or pass-through entity reasonably

believes the request for reimbursement to be improper, or for extenuating circumstances such as a government shutdown);

- Ensure consistent treatment of costs charged to the transit program (for example: if a cost is assigned as a direct cost, it cannot also be treated as an indirect cost);
- Ensure personnel have the necessary technical capacity, are properly qualified for their assigned responsibilities, and are held fully accountable for the same;
- Subrecipients must review staff functions to reduce the opportunity for unauthorized or fraudulent acts and establish sufficient segregation of duties;
- Subrecipients must be able to trace and track direct expenditures associated with the federal program back to source documentation that is supported by cancelled checks, general ledger entries, paid invoices, payrolls, time and attendance records, contract documents, etc.;
- Subrecipients with a current and approved indirect cost plan from their cognizant agency who also directly operate the transit system (in-house and not through use of a third-party operator), should submit the approved ICRP to GDOT. Should the ICRP be expired or the basis for the ICRP changed, an updated ICRP must be approved by the agencies' cognizant agency;
- Subrecipients receiving less than \$ 35 million in federal grants who have never established an ICRP, may choose to use the simplified 10% "de-minimis" cost allocation method for indirect costs. The de minimis cost allocation method does not require any documentation or approvals;
- Subrecipients without an approved ICRP from a cognizant agency may choose to develop a cost allocation plan, identifying agency-wide indirect costs. The document identifies, accumulates and allocates the agency-wide indirect costs to each cost center, such as a Transit Cost Center. The cost allocation plan must be submitted to GDOT for review and approval prior to adding these costs to a reimbursement request;
- Subrecipients may also elect not to seek reimbursement of any indirect costs associated with the transit program;
- Provide timely reports of all financially assisted activities in accordance with the financial reporting requirements and the subrecipient agreement with GDOT. For

example, submission of the single audit report when meeting the reporting threshold of \$ 750,000 annually in federal funding;

- Monitor and compare actual expenditures to project budget to ensure no cost overruns;
- Provide oversight of Third-party operators (TPO) to ensure financial information and requests for reimbursement conforms to the established third-party contracted rate performance and productivity data, other terms of third-party contract, and is supported with source documentation of data and expenses;
- When enlisting a third-party operator, the subrecipient must review the third-party operator's basis for the development of the proposed unit cost. A TPO will include the indirect costs in their contracted rate. If a cost reimbursement basis is used by the TPO, the basis for an ICRP must be determined with verified or audited documentation of the TPO delivering the transit service;
- When a subrecipient contracts with a TPO for delivery of transit services, the subrecipient can only charge indirect costs against the federal grant applicable to their administrative costs, since the operations is not being conducted in-house by the subrecipient. The subrecipient must then have formal approval of any indirect costs, or administrative fees to be charged to the federal grant;
- Ensure expenses charged to the federal project include only eligible costs as outlined in the Office of Management and Budget (OMB) cost principles and applicable FTA program regulations;
- Ensure expenses are consistent with the approved project budget, and are necessary and reasonable for proper and efficient performance or administration of the transit program;
- Subrecipient expenses charged against an FTA grant must have been incurred within the GDOT contract award periods;
- Expenses must be given consistent treatment by the local government in terms of classification (*e.g.*, an indirect cost under one Federal grant is considered an indirect cost under all Federal grants received by the governmental unit);
- Follow generally-accepted accounting principles (GAAP);
- Ensure eligibility of local match source as defined by FTA requirements;

- Ensure availability of local match funding;
- Ensure payment requests are the net of all applicable credits (i.e. warranty claims, rebates, overpayments, etc.); and
- Ensure no expenses are duplicated and charged to more than one grant source (no double dipping).

Third Party Operator Contracts

Subrecipients contracting with third-party operators will negotiate unit rates, inclusive of all associated costs; TPOs will request reimbursement for services using these unit rates, Any profit percentage or indirect cost rate of a “for-profit” TPO must be included in the negotiated unit rate and must be stated in the corresponding contract between the TPO and the “pass-through” entity.

Subrecipients are encouraged to use GDOT approved templates included in the Appendix:

- ***Third Party Operator Request for Proposal (RFP)- [Exhibit 3A](#),***
- ***Third Party Operator Rate Budget Worksheet RFP – Excel Document - [Exhibit 3B](#), and***
- ***Third Party Operator Contract Template - [Exhibit 3C](#).***

This process should be initiated well in advance of any existing TPO contract expirations. GDOT recommends six months prior to expiration of current fiscal year. For more information on how to distribute costs when contracting for operations, please see AASHTO Audit Guide which provided direction on audits and allocation procedures for FTA grants.

See: <https://store.transportation.org/Page/PDFDownloadUserGuide> or

<https://www.bpmcpa.com/News-Events/100004/AASHTO-Uniform-Audit-Accounting-Guide-2016-Edition>

NOTE: There may be instances, such as the COVID-19 pandemic and resulting CARES Act funds, that require Subrecipients utilizing TPOs to amend contracts to allow for reimbursement of FTA-approved fixed expenses. In these situations, GDOT will provide instructions and/or tools to assist, including updated information on Allowable Costs. A fixed expense amendment is intended to allow for reimbursement of specifically identified fixed costs that are separate from the costs to operate service. TPOs continue to bill subrecipients for all provided service using the established unit rates.

Basis of Accounting - Accrual Accounting Guidelines

Consistent with FTA Circular 9040.1G and 9030.1F, GDOT requires all 5311 and 5307 systems to use the accrual basis of accounting for their “Transit Cost Center” when filing monthly reimbursement forms. Subrecipients may choose cash, modified cash, or an accrual accounting system. However, the accrual accounting system is the preferred and most accurate of the three financial reporting methods as it recognizes transit cost center transactions for revenue when earned and expenses when incurred.

Reimbursement of Expenses to Subrecipients

All costs submitted must be in accordance with 2 CFR § 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Super Circular*. Subrecipients must submit their requests for reimbursements with clear, convincing, and reliable documentation. GDOT requires all subrecipients to align program activities/expenses to the FTA Chart of Accounts and include the general ledger entries for the time period reimbursement is requested. The subrecipient’s general ledger should clearly pertain to the expenses entered on the monthly reimbursement form.

Subrecipient 3-5-year Financial Plan

Subrecipients are encouraged to develop a 3-5-year financial plan for their transit system in order to:

1. Consider all federal and local funds including bond revenues or TSPLOST funds used for transit projects in order to maintain an adequate level of funding to meet the transit system needs.
2. To plan for any “sunset provisions” for legislation dates that would eliminate a current state or local funding source.

Chapter Two

Subrecipient Match Requirements and Types of Eligible Expenses

Overview

This chapter provides the subrecipient with an understanding of the types of expenses eligible for reimbursement under FTA's Section 5311 and 5307 programs as well as the federal, state and local reimbursement percentages for each type of expense. This chapter also provides guidance on budget revisions, budget supplementals and insurance proceeds.

Subrecipient Reimbursement Percentages

Federal funding may be used to pay for a predetermined percentage of the expense, depending on the expense type. The remainder of the expense must be paid by the subrecipient as "local share or match" to the project. The following table reflects the GDOT predetermined reimbursement rates for each expense type.

Expense Type	Federal	State	Local
Administrative	50%	0%	50%
Operating	50%	0%	50%
Capital	80%	10% **	10%

** GDOT's ability to provide a 10% match for capital items is contingent upon the amount of state funds appropriated annually.

Invoices for expense types listed above must be submitted using GDOT's standard invoice form template as determined annually. While submittal of a request for reimbursement of capital expenses may not occur monthly, subrecipients are required to submit a monthly invoice for reimbursement of operational expenses incurred in providing public transit service. Monthly reimbursements to subrecipients allows GDOT to drawdown grant funds monthly. GDOT is required to utilize awarded federal grant funds in accordance with the FTA's terms and conditions at the time of grant award. Failure to utilize federal funds in a timely manner may result in the de-

obligation of funds.

Types of Eligible Expenses

Monthly operating expenses are classified as administrative and operations. Subrecipients may submit a request for reimbursement of capital expenses throughout the year. Below is a breakdown of eligible expenses by category:

1. Operating Expenses

Subrecipient administrative expenses are treated as part of the operating budget and eligible for reimbursement at 50%. Understanding the treatment of operating expenses, farebox revenue, purchase of service revenue and excess purchase of revenue is critical to successful operation of a public transit system. GDOT's budget template and reimbursement form break down eligible operating costs into two categories: administrative and operating. These expenses must be justified and well documented. Each category of operating expenses is more clearly defined below:

Administrative:

- Labor Transit Manager/Director, Supervisor, Bookkeeper, Administrative Asst;
- Fringes FICA, Medicare, insurance, retirement, workers compensation, etc.;
- Supplies Office Supplies, etc.;
- Services Janitorial, legal, accountant, printing, computer support, payroll, advertising, office equipment lease or rental, facility rental or leases, drug & alcohol compliance;
- Utilities Electricity, gas, water, sewer, telephone, pest control, phones;
- Insurance Liability, property, etc.;
- Taxes Property taxes, vehicle taxes, etc.;
- Miscellaneous Travel and training; dues/subscriptions postage, etc.;
- Indirect Costs Requires submittal of certification for applicable ICRP.

Operating:

- Labor Drivers, dispatchers, mechanics;
- Fringes FICA, Medicare, insurance, retirement, Workers compensation, etc.;
- Contracts Third-party-operator (TPO);

- Supplies Vehicle parts & supplies, safety supplies, fire extinguishers, etc.;
- Services Temporary help, vehicle maintenance repair, equipment rental, etc.;
- Fuel Gas, Oil;
- Tires Tires, Tubes, etc.;
- Taxes Property taxes, fuel tax, etc.; and
- Miscellaneous Driver training.

2. Capital Expenses

The Federal share for capital projects may not exceed eighty percent (80%) of the net project cost. The net project cost is defined as that portion of the project that cannot be reasonably financed from the subrecipient's revenues. In addition to the Federal share, GDOT may provide up to ten percent (10%) of the capital cost from State funds. State match is dependent on state funds appropriated to the Transit Program each year. Required local funding for the capital acquisition must be at a minimum ten percent (10%) of the costs. Local participation could be greater depending upon the availability of State and Federal funds.

Below is a listing of eligible capital costs:

- Vehicles - Buses, vans or other paratransit vehicles for revenue service;
- Vehicles - Used for administrative use in support of operations;
- Vehicle rehabilitation or overhaul:
 - Requires re-approval by GDOT Transit Project Manager;
- Shop equipment (tools, air compressors, etc.);
- Spare Parts;
- Wheelchair lifts and restraints;
- Extended warranties which do not exceed industry standards;
- Radios and communications equipment;
- Surveillance / Security equipment;
- Transit related intelligent transportation systems;
- Operational support such as computer hardware or software;
- Fare collection equipment, including stationary and mobile equipment;
- Software Licenses;

- Capital portions of costs for service under a contract;
- Rehabilitation and/or construction of passenger shelters, bus stop signs, or other types of public transit facilities;
- Construction of or improvements to park-and-ride lots where such facilities are utilized for public transportation or ridesharing modes that provide some form of eligible public transportation;
- Joint development projects as outlined in FTA Circular 9300.1B;
- Facilities to provide access for bicycles to transit facilities;
- Equipment for transporting bicycles to transit facilities;
- Mobility Management activities may include:
 - Job Access Reverse Commute projects funded under the former Section 5316 program. A JARC project is defined as “a transportation project to finance planning, capital and operating costs that support the development and maintenance of transportation services designed to transfer welfare recipients and eligible low-income individuals to and from jobs and activities related to their employment, including transportation projects that facilitate the provision of public transportation services from urbanized areas and rural areas to suburban employment locations; and

3. Planning

The Federal share for eligible transit planning projects may not exceed eighty percent (80%) of the project cost. Subrecipients should discuss any proposed planning activities with the assigned GDOT Project Manager in advance.

4. Local Expense Share

Annually, within the application, the subrecipient must indicate the source of their local match commitment to ensure it meets eligibility as FTA local match. The subrecipient must certify that the local match committed to the grant is not derived from FTA funds. GDOT will include this certification in the 5311 and 5307 program applications.

The operating local match source must be certified by the subrecipient each month when submitting their reimbursement form. The source of local match may not be used to match more than one grant or project when there is excess local match. Excess local match must be reported monthly on the GDOT reimbursement form. GDOT does not allow in-kind match.

Only eligible expenses outlined in the Super Circular, Office of Management and Budget (OMB) Uniform Guidance Subpart E – Cost principles, may be used in determining project costs. Sources for local matching funds include, but may not be limited to:

- Revenue from local appropriations,
- Dedicated tax revenues,
- Private donations,
- Net income from advertising,
- Concessions, and
- Amounts received under a service agreement with a state or local social service agency or undistributed cash surplus such as excess POS revenue.

Common Sources of Eligible Local Match

- Dedicated match which is specified in the county or non-federal entity (NFE) budget;
- Non-FTA share of program income, such as Purchase of Service contracts through the Department of Human Services:
 - NOTE: DHS ineligible local match sources are: FTA 5310, 5316 JARC and 5317 New Freedom funds;
- Medicaid contract revenues;
- Advertising revenues earned in current year may be used as local match;
- Dedicated tax source, such as “Transit Special Local Sales Tax” (TSPLOST);
- Monetary donations to the transit system; and
- Incidental Income is defined as revenues derived from “incidental use” of an FTA facility or FTA rolling stock asset such as rents, meals on wheels program, or other sources that have been approved by GDOT:
 - The subrecipient must complete an FTA incidental use form and submit for review and approval by FTA and GDOT, and

- The FTA Incidental Use form should be requested from your GDOT 5311 Program Manager or 5307 Transit Project manager. See the Appendix, [Exhibit 10](#), Incidental Use Request Form.

Unallowable Costs

The following types of expenses in the bulleted list below are **not eligible for reimbursement** under the § 49 U.S.C. Section 5307, 5311 or 5339 programs.

- Entertainment;
- Fines and penalties;
- Charitable donations;
- Interest expense on long-term borrowing and debt retirement;
- Federal, State and local income taxes;
- Indirect costs associated with transit-related functions or activities of regional or local subrecipients performed as a normal consequence of general public administration (e.g. expenses of a City Council or County Commission in considering transit matters);
- Depreciation accrued by transit operators for facilities or equipment purchased with Federal, State, or local capital assistance;
- Depreciation of an intangible asset and/or depreciation in excess of the rate otherwise used for income purposes;
- Expense for contingencies or capital assistance including contributions to a capital reserve account or fund;
- Gift cards, unless directly connected to an established safety plan. Gift cards are considered cash. Gift cards issued for any reason must be considered taxable income;
- Food items such as turkeys or hams;
- Bereavement or, get-well flowers;
- Food purchases for staff, birthday cakes, coffee, creamer, etc. (outside of eligible expenses incurred during travel); and
- Other similar items.

Profit

Profit as a separate line item is not an allowable expense. Subrecipients with TPO's must negotiate

a unit rate, such as per hour, per one-way trip, per mile, etc. where the cost rate includes profit. The rate established must be based on the TPO's verified cost of operations data.

Indirect Cost Rate Percentage or Cost Allocation Plan Process

GDOT must review and approve, when applicable, all Cost Allocation Plans for indirect costs as determined by the subrecipient or authorizing agency. (See Chapter Four for more information on the reimbursement of indirect costs)

Budget Revisions

All budget revisions must receive prior, written approval from GDOT. A budget revision allows adjustments to certain budget line items as a result of unforeseen expenses or operational changes. All budget revisions must balance back to the approved budget reflected in the GDOT Contract. A budget revision does not provide any additional federal or state funds.

All line item budget revisions must be formally requested by the subrecipient in writing and signed by an authorized representative detailing the proposed budget re-alignment. The proposed budget revision is submitted to the assigned Transit Project Manager (TPM) using the approved GDOT budget revision form contained within the Subrecipient Reimbursement Workbook. Once the budget revision is reviewed by TPM, it is submitted for review to the Assistant Program Delivery Manager with final review and approval by the Program Delivery Manager.

A budget revision does not increase or decrease the original award amount and can be adjusted internally without affecting the executed contract agreement. Budget revisions must be consistent with the activities contained in an approved Statewide Transportation Improvement Program (STIP) and satisfy applicable National Environmental Policy Act (NEPA) requirements and do not rise to the level of a cardinal change. 5307 budget revisions can be made when there are no changes in the recipients/subrecipient's purpose, scope codes and federal funding of the grant.

Budget Supplementals

The subrecipient should carefully prepare the proposed annual budget in accordance with federal financial requirements and in line with historical expenses. Subrecipients should not inflate the annual request beyond operational needs. Any request for increased funds in an amount greater than the prior year award must be justifiable based on demonstrated need.

Budget supplementals are a request for additional federal dollars due to a justifiable shortfall of the federal award amount. Budget supplementals must be formally requested and sent to your Transit Project Manager. Requests for amendments must be justified and submitted no later than March 1, annually. Each request will be reviewed based on a demonstrated need for increased funding above that approved in the annual budget and contained within the "Program of Projects". Requests for budget supplementals may or may not be approved based on the availability of federal funds and the subrecipient's justification of need. Depending upon the amount requested, these requests may be reviewed by multiple transit staff, including the Transit Project Manager, Assistant Program Delivery Manager, Program Delivery Manager, Grants & Contracts Manager and the GDOT State Transit Program Manager.

Insurance Proceeds

Insurance proceeds received from claims related to FTA property must be applied to replace the damaged or destroyed property if useful life remained. If the property was not within the useful life period or the subrecipient does not need to replace the federal property, the insurance proceeds must be returned to GDOT (less the subrecipient deductible) in an amount equal to the remaining federal interest, if any. Subrecipients must show this as a credit amount in the corresponding USOA code on the Monthly Reimbursement Form.

When the useful life has been met, GDOT will retain the proceeds for reinvestment into the GDOT Transit program and reimburse the subrecipient's original 10% local share. Any deductible paid by the subrecipient will be returned to the subrecipient, if useful life has been met. This will eliminate the need for the subrecipient to expense the deductible on the reimbursement form. This will be accomplished through the internal process established in the Fleet/Asset Management procedures.

When assets are within useful life and are being replaced, GDOT will use the insurance proceeds received (as lien holder) for replacement cost including the subrecipient's original 10% local share and apply to the replacement cost. While rare, any proceeds in excess of replacement cost must be retained in a dedicated Transit Enterprise Fund and reinvested into a transit project or returned to GDOT.

5307 systems must use the above guidance when processing insurance proceeds from claims and should maintain these insurance proceeds for reinvestment or replacement costs of the damaged federal asset.

Chapter Three

Subrecipient Reimbursement Process & Contract Closeout

Overview

The procedures outlined in this chapter provide the subrecipient with an understanding of the invoicing requirements and the account structure that must be followed in order to successfully submit reimbursements to GDOT for payment of approved FTA funded projects. The chapter also outlines the process for contract close-out following the submission of final invoices.

GDOT and Subrecipient Staff Technical Capacity

GDOT will ensure that staff and subrecipients are adequately trained in the completion, review and processing of monthly 5311 and 5307 operational invoices in order to meet technical capacity requirements of the FTA. Each subrecipient must ensure they have proper staff in place with the technical capacity to achieve this.

Invoicing Requirements

All invoices must have a unique invoice number, name and address of the subrecipient, and GDOT Project number. The invoice must clearly state the time period for which the reimbursement is being requested. All requests for reimbursement should be submitted in a timely manner to GDOT or within thirty (30) days following the end of the prior month period. Invoices submitted must be verified with supporting documentation substantiating the payment request along with the general ledger used within the subrecipient's financial system.

The Subrecipient Reimbursement Workbook

The GDOT Invoice is a formatted excel document comprised of numerous worksheet tabs including:

- GDOT reviewer Instructions,
- Subrecipient Instructions,
- Revenue Definitions,

- Expense Definitions,
- Cost Allowability,
- Accounting Crosswalk,
- Subrecipient Reimbursement Request (SRR),
- Detail of Monthly Expense and Revenue (by month and year),
- Invoice Summary,
- Annual Operating Budget, and
- Budget Revision Request.

An example of the subrecipient reimbursement workbook is included in the Appendix as [Exhibit 4A](#). Subrecipients are encouraged to review each tab of the workbook to understand the overall process and refer to the applicable worksheets in preparing the monthly reimbursement.

The Uniform System of Accounts (USOA)

The Uniform System of Accounts (USOA) is the accounting structure required by the Federal Transit Administration to accumulate public transportation financial and operating information. The uniform reporting system provides information to assist government in making public sector investment decision. The Subrecipient Reimbursement Workbook uses accounting codes from the USOA to record revenue and expenses.

Subrecipient are encouraged to review the tabs labeled “Revenue Definitions, Expense Definitions, Cost Allowability and Accounting Crosswalk” to better understand the relationship between the USOA codes and the subrecipient’s financial system chart of accounts.

The list of applicable USOA codes is contained in the Subrecipient Reimbursement Workbook under a tab named “Accounting Crosswalk”. A detailed explanation of each type of expense is contained in the Appendix and labeled as [Exhibit 4B](#), USOA Expense Codes.

Steps in the Subrecipients Reimbursement Process

1. The subrecipient must establish a “Transit Cost Center” to isolate costs incurred by the FTA federally funded transit program.
2. At the beginning of each state fiscal year, the Transit Project Manager (TPM) will enter the approved subrecipient budget amounts into the “Annual Operating Budget” for the associated USOA Line Items to populate the subrecipient base budget for the fiscal year.
3. The Transit Project Manager will email the populated reimbursement workbook to the subrecipient. The budget and formula cells are password protected and must not be changed. GDOT’s Excel document should not be duplicated by the subrecipient.
4. At the end of each month, the subrecipient’s assigned personnel will complete the GDOT reimbursement form using the subrecipient general ledger (county, city, regional commission, or private non-profit entity) using data from the “5311 or 5307 Transit” cost center.
5. The general ledger should be cross-referenced to the USOA line item numbers by category to ensure staff of both the subrecipient and GDOT are able to line up the transit costs for ease of review.
6. The subrecipient will enter all expenses on the appropriate USOA Line item directly from the general ledger.
7. The subrecipient will enter all revenues into the appropriate months tab in the Subrecipient Reimbursement Workbook. All program income derived from the FTA funded GDOT contract must be reported in entirety. The USOA Revenue categories generally used are listed below:

<u>USOA Code</u>	<u>Description</u>
4110	Farebox
4200	Contract Revenue (Purchase of Service) Non -Federal Source
4200.1	Non-eligible Contract Revenue (for example: POS derived from a Federal Source, i.e. 5310, 5316, 5317)
4140	Incidental Charter Service (all requests for Charter must have pre-approval by GDOT)
4130	Advertising Revenue
4150	Contract Maintenance Revenue (i.e.; outsourcing of a maintenance facility) revenues must be placed in Transit Enterprise Fund and used in future year awards toward transit re-investment
4150	Investment Income

4300	Local Tax as Levied
4300	Other Federal Cash Grant
4150	Other Revenue
4610	Contributed Services

8. A listing of all eligible transit expense Only “Transit” related costs should be entered on the GDOT reimbursement form (both eligible and ineligible based on federal financial management guidelines). The subrecipient must include transit expenses that are not eligible for reimbursement under federal grant procedures. These amounts must also be supported by the subrecipient’s general ledger. Ineligible transit amounts that represent other cost centers of the entity (other than “Transit”) must not be entered in the “ineligible” column for transit in order to “balance” the subrecipient general ledger. The general ledger must be isolated to show only costs for the Transit Cost Center (eligible and ineligible costs attributed to the Transit Program). Subrecipients are encouraged to highlight expenditures and notate the corresponding USOA if the accounting system utilized does not break the costs out to show this level of detail.
9. Subrecipients with an approved Indirect Cost Rate Plan (approved by the cognizant agency or by GDOT) should enter the administrative indirect costs charged monthly under the 5090 Administration – Miscellaneous Expense on line 335 of the Monthly Reimbursement Form. For more information on how to report Indirect Costs, please see Chapter Four.
10. Local match must only include eligible sources of FTA match as stated in Chapter Two, 9030.1F, 9040.1G and 5010.1E “Award Management Requirements”. The subrecipient must certify and ensure local match used is from an eligible FTA match source.
11. When a subrecipient or third-party operator have a contract with DHS or Medicaid for purchase of service “program income”, all revenues earned by the subrecipient or TPO organization must be recorded in the county from which the revenues were derived. Eligible revenues may be used for local match to meet the subrecipient match requirement, but the following guidance must be applied to ensure transparency and compliance with GDOT’s Financial Policy.
 - a. Subrecipients serving a regional area must report all revenues earned by the transit system without arbitrarily dispersing revenues earned among multiple counties. All subrecipients receiving FTA 5311 or 5307 funds which are then passed through to a

TPO as per a contractual agreement, must ensure the TPO allocates the revenues to the county where earned. All revenues earned or derived from the use of assets funded with federal funds must be reported. The revenues earned, if eligible, may be used as local match with all remaining revenues for that month placed in a reserve account. However, revenues placed in a reserve account must be noted on the reimbursement form in the 'Invoice Summary' worksheet section under the 'Reconciliation Section' up to the maximum allowable and approved by GDOT. In the event the revenues exceed the maximum reserve amount allowed by GDOT, the remaining revenues must be deducted from the net operating deficit for that month. The subrecipient is only allowed to maintain the reserve account for to the maximum amount allowed by GDOT.

- b. All subrecipients employing a TPO to provide operational services must review the costs of the TPO each month and request supporting documentation. The TPO must report, to the subrecipient, all revenues earned (farebox and Purchase of Service) and be able to accurately and transparently account for all revenues earned using federal assets since the TPO receives federal funds through the subrecipient (pass-through entity - i.e. a county, regional commission, or private non-profit). This also applies when the Private for-profit directly holds the DHS or Medicaid Contract and pays staff or operational costs with federal FTA dollars.
- c. A Regional Commission may pass through funds from a DHS purchase- of- service contract to a for-profit entity for operations where the for-profit entity is also under contract with a 5311 subrecipient as a third-party operator. Should the third-party operator, operating as a for-profit entity, utilize an FTA 5311 or 5307 asset to deliver transit services, the TPO must fully divulge all revenues produced using the federal asset(s) and report this to the 5311 or 5307 subrecipient entity monthly for purposes of reimbursement requests. Full transparency of all program income derived using federal assets is required, in lieu of reporting only the amount needed for match. Excess program income must be fully reported to the subrecipient and to GDOT.

12. Once all entries have been verified and entered from the subrecipient's general ledger, the subrecipient should carefully review the general ledger to insure all transit costs have been

correctly entered in the appropriate USOA Line and email the reimbursement request to the Transit Project Manager.

13. The Transit Project Manager will review the reimbursement request for accuracy and completeness followed by completion of the “Internal Monthly Invoice Review Report”. The Monthly Invoice Review Report is the first tab in the Subrecipient Reimbursement Workbook. It should be completed, printed, signed and dated. The reimbursement request and the completed invoice review form are submitted for review and approval. A copy of the Internal Monthly Invoice Review Report Form is included in the Appendix and labeled as [Exhibit 5A](#).
14. If discrepancies are noted, the Transit Project Manager should complete the “Internal Monthly Invoice Discrepancy Report” and sent back to the subrecipient by email for correction within 5 business days of receipt. A copy of the discrepancy report form is included in the Appendix and labeled as [Exhibit 5B](#).
15. The Transit Project Manager will follow up with the subrecipient to ensure payments are not delayed and that the corrected invoice is returned with corrections made within 5 business days for final review and processing by GDOT.
16. The Reimbursement form, general ledger and invoice checklist are sent to the Transit Project Manager for review and processing for reimbursement of expenses.
17. The submitted Reimbursement form will be reviewed in entirety by the Transit Project Manager immediately upon receipt or within two working days of receipt of reimbursement request.

The Importance of Monthly Reimbursement Submittals by Subrecipients

FTA monitors GDOT’s drawdown of federal funds not less than quarterly and may request an explanation when the percentage rate of drawdown for a grant is below an acceptable burn rate. GDOT’s ability to drawdown FTA grant funds monthly is contingent upon the receipt and payment of monthly subrecipient reimbursement requests. Transit Project Managers are directed to monitor subrecipients to ensure monthly reimbursement requests are submitted for the cost of transit operations.

Subrecipients who have not submitted a reimbursement within the last 60 days of the month-end billing cycle will be contacted by the TPM. The TPM will provide an update to the assigned Assistant Program Delivery Manager and/or Program Delivery Manager. The subrecipient will also receive a letter outlining GDOT's concerns and a request to submit all past due reimbursement requests. An example of this written notification is included in the Appendix labeled as [Exhibit 5C](#), Request for Outstanding Reimbursement Invoice.

Submittal of Final Invoices and Contract Close-out

1. Subrecipients should submit the final invoice within 90 days of contract expiration. The invoice should be marked "FINAL" on the invoice coversheet of the Subrecipient Reimbursement Request (SRR). Any final requests for payment beyond the 90 days may, at the discretion of GDOT, be denied.
2. The contract, identified as a project number, will be closed out when the A1 (Operating Costs), A2 (Rolling Stock) and A3 (Small Equipment) have all been submitted. If funds under the operating portion of the project have been expended, the project will remain open until the small equipment (if any) and rolling stock (vehicle) purchases have been delivered, invoiced and the final reimbursement received by the subrecipient.
3. The internal tracking sheet used by GDOT staff will be updated monthly for project close-outs. This tracking sheet will be reviewed weekly by the Program Delivery Manager to monitor the status of open contracts and outstanding invoices of subrecipients.
4. The Transit Project Manager is responsible for assigned subrecipient's deliverables pertaining to the GDOT contract and internal standard operating procedures.

Risk Factors Triggering an Enhanced Review of Monthly Reimbursements

A detailed review of subrecipient reimbursements may be triggered by repeat errors or incomplete submittals as outlined below:

- Subrecipients with repeat discrepancies may be subject to a 100% review for any invoice in question. In addition, GDOT may randomly select any set of reimbursements at any time for audit review and

- Other Risk Factors for Enhanced Review:
 - Errors in invoice,
 - Risk Assessment reviews,
 - Turn-over of local level staff,
 - Demonstration of a lack of technical capacity,
 - Third-Party Operator complexity or multiple contractor layers, and
 - For-Profit providers (Third-party Operators) missing documentation.

Random Reviews Performed as Oversight

GDOT reserves the right to conduct an in-depth review of random subrecipient reimbursements to ensure accuracy, completeness and compliance with program regulations as outlined below:

- GDOT Transit Project Manager or any final reviewers may randomly audit subrecipient reimbursements throughout the year and may request supporting documentation for general ledger entries to verify expenses charged and
- Random Selection Quality Assurance: Each month, GDOT will randomly select one or more subrecipient invoices from each district for quality assurance review, as determined by the Transit Project Manager, or Program Delivery Manager. Supporting documentation will be requested for one or more USOA accounting categories for each selected invoice and supporting documentation will be reviewed for accuracy in posting and cost allowability, in relationship to the general ledger.

GDOT Checking Peoplesoft for Reimbursement Status

The Transit Project Manager may be asked to check the status of any outstanding subrecipient reimbursements or to determine project balances. The Grants Administrator in the Office of General Accounting will set up Peoplesoft permissions and authorize the user access for Peoplesoft.

Reimbursement of Capital Expenses

Subrecipients under the 5311 and 5307 programs submit requests for reimbursement of capital items by completing the Subrecipient Reimbursement Request (SRR) accompanied by a copy of the paid invoice and any other supporting documentation as may be requested by the Department.

A copy of the SRR is included in the Appendix and labeled as [Exhibit 6](#), Small Capital SRR.

Overpayment or Underpayment of Small Equipment (5311 only)

1. In the event an underpayment is noted for the subrecipient share of local match for equipment, an invoice will be sent electronically to the subrecipient requesting a check or electronic payment in the amount of the underpayment be submitted.
2. In the event an overpayment is made by a 5311 subrecipient for small equipment (10% local share), reimbursement of the overpayment must be requested by the subrecipient by submitting a Subrecipient Reimbursement Request (SRR) form with the amount of overpayment showing as a negative amount. This request should include the paid invoice for the small equipment and any other supporting documentation that may be requested by the Department.
3. Copies of the transaction will be made and filed electronically by the Project Manager in the same manner that all reimbursement electronic copies are kept.
4. The Transit Contract Specialist will notate the tracking sheet and then place the request in the Program Delivery Manager's in-box for signature.
5. The Program Delivery Manager will then route the overpayment/underpayment to the Fiscal Services Department.

Electronic Filing of Reimbursements

All 5311 and 5307 reimbursement files will be maintained on ProjectWise or PT Common as directed by the Program Delivery Manager and filed by fiscal year. At a minimum the files will include:

District Folders

For each fiscal year, 5311 district folders and 5307 TP folders will be set up with three sub-folders to upload and track subrecipient reimbursement activity.

- **Submitted:** The Project Manager will place all reimbursement requests into this folder which will serve as an inbox for reimbursements. Files will not be moved from this folder until they are being processed by the Transit Contract Specialist
- **Received:** Once the designated staff prints, notates tracking sheet and sends the invoice to the Program Delivery Manager for review and signature the Transit Contract Specialist will then move the invoice from Submitted folder to Received folder.
- **Returned:** Any reimbursement forms requiring correction will be placed in the Returned folder by the Transit Contract Specialist and the Transit Project Manager will be notified of needed corrections. After the revised copy is received and approved by the Transit Project Manager, they will place the corrected reimbursement into the Submitted folder and note within the file name “REVISED” so the revised copy can be distinguished from the original submittal.

GDOT Perceptive Content

Following a review to determine the reimbursement request is complete, the Transit Contract Specialist will scan and save in the applicable “Received” folder.

The Transit Contract Specialist should save the approved invoice in the “Received” folder, and email the invoice to the following Perceptive Content email address: intermodalinvoices@dot.ga.gov.

The invoice will be managed, approved, and paid via the Perceptive Content system. The approving Division Director (and/or Assistant Division Director) will receive an email with a link to the Perceptive App and will view and approve the invoice accordingly.

Any issues regarding the invoice will be communicated from General Accounting to the specified Coder in the Transit Program and the Transit Contract Specialist. The Contract Specialist is expected to follow-up with the appropriate Project Manager concerning invoice issues within 3

business days. The status of any invoice can be determined by any Transit Program employee by logging into Perceptive Experience web-based portal.

Once in the Perceptive Experience web-based portal, navigate to invoice by selecting the “Documents” link. Under the “Document Views” heading, select “Invoice Number” and enter the desired number.

After approval in Perceptive Content, the invoice is uploaded into PeopleSoft and a voucher is created. Once the voucher is paid, Perceptive Content will send a payment notification to the Transit Contract Specialist. The Transit Contract Specialist will forward the email to the applicable Project Manager and the Project Manager will forward to the subrecipient.

The payment data will come back into Perceptive Content to be stored with the invoice. Afterwards, the payment data and invoices go into archive in Perceptive Content and are available for view by all Transit Program employees.

Chapter Four

Indirect Cost Allocation Rate Plans – ICRP

Overview

This chapter seeks to assist the subrecipient in understanding the options available for recovery of eligible indirect costs and which option is most applicable to their organization. The purpose of a cost allocation plan (CAP) is to ensure the services being provided are necessary and the costs incurred for those services are reasonable and allowable. A cost allocation plan or indirect cost rate plan (ICRP) is designed to ensure the accurate distribution of indirect costs to a federally-funded transit program. The calculation of an indirect cost allocation rate and submittal of a cost allocation plan can be time consuming and complex. There have been several notable changes to indirect costs from prior OMB circulars to the uniform guidance found in the Super Circular. Notably, indirect cost is referenced 217 times and cost allocation plan 84 times in Subparts A-F and Appendices of the Super Circular.

Definitions

Allocation - The process of assigning a cost, or a group of costs, to one or more cost centers. Using a basis for allocation, costs are spread to each cost center, such as a Transit Cost Center, based on the proportional share of the cost.

Cognizant Agency - The cognizant agency is the federal agency responsible for reviewing, negotiating and approving cost allocation plans or indirect cost proposals. The cognizant agency is the federal or authorized agency which provides the most federal funds to the subrecipient.

Cost Allocation Plan (CAP) – An accounting document identifying agency-wide indirect costs. The document identifies, accumulates and allocates the agency-wide indirect costs to each cost center, such as a Transit Cost Center.

Total Direct Cost (TDC) – Direct costs that can be identified specifically with a project, contract, service or other activity of an organization, such as a Transit Cost Center.

Modified Total Direct Cost (MTDC) - MTDC means all direct salaries and wages, fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subcontract. MTDC excludes unallowable items such as equipment, capital expenditures, rental costs, and that portion of each subcontract in excess of \$25,000.

Indirect Cost – An indirect cost that cannot be specifically identified with a project, contract, service or other activity of the organization. The cost is incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved as per §2 CFR Part 200.56.

Indirect Cost Allocation Rate Plan (ICRP) – An indirect cost plan consists of the documentation prepared by a non-federal entity to calculate a specific percentage rate that can be applied to a program, grant, or cost center (such as a Transit Cost Center) to determine the recovery amount. It is required to substantiate the establishment of the indirect cost rate as per §2 CFR Part 200.56

De Minimis Rate - Under 2 CFR Part 200.414(f), a subrecipient who has never received a negotiated indirect cost rate from their cognizant agency may elect to charge indirect cost using the de minimis rate for an indefinite period. The de minimis rate is 10% of modified total direct costs (MTDC).

Options Available to Subrecipients Seeking to Recover Indirect Costs

Title 2 CFR 200 was implemented by all federal agencies on December 19, 2014, consolidating eight OMB Circulars, including the Circulars governing direct and indirect costs. These streamlined and revised regulations include changes to the calculation and application of indirect costs to federal awards. GDOT subrecipients are not required to submit an indirect cost proposal and may not elect to claim “indirect” costs under the Section 5311 or 5307 program. This election may be due to their organizational structure, or indirect costs are not incurred in the administration and operation of the public transportation program. Subrecipients who are eligible to recover a portion of eligible indirect costs may use the option most appropriate or

applicable as detailed below.

Option # 1: ICRP Approved by Subrecipient's Cognizant Agency

A subrecipient may already have an approved Indirect Cost Allocation Rate Plan from their federal cognizant agency. This is the federal agency providing the most federal dollars to the subrecipient. In such cases, the subrecipient must submit the approved Indirect Cost Allocation Rate Plan (ICRP) to GDOT as part of the annual application process. The approved ICRP should include an organizational chart and be based on audited data no more than two years old.

For GDOT to honor a subrecipient's established ICRP, the subrecipient must update and seek approval from their cognizant agency periodically to ensure the ICRP basis is still relevant. An ICRP may only be applied to all administrative and operating expenses when the subrecipient is delivering transit services.

Subrecipients contracting with a Third-party Operator (TPO) for the delivery of transportation services, may only charge administrative costs incurred by the subrecipient using the approved ICRP to that portion of administrative monthly expenses incurred. Subrecipients opting to allocate administrative expenses may wish to utilize the template developed by GDOT for this purpose. The template is labeled as "Transit Staff Time Sheet Allocation" and included in the Appendix as [Exhibit 7](#).

A subrecipient using a TPO for operations cannot apply their approved ICRP rate to the operations of the TPO. Doing so is considered a "distorting expenditure" and is prohibited by federal guidelines/regulations as further explained below:

Indirect costs charged to a federal grant must be based on actual expenses for staff time needed and other administrative costs that may be incurred to provide oversight of the grant or third-party operator, when enlisted. All indirect costs charged to a grant must be reasonable and necessary and should be based on actual staff time allocated for the administration of the contract. In all instances, salaries and wages must be supported by time sheets whenever federal dollars are used in the payment of administrative or operational staff of a subrecipient or third-party operator.

When FTA funds pass from a subrecipient to a Third-party operator (TPO) and represent the largest amount of federal funds received by the TPO, then the subrecipient is responsible for reviewing the TPO's indirect cost plan (only related to their transit operations) to determine if the ICRP rate proposed by the TPO is valid and based on audited data of the TPO. The subrecipient should review and negotiate the ICRP and contract rate to arrive at a reasonable and justified rate based on support documentation from the TPO. The indirect costs assumed by the TPO then become part of the negotiated rate by which the TPO is reimbursed for providing transit operations. This rate may be an hourly, per trip, per mile or per day negotiated trip rate.

Option # 2: ICRP Calculated and Submittal to GDOT for Approval

An indirect cost rate plan consists of the documentation prepared by a non-federal entity, such as a subrecipient, to calculate a specific percentage rate that can be applied to a cost center, such as a Transit Cost Center, to determine the recovery amount. It is required to substantiate the establishment of the indirect cost rate as per §2 CFR Part 200.56. An indirect cost rate is a ratio of indirect costs divided by an equitable distribution base.

The audited data from the prior year is typically used to generate the indirect cost rate for the following year (allowing time for the audit to be completed).

Preparation of an indirect cost allocation plan is not prepared for a single grant award or program activity. Indirect cost allocation plans apply to the organization as a whole - not just a single activity or cost center.

Documentation required for submittal of an ICRP during annual "Call for Projects"

Indirect Cost Allocation Plans and supporting documents must be included in the subrecipient's application during the annual "Call for Projects." GDOT has provided templates for items (f) and (g) below to assist subrecipients. These templates are included in the Appendix and labeled as [Exhibit 8A](#) - Governmental Certification of ICRP, [Exhibit 8B](#) - Private Non-Profit Certification of

ICRP, and [Exhibit 8C](#) - Worksheet Calculation, which is an excel worksheet to detail all costs used to arrive at the indirect cost percentage.

Subrecipients submitting an indirect cost proposal to GDOT for review and approval must include the following elements:

- a) **Cover Letter** - A cover letter indicating the proposed rate and any special circumstances in the development of your organizations' indirect cost rate proposal.
- b) **Organizational Chart** - An organizational chart outlining the organizational structure for the period for which the proposal applies.
- c) **Statement of Activities** - A statement describing the major activities performed and responsibilities of all units comprising the organization. The statement should provide enough detail permitting the reviewer to differentiate levels of benefit provided and received within the organization.
- d) **Rate Proposal** - A statement incorporating the rate proposed and a description of the indirect cost allocation methodology. The proposal must include subsidiary worksheets and data, cross-referenced and reconciled to audited financial data. Work sheets at a minimum should include a schedule of expenses, by function (or major Federal program).
- e) **Audited Financial Statements** - A complete copy of the audited financial statements used in the methodology. The audited financial statements must be no more than two years old. Generally, the audited data from the prior year is used to generate the indirect cost rate for the following year, allowing time for the audit to be completed.
- f) **Certification** - Every Submittal Must Contain a Certification that is basically a recital of the "Certificate of Indirect Costs" Found in Appendix VII to 2 CFR § 200. This certification is signed on behalf of the subrecipient and/or operator by an individual at a level no lower than Chief Financial Officer (CFO) of the organization submitting the Indirect Cost Allocation Plan. GDOT has created two certification templates, governmental and private non-profit. These certifications are included in the Appendix and labeled as [Exhibit 8A](#) and [Exhibit 8B](#), respectively.
- g) **Calculation Worksheet** - Details of the amount of direct base costs incurred under

all Federal awards by function and/or cost category. GDOT has created an excel template to assist in developing an indirect cost rate proposal. The Calculation Worksheet template is included in the Appendix as [Exhibit 8C](#).

- h) **Budget** - Subrecipients must include the total amount of calculated indirect costs for the upcoming fiscal year under Account Code 5090 Administration = Miscellaneous Expense as part of their proposed budget. The amount on line 5090 for indirect costs should reconcile back to calculations in the proposed ICRP submitted to GDOT for review and approval.

Breakdown of Steps to arrive at an Indirect Cost Rate

The distribution base typically will be one of the following:

1. Total Direct costs - identified specifically with a project, contract, service or other activity of an organization, such as a Transit Cost Center or
2. Modified total direct costs (MTDC) - all direct salaries and wages, fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subcontract. MTDC excludes unallowable items such as equipment, capital expenditures, rental costs, and that portion of each subcontract in excess of \$25,000.

The base selected is a local decision, typically made by the Chief Financial Officer (CFO) of the organization. For public transit agencies, use of Modified Total Direct Costs (MTDC) typically yields the most accurate computation. While labor costs for transit are considerable, transit systems also spend heavily in other cost categories such as fuel and vehicle maintenance. Therefore, the MTDC generally results in the most equitable distribution of indirect costs, thereby meeting 2 CFR § 200 requirements.

Step 1: Classify Costs as Direct or Indirect Costs

Costs must be classified as either direct or indirect in accordance with the organization's policies and 2 CFR 200, as applicable. In classifying costs, the following "rules" must be

followed:

- Costs must be treated consistently among all Federal awards,
- Costs must reflect all applicable credits, and
- Direct costs must exclude capital expenditures, depreciation of assets acquired with Federal funds, and other ineligible costs. (See 2 CFR 200.421-200.475)

Step 2: Total Cost Data

Summary tabulations should be made regarding cost data. The following information should be calculated:

- Total Direct Costs, by Cost Objective or Program;
- Total Indirect Costs; and
- Total Unallowable Costs.

Step 3: Eliminate Ineligible Costs

2 CFR 200 states various legitimate agency expenses are unallowable under Federal cost principles, such as depreciation, bad debt, fundraising, etc. In simplified terms, if the total of the unallowable expense includes indirect costs, the associated indirect costs are also unallowable for Federal reimbursement.

Step 4: Calculate the Indirect Cost Plan Rate (ICPR)

Using the data from Steps 1 – 3, the indirect cost rate is calculated using the following formula:

Indirect Cost Rate = Total Indirect Costs ÷ (Total Direct Costs) minus (-) Unallowable Items)

Example:

Total Indirect Costs = \$123,596

Total Direct Costs =	\$873,423
Less Ineligible Items (Depreciation and fundraising costs) =	<u>(\$66,281)</u>
Modified Total Direct Costs (MTDC)	\$807,142

Calculation of the Indirect Cost Rate = $\$123,596 \div 807,142$

Indirect Cost Rate = 15.31% **

**Subrecipients should calculate the indirect cost rate to two decimal points.

The indirect cost rate of 15.31% is applied to all direct costs, minus ineligible items, for each reimbursement period following approval of the proposed plan and rate from GDOT.

Step 5: Monthly Calculation of Indirect Cost for Reimbursement

Apply the Indirect Cost Rate of 15.31% to the total direct costs for the month to determine the line item amount to populate on the reimbursement request.

Example:

Assuming the direct costs for the month are \$70,790.00 for the transit program, the following methodology should be used:

Total Direct Costs for the Month =	\$70,790
Multiplying by the Indirect Cost rate =	$\$70,790 \times 15.31\% = \$10,837.94$
Add Total Direct Costs + Indirect Cost =	$\$70,790 + \$10,837.94$
Total Amount Eligible for Reimbursement =	\$81,627.94

Note: *** All ICRP's must be approved prior to indirect costs being charged to the Section 5307, 5311 or 5339 projects.

GDOT Review, Negotiation, and Approval of Subrecipient Indirect Cost Rate

GDOT will review a subrecipient's proposed ICRP and the amount of indirect costs included as part of the total budget request during the application review period.

Option # 3: Declaring 10% De Minimis Rate of Modified Total Direct Costs

Under Part 200 Uniform Requirements, subrecipients may charge indirect costs using a "de minimis" rate. The de minimis rate is a fixed rate available without the need to negotiate with the cognizant federal agency for indirect costs or submit a proposed plan to GDOT for review and approval. However, the de minimis rate is an option only for subrecipients that have never received an approved federally-negotiated indirect cost rate. Any entity with a prior approved federally-negotiated indirect cost rate – even if it expired long ago – may not use the de minimis rate. Also, under the provision set out at 2 C.F.R. 200.414(f), local governments receiving more than \$35 million in direct federal funding are ineligible to use the de minimis rate. An entity that seeks to make use of the de minimis rate must comply with all FTA regulations and GDOT contract agreements related to the de minimis rate.

Subrecipients electing the 10% de minimis rate must complete the De Minimis Certification and include in the annual application for funding. The certification states your organization has never had a Negotiated Indirect Cost Rate Agreement (NICRA) and that your organization will apply the 10% De Minimis rate to all your federal grants. The 10% De Minimis Certification is included in the Appendix and labeled as [Exhibit 8D](#).

This method allows subrecipients to charge a flat de minimis rate of 10% of its Modified Total Direct Costs (MTDC). The 10% de minimis rate may be used indefinitely as per 2 CFR § 200.414. Below is a breakdown of costs included in arriving at the Modified Total Direct Costs base and examples of ineligible costs.

Eligible Items for MTDC Calculation	Excluded from MTDC Calculation
Salaries and Wages	Capital Expenditures
Fringe Benefits	Rental Costs
Materials & Supplies	Equipment
Services	Subcontracts exceeding \$25,000
Travel	
Subcontracts (the first \$25,000)	

The term “Modified” refers to certain exclusions of costs that must be removed from the total direct costs before the 10% indirect rate is applied to each funding source. According to the Uniform Guidance, the costs to exclude are capital expenditures, rental costs, and the portion of each subaward in excess of \$25,000. Please note – “rental costs” do NOT mean rent and utilities which are part of the overhead costs of the organization

Subrecipients should calculate 10% of the eligible items listed above for the upcoming fiscal year. This is your 10% de minimis rate of Modified Total Direct Costs to be included as a line item on your budget under account code 5090 Administration – Miscellaneous. Costs must be consistently charged as either indirect or direct but may not be double charged or inconsistently charged as both.

The proper use and application of the de minimis rate is the responsibility of the subrecipient. The subrecipient’s schedule of expenditures of federal awards must include a note on whether it elected to use the 10% de minimis cost rate in accordance with 2 CFR 200 § 200.510(b)(6).

GDOT reserves the right to perform an audit at any time to ensure compliance with 2 CFR § 200 and agreements with GDOT. If it is determined the subrecipient has inconsistently charged costs or is otherwise not in compliance with 2 CFR § 200, the subrecipient will be required to reimburse GDOT for any identified overbillings. GDOT, in turn, is required to reimburse FTA promptly for all overbillings.

Certain GDOT subrecipients may not incur indirect costs as a result of their organizational structure. Additionally, GDOT subrecipients may choose not to claim any indirect costs in the

administration and operation of a public transportation system. This information is provided to assist all subrecipients in understanding the options and steps required to recover eligible indirect costs.

Determining Direct and Indirect Costs in a Transit Environment

The total amount eligible for reimbursement under the Section 5311 and 5307 programs equals the allowable direct costs, plus the allocable portion of allowable indirect costs, minus the applicable credits for all items in the approved project budget. (2 CFR 200.402)

Applicable credits refer to those receipts or reduction of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs.

Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate using the following formula: (***Total Amount Eligible for Reimbursement = Direct Costs + Allocable Portion of Indirect Costs – Rebates/Credits***)

Following the definition above, direct costs are those expenses incurred by the subrecipient or operator that are directly related and strictly benefit only the Section 5311 or 5307 program. Such expenses are totally allocable to the Section 5311 or 5307 program.

There are no universal rules for classifying costs as direct or indirect under every governmental or nonprofit accounting system. The essential difference is the degree of ease with which a cost can be readily assigned to a cost objective with a high degree of accuracy. Such readily assigned costs are direct costs. It is important that all costs be treated consistently and should only be listed in one category (no double dipping of costs or changing of application of cost allocation methods once ICRP's have been approved).

Most transit operating costs are direct costs relating to all costs, other than administrative costs, used to operate the transit system. Typical direct costs include: driver salaries and fringe, vehicle

repairs, fuel, vehicle insurance, tires, uniforms, vehicle washing services, compensation of employees for the time devoted and identified specifically to the performance of the grant and supported by time sheets, travel expenses incurred specifically to carry out the award, etc.

Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective or program and cannot be readily identified with a final cost objective without effort disproportionate to the results achieved (*e.g.*, the level of effort necessary to split a cost and allocate to the expense category is difficult or impossible). Typical indirect costs may include:

- Administrative Salaries & Wages of staff performing accounting or personnel services for the subrecipient or operator, but whose time is not accounted for by functional activity;
- Administrative Facilities, including leased buildings where transit functions are not performed in a dedicated portion of the building, are eligible under the indirect category;
- Telephone or utility charges for basic phone service when there is no logical method to directly allocate costs;
- Certain central service costs and general administration of the organization;
- Accounting and personnel services performed within the subrecipient department; or
- Costs of operating and maintaining facilities, etc.

Allocation of Shared Indirect Costs

The table below lists common shared costs and some typical cost bases that are used to allocate them. Note that this is not a complete list. You may choose any cost base that results in an equitable and consistent allocation of costs.

Line Item	Cost Base(s)
Salaries	Time sheets showing actual time charged to programs
Fringe benefits	Salaries

Supplies	% of salaries
Rent	Square footage
Utilities	Square footage
Telephone (basic)	# of phones
Postage	Postage meter OR % of salaries
Copying	Copy log OR % of salaries OR # of full-time equivalents (FTE's)
Accounting/audit	# of transactions

Third-party operator organizations whose sole purpose is the provision of public transit service may have indirect costs; but all costs incurred would be directly attributable to the transit program and included in the unit rate. Other subrecipients, such as units of local governments, or operators such as Council on Aging, typically operate multiple departments or programs and may incur indirect administrative expenses associated with public transportation service delivery.

In Georgia, some counties or regional commissions employing TPO's may contribute costs to the program such as insurance premiums from the county due to the 5311 vehicles being titled to the counties. When monetary arrangements such as this exist, they should be clearly noted within the solicitation and the TPO should not include these costs within their "proposed" rates. This information should also be specified within the final contract between the two parties.

Chapter Five

Program Revenue and Purchase of Service Guidelines

Overview

This chapter seeks to clarify the treatment of revenues received by 5311 and 5307 subrecipients from certain contracted transit services. These services include Non-Emergency Transportation (NEMT – Medicaid), from Georgia Department of Human Services Coordinated Transportation System (DHS), including services funded with 5310 Enhanced Mobility for Seniors and Individuals with Disabilities, or other qualified human service agencies. These contracted services are considered “program income” when delivered by an FTA 5311 or 5307 funded program for eligible passengers being transported through a Purchase of Service agreement to a qualified human service agency. These program revenues may be used as local match (if eligible) and/or maintained in a dedicated transit reserve account.

Definitions

Subrecipient means any non-federal entity or person that receives federal assistance provided by Georgia Department of Transportation, but does not include a Third-party Contractor, Third-party Subcontractor, or Lessee.

Pass-through entity (2 CFR § 200.74) means a Non-Federal Entity (NFE) that provides a subaward to carry out part of a Federal program. GDOT has been designated by the Governor to make subawards. A subrecipient may also be a pass-through entity when enlisting a Third-party Operator to deliver transit operations.

A Pass-through Entity (GDOT) must have a contractual agreement with each Section 5311 or 5307 subrecipient, and likewise, a subrecipient passing through federal funds to a Third-party Operator must also enter into a contractual agreement which includes certifications to comply with U.S. DOT’s administrative requirements. A Section 5311 or 5307 subrecipient stands in the shoes of GDOT and a Third-party Operator stands in the shoes of the subrecipient with the federal regulations passing

down at all levels.

Third-party Operators may be a Private, Non-profit, or For-profit entity which provides operational services for a GDOT 5311 or 5307 subrecipient. As stated above, to comply with federal requirements, the subrecipient agrees to enter into a written agreement/contract with their Third-party Operator(s) and must include all appropriate federal requirements, clauses and certifications in the contractual agreement. The agreement must also state provisions related to the Third-party Operator's financial and programmatic responsibilities and rate structure enough to meet applicable federal requirements and specifying the responsibilities that the Third-party Operator will fulfill on behalf of the subrecipient.

Third-party Agreement includes written agreements or contracts supported in whole or in part with federal assistance awarded to a subrecipient by GDOT, including a sub-agreement with a subrecipient, a third-party contract, a third-party subcontract, a lease, or similar agreement as FTA may recognize.

Third-party Contract means a legal instrument by which a Subrecipient purchases property or services needed to carry out the project.

Sub-agreement means an agreement through which the Recipient (GDOT) awards federal assistance to its Subrecipient(s) to support or stimulate any of the Recipient's projects or related activities supported under the award, the accompanying underlying agreement, or amendments thereto, but does not include a third-party contract, third-party subcontract, or lease.

Third-party Participant means any participant in the GDOT recipient's sub-agreement whose work under the project is supported with FTA funding. A Third-party Participant may be a Subrecipient, Third-party Contractor, Third-Party Subcontractor, Lessee, or similar participant in the Subrecipient's Project (for example, a partner in a joint development venture).

Farebox Revenue - At a minimum, operating revenues must include farebox revenues. Farebox revenues are fares paid by riders, including those who are later reimbursed by a human service

agency or other user-side subsidy arrangement. Farebox revenues do not include payments made directly to the transportation provider by Human Service Agencies to purchase service. However, purchase of transit passes or other fare media for clients would be considered farebox revenue. A voluntary or mandatory fee that a university or similar institution imposes on all its students for free or discounted transit service is not considered farebox revenue.

Net Operating Expenses - Only net operating expenses are eligible for Federal reimbursement assistance. Net operating expenses are those expenses that remain after the provider subtracts operating revenues from eligible operating expenses.

Human Services Transportation Income

Under 49 U.S.C. § 5311(g)(3)(C), income earned from contracts to provide human service transportation may be used either to reduce the net project cost (treated as revenue) or to provide local match for Section 5311 or 5307 operating assistance. When used as local match, the subrecipient can only use non-FTA funds as match amounts (2CFR 200.307(e)(3)). FTA contract revenue, such as 5310 funding received from a DHS agreement, must be treated as revenue to reduce the net project cost for the month in which it was earned. This determination is made by the subrecipient; the application of contract revenue should be made on factors that are in the best financial interest of the subrecipient.

In either case, the cost of providing the contract service must be included in the total project cost. This means that the costs of delivering human service transportation must be in the same cost center, account, department, or fund as other Section 5311 or 5307 expenses. If the transportation provider delivers Non-Emergency Medical Transportation (NEMT) based on a separate account or unit of the organization and NEMT expenses are recorded in another account, the use of these revenues cannot be used as match to Section 5311.

Not every organization that contracts for service may meet the definition of a human service agency. In considering the revenue source, GDOT will apply the following factors in determining if the contract qualifies under the provisions of 49 U.S.C. § 5311(g)(3)(C):

- The contracting agency uses funds to support client services documented by the General

Accountability Office in GAO-03-697, Transportation Disadvantaged Populations: Some Coordination Efforts Among Programs Providing Transportation Services, but Obstacles Persist (June 2003), Exhibit II.

- The contracting agency has registered as a Qualified Human Service Agency (QHSA) pursuant to 49 CFR § 604.15.
- The organization is requesting the Section 5311 or 5307 subrecipient to provide “program transportation” as defined in 49 CFR § 604.03(o).

Unlike other forms of program income, non-FTA income from contracts to provide human service transportation may be used as local match in the GDOT contract year in which the income is generated.

Other Sources of Local Match

Human service agency contract revenues received through a purchase of service agreement may be used to meet all or part of the local matching share. If contract revenues are insufficient to meet the local match share, the remainder of the local match may be provided from:

1. An undistributed cash surplus;
2. A replacement or depreciation cash fund or reserve;
3. Amounts appropriated or otherwise made available to a department or agency of the government (other than DOT) that are eligible to be expended for transportation; or
4. Amounts made available to carry out the Federal Lands Highway Program established by Section 202 of Title 23.

Under no circumstances, even if derived from a purchase of service contract, may DOT funds (except as noted in item (4) above) be used as local match to the Section 5311 or 5307 programs. Therefore, Section 5310 funds do not qualify as an eligible matching source to Section 5311 or 5307 funds.

Program Income in Excess of Needs for Local Match

In circumstances where a subrecipient earns contract revenues and elects to use this income as local match in lieu of using the funds as revenue, GDOT will treat the funds as “program income” as

noted in FTA Circular 9040.1G. Program income is defined as:

Program income means gross income earned by the recipient or subrecipient that is directly generated by a supported activity or earned as a result of the Grant or Cooperative Agreement during the period of performance.

FTA Circular 5010.1E, Chapter VI, § 7a encourages recipients and subrecipients to earn program income. GDOT endorses this position and will not penalize subrecipients who generate program income in excess of amounts needed to meet the local matching share.

When a subrecipient earns program income in excess of that required for the local match, GDOT will apply the use of program income requirements to this excess revenue. This means subrecipients may retain these excess contract revenues as part of a recipient's undisbursed cash surplus. GDOT policy allows a subrecipient to create a "Reserve" account for the excess POS. The cash surplus must be held in a restricted Transit Operating Reserve Account (TORP) and used only for transit operating and capital purposes incurred in a future year.

If the subrecipient chooses not to apply the excess program income against expenses incurred in a current or future year or for other public transportation purposes, then the amount of program income used for non-public transportation related purposes will be deducted from the total allowable federal costs to reduce the net allowable costs, also known as the Net Operating Deficit.

In accordance with the afore mentioned grant principles, GDOT has adopted the following policy:

Subrecipients and third-party operators shall report monthly a statement of non-Federal transportation purchase of service program income and the source of the income. All program income must be applied to the transit system of which it was derived. All revenues and expenses of a transit system must be fully reported on the GDOT monthly reimbursement form. Subrecipients and/or third-party operator pass-through agencies shall report all transportation purchase of service program income in excess of the federal award. The excess program income shall be used to reduce the

system's total operating expense (net operating deficit) and or maintained in a dedicated transit reserve fund following written approval by GDOT.

Program income revenues generated from non-transit service activities such as; incidental use of facilities (rentals, etc.) or transit assets such as rolling stock (incidental use for Meals on Wheels); advertising revenues; etc. must be fully reported on the GDOT monthly reimbursement form. These funds must be set aside in a Transit Operating Reserve Account (TORP), which is restricted to an amount equal to 180 days (6 months) of average operational costs. The reserve account is intended for the purpose of prompt payment or continuing transit operations during a government shutdown, or other need which GDOT has approved. Once a 180-day reserve has been established, it can be re-invested in transit activities of the Transit Cost Center and then built back up to the 180-day level approved by GDOT in order to maintain the reserve at a static amount.

GDOT Public Transit Program Reserve Policy Statement

The Transit Reserve Fund is a savings set aside to cover unexpected transportation expenses, capital purchases or improvements, transportation planning projects, or to cover unexpected shortfall in local match revenue. The Transit Reserve Fund can only be used to benefit transit.

GDOT shall allow subrecipients to retain **excess** program income up to an amount equal to six (6) months of the transit system's net operating expenses in a Transit Operating Reserve Account (TORP). Retained Purchase of Service program income must be generated from **non-FTA** funds. All Purchase of Service program income that is retained must be restricted for transit use only and reported to GDOT on the monthly reimbursement form. On a monthly basis, any excess Purchase of Service program income derived from FTA funds (5310, 5316, 5317, and 5339) shall not be retained and must be deducted from the transit system's operating expenses.

Subrecipients are required to report transportation purchase of service program income, including the purchase of service program income of third-party operators, and operating reserve account balances to GDOT on a monthly basis. If GDOT determines that the amount of this restricted fund balance exceeds allowable amounts, GDOT may adjust and apply these excess amounts as revenue to reduce total project costs, consistent with 2 CFR §200.307(e)(1).

Establishing a Transit Operating Reserve Account (TORP)

Subrecipients who generate transportation purchase of service program income from non-Federal sources, including income generated by third-party operators, are eligible to establish a Transit Operating Reserve Account (TORP) in an amount not to exceed six (6) months of the transit system's net operating expenses. Prior to establishing the operating cash reserve account, the subrecipient must:

- Submit transmittal letter to GDOT stating interest in establishing a Transit Operating Reserve Account;
- Submit a list of program income sources and the estimated annual revenues;
- Submit a properly executed "Transit Operating Reserve Policy" Certification.
 - GDOT has provided a template in the Appendix labeled as [Exhibit 9](#); and
- Demonstrate the financial accounting capacity to establish and maintain a TORP restricted to transit uses only.

Upon receipt of the request from the subrecipient, GDOT will:

- Review the request and support documentation for completeness and accuracy communicating with the subrecipient as needed for clarification and/or corrections;
- Issue a letter notifying the subrecipient of approval and the maximum fund reserve balance allowed in the Transit Operating Reserve Account (TORP). An example of an approval letter is included in the Appendix and labeled as [Exhibit 8E](#); and
- Example: Assuming \$500,000 in federal annual operating expense, the calculation for the 6 months reserve would be:
 - $\$500,000.00 \text{ divided by } 12 = \$41,666.66.$
 - $\$41,666.66 \times 6 \text{ months} = \$ 250,000.00 \text{ maximum reserve account balance}$

Subrecipients and third-party operators shall report monthly, a statement of non-Federal transportation purchase of service program income and the source of the income. All program income must be applied to the transit system of which it was derived. All revenues and expenses of a transit system must be fully reported on the GDOT monthly reimbursement form.

As stated above, a subrecipient may be a pass-through entity when enlisting a Third-party Operator to deliver transit operations via contractual agreement which includes certifications to comply with U.S. DOT's administrative requirements. A subrecipient stands in the shoes of GDOT and a Third-party Operator stands in the shoes of the subrecipient, with the federal regulations passing down at all levels.

Therefore, subrecipients and third-party operators shall report all transportation purchase of service program income in excess of the federal award. The excess program income shall be used to reduce the system's total operating expense (net operating deficit) and/or maintained in a dedicated reserve fund, if this has been approved by GDOT.

Use of Transit Reserve Funds:

Unexpected and Unplanned Expenses

Subrecipients who have established and received approval for a Transit Reserve Fund are permitted to use the reserve funds to cover operating expenses, capital expenses, and/or transportation planning projects that are not already included in the subrecipient's annual budget. All subrecipients must notify GDOT in writing of the unexpected cost overrun or unexpected unbudgeted expense and their intent to use Transit Reserve Funds to cover the deficit. Section 5311 subrecipients must also submit a budget revision request to GDOT to increase the overall budget to include the additional expenses that will be incurred.

Subrecipients will report the additional expenses on the monthly invoice under the appropriate USOA code. The Transit Reserve Funds used to cover the additional expense will be reported on the monthly invoice in the revenue section under Contract Revenue from Reserve Account box.

Unexpected Local Match Revenue Shortfall

Transit Reserve Funds may be used to cover unexpected local match revenue shortfalls such as; reduced non-Federal purchase of service contract revenue due to a decrease in trips or de-obligation of other previously committed local matching funds. All subrecipients must notify GDOT in writing of the unexpected local match shortfall and their intent to use Transit Reserve Funds to cover the deficit. Section 5311 subrecipients must also submit a budget revision request to GDOT to modify the source of local matching funds that will be used to match the FTA grant.

The Transit Reserve Funds used to cover the local match shortfall will be reported on the monthly invoice in the revenue section under Contract Revenue from Reserve Account box.

Chapter Six

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Overview

On March 27th, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to provide funds to prevent, prepare for, and respond to COVID-19. Although the priority for the funding is operational expenses, FTA will generally consider all expenses normally eligible under the Section 5307 and 5311 programs incurred on or after January 20, 2020, to be in response to economic or other conditions caused by COVID-19 and thus eligible under the CARES Act. Funding is available until the CARES Act is rescinded.

Beginning January 20, 2020, all activities normally eligible under the Section 5311 and 5307 programs are eligible for reimbursement under the CARES Act with 100% federal funds. The start date for pre-award authority is also January 20, 2020. Subrecipients are encouraged to reference Chapter 2, Pages 13-15 of this document for a list of all eligible expenses. In addition, CARES Act funds are available for operating expenses for all FTA Section 5307 and 5311 recipients, including those in large urban areas, and including administrative leave for transit workers.

In general, operating expenses are those costs necessary to operate, maintain and manage a public transportation system. Operating expenses usually include such costs as driver salaries, fuel, and items having a useful life of less than one year, including personal protective equipment and cleaning supplies. See Chapter IV of the Urbanized Area Formula Program circular, 9030.1E or Chapter III of the Formula Grants for Rural Areas circular, 9040.1G for more information on eligible operating expenses.

Contract Supplemental Agreements issued to Subrecipients for CARES Act Funds

GDOT issued supplemental agreements on all existing 5307 and 5311 FY20 contracts. Funding was adjusted to 100% for FY21 contracts. The supplemental agreement amended the original contract to include:

- 100% Federal funds equal to five months and 12 days of the original FY20 contract, or

from January 20, 2020 through June 30, 2020.

- 100% federal funds for FY21, or from July 1, 2020 through June 30, 2021.
- Contract terms detailing the beginning and end date for each source of funds
 - Original FY 20 Contract 07/01/19 - 01/19/20
 - FY20 CARES Act 01/20/20 – 06/30/20
 - FY21 CARES Act 07/01/20 – 06/30/21

Subrecipient Contract Expiration and close-out

Contract exhibits identify the source, use, amounts, and expiration date for all funds. The executed contract as amended by the supplemental agreement will not expire until after 06/30/21. All subrecipients will have 90 days after 06/30/21 to submit final reimbursement requests for the 100% federal CARES Act funds.

Local Match/State Match for Capital Items

Due to CARES Act funding of 100%, the local/state match are not required in FY21 for capital purchases.

Subrecipient Reimbursement Process and Percentages using CARES Act Funds

The reimbursement form was modified to address the expenditures using CARES Act funding. CARES Act funding will follow the normal documentation rules required for reimbursement of expenses.

Amendment for Subrecipients with Third Party Operator (TPO) Contracts

GDOT has distributed a template to assist subrecipients in amending current TPO contracts to reflect the use of CARES Act Funds. In order to reimburse for TPO expenses, subrecipients are required to amend TPO contracts to ensure that the amended language is included. The template includes the following language under compensation for the recovery of certain fixed costs incurred during the pandemic identified as COVID-19.

Budget – Fixed expenses arising from the COVID-19 emergency are eligible for reimbursement under the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act of 2020. _____ will reimburse Contractor for fixed expenses for employees placed on administrative leave if service levels are reduced, and for other operations or maintenance expenses, including expenses to retain readiness for operations and maintenance activities, such as rent, insurance, or other eligible expenses. The fixed expenses must have been incurred on or after January 20, 2020 and must not include any expense included in a unit rate or other charge for the operation of public transportation service.

Reimbursable expenses related to the COVID-19 emergency are not to exceed \$_____ for the period beginning _____ (date) and ending _____ (date). A line item budget of reimbursement expenses is included as Exhibit A to this contract amendment.

GDOT has also revised the TPO Budget Excel Spreadsheet to include a tab to calculate eligible COVID-19 fixed expenses. The COVID-19 expenses listed on this tab should be identified as Exhibit A and made a part of the Contract Amendment.

These templates are included in the Appendix as listed below:

[Exhibit 11](#) - Amendment to Subrecipient's Contract with a Third-Party-Operator (TPO)

[Exhibit 12](#) - Addition of a tab in the Excel Workbook to reflect COVID-19 fixed expenses

CARES Act – Frequently Asked Questions

FTA publishes updates to CARES ACT Frequently Asked Questions. Subrecipients should reference the link below regularly to ensure compliance with CARES Act funding requirements.

<https://www.transit.dot.gov/frequently-asked-questions-fta-grantees-regarding-coronavirus-disease-2019-covid-19#CARES>

APPENDIX

List of Exhibits & Supporting Documents

Exhibit#	Name of Template	Type of Document/Purpose
1	<u>FTA Certifications & Assurances</u>	Word/Subrecipient
2	<u>Financial Management Checklist</u>	Word/Subrecipient
3A	<u>RFP Solicitation- Third-party Operation of Transit Service</u>	Word/Subrecipient
3B	<u>Third Party Operator Rate Budget Worksheet for RFP</u>	Excel/Subrecipient
3C	<u>Third-Party Operator Contract Template</u>	Word/Subrecipient
4A	<u>Subrecipient Operating Reimbursement</u>	Excel/Subrecipient
4B	<u>USOA Listing of eligible Expenses</u>	Word/Subrecipient
5A	<u>Internal Monthly Invoice Review Report Form</u>	Word/GDOT Internal
5B	<u>Internal Monthly Invoice Discrepancy Report</u>	Word/GDOT Internal
5C	<u>Request for Outstanding Invoice “Template” Letter</u>	Word/GDOT Internal
6	<u>Subrecipient Small Capital Reimbursement Request (SRR)</u>	Excel/Subrecipient
7	<u>Sample Time Sheet “Template” for Transit Staff in Multiple Programs</u>	Excel/Subrecipient
8A	<u>ICRP Certification – Government Entity</u>	Word/Subrecipient
8B	<u>ICRP Certification- Private Non-Profit</u>	Word/Subrecipient
8C	<u>ICRP Worksheet</u>	Excel/Subrecipient
8D	<u>10% De-minimis Certification -Government Entity</u>	Word/Subrecipient
8E	<u>ICRP - GDOT Approval Letter Template</u>	Word/GDOT Internal
9	<u>Transit Operating Reserve Certification</u>	Word/Subrecipient
10	<u>FTA Incidental Use Request</u>	Word/Subrecipient
11	<u>CARES Act – Amendment to TPO Contract Template</u>	Word/Subrecipient
12	<u>CARES Act – TPO Budget Worksheet for Amendment</u>	Excel/Subrecipient

References

The Super Circular - 2 CFR 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

<https://www.govinfo.gov/app/details/CFR-2014-title2-vol1/CFR-2014-title2-vol1-part200>

5010.1E Grant Management Requirements

<https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/regulations-and-guidance/fta-circulars/58051/5010-1e-circular-award-management-requirements-7-16-18.pdf>

FTA 5307 Program Circular – 9030.1E

https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/FINAL_FTA_circular9030.1E.pdf

FTA 5311 Program Circular - 9040.1G

https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/FTA_Circular_9040_1Gwith_index_-_Final_Revised_-_vm_10-15-14%281%29.pdf

FTA Master Agreement – 2020

<https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/funding/grantee-resources/sample-fta-agreements/146616/fta-master-agreement-fy-2020.pdf>

49 U.S.C. Chapter 53, Federal Transit Law

https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/Chapter%2053%20as%20amended%20by%20the%20FAST%20Act_1.pdf

<https://www.law.cornell.edu/uscode/text/49/subtitle-III/chapter-53>

Other Useful Web Links:

- Guidance for Transit Financial Plans
<https://www.transit.dot.gov/funding/funding-finance-resources/guidance-transit-financial-plans>
- Flexible Funds: FHWA and FTA Programs Revenue Bonds
<https://www.transit.dot.gov/regulations-and-guidance/environmental-programs/livable-sustainable-communities/fhwa-flex-funding>
- Debt Service Reserve Financing
<https://www.transit.dot.gov/funding/funding-finance-resources/debt-service-reserve-financing/debt-service-reserve>
- ECHO Web User Manual for FTA and FAA Subrecipients
<https://www.transit.dot.gov/funding/grantee-resources/echo/echo-web-user-manual>
- Federal Audit Clearinghouse
<https://harvester.census.gov/facweb/default.aspx/>
- Emergency Relief Program Frequently Asked Questions (FAQs)
<https://www.transit.dot.gov/funding/grant-programs/emergency-relief-program/faq>
- CARES Act - 2020
<https://www.transit.dot.gov/coronavirus>

Revision History

Revision	Date	Description of changes	Updated By:
1 st printing	10/01/2020	Initial Release	GDOT Transit Program