

Chapter 23 Progress Billing (Reimbursement Costs)

23.1 General Discussion

All progress billings shall be submitted to the Region Local Programs Engineer by the local agency in accordance with the terms of the Local Agency Agreement ([Chapter 22](#)). Billings will not be accepted before the Local Agency Agreement is executed and authorization in writing has been received from the Washington State Department of Transportation (WSDOT).

The execution of the Local Agency Agreement does not constitute approval of federal funds. This authorization from WSDOT is separate from the Local Agency Agreement.

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

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

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

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

1. Highways and Local Programs sends the local agency the original fund authorization letter.
2. The agency submits a request for payment to the Region Local Programs Engineer in accordance with the Local Agency Agreement. The first federal aid request for payment (PPC2; [Appendix 23.71](#)) must include the first date expenditures were actually incurred on the project.

All payment requests must be substantiated by the required standard documentation established in the *LAG Manual*, *Construction Manual*, requirements of the contract documents and as defined by FHWA and must be available for review.

All payment requests, including the final request for payment may be submitted by hard copy or electronically via e-mail. (Contact the Region Local Program Engineer.)

The form must be completed in accordance with the instruction outlined in [Appendix 23.72](#).

23.3 Billing Procedures for State Ad and Award

Progress billings are submitted as follows:

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

23.4 Number and Timing of Submittals

Progress billings will be numbered sequentially and submitted monthly.

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

23.5 Identification of Federal Aid Participating and Nonparticipating Charges

Costs are eligible for Federal Highway Administration (FHWA) federal participation if claimed in accordance and in compliance with 23CFR and OMB Circular A-87.

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

All local governments that claim indirect costs to a FHWA project must prepare an Indirect Cost Rate Proposal (ICRP) and retain it for audit. The ICRP must be prepared in accordance with the instructions and regulations outlined in the federal Office of Management and Budget (OMB) Circular A-87. If the local government has been assigned a federal cognizant agency by OMB, they must submit their ICRP to their federal cognizant agency for review and approval in accordance with the federal requirements. If the local government has not been assigned a federal cognizant agency, they are required by the federal regulations to keep all records and supporting documentation used in developing their ICRP and to make it available for inspection by the auditors at the time of the audit.

Some costs have been deemed ineligible for federal participation. Ineligible costs include equipment purchase and repair (unless specifically approved by FHWA) and those costs unallowable under OMB Circular A-87.

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

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

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

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

- c. **Construction Engineering.** The work of supervising construction activities; the inspection of construction and related mechanical aspects (e.g., staking necessary to review construction plans together with those staking activities necessary for the local agency to control construction operations); testing of materials incorporated into construction, checking shop drawings and measurements for and preparations of progress and final estimates, and as-built drawings. Construction engineering costs are generally incurred only after approval of the PS&E, a contract number is issued, and also incurred prior to:
- Completion date of the final contract pay estimate and its submission to the contractor;
 - The final date of charges for required material testing; or
 - Completion date of the separation of contract cost by code type, location, etc., whichever is applicable to that portion of the construction engineering phase involved.
- d. **Highway Planning.** The orderly and continuing assembly and analysis of information about highways, such as the history of highway development and their extent, dimensions and conditions, use, economic and social effects, costs, and future needs.
- e. **Research and Development.** The search for more complete knowledge of the characteristics of the highway system and the translation of the results of research into practice.
- f. **Administrative Settlement Costs-Contract Claims.** Services related to the review and defense of claims against federal aid projects.
- g. **Miscellaneous Functions.** Costs incurred for other activities which are properly attributable to, and for the benefit of, federal aid projects but are not assignable to any of the previously defined functions.
- h. **Construction Costs Other Than Contractor Payments.**
- Royalty expenses for material furnished by the local agency that are used by the contractor.
 - Temporary signs, traffic control labor, traffic control devices, and temporary illumination furnished by the local agency. The initial basic cost of traffic control devices purchased for use on the project is an authorized participating cost.
 - Work performed by local forces.

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

a. Salaries and Wages.

1. Subject to appropriate authorization requirements, federal funds may participate in the cost of salaries, wages, and related payroll expenses incurred for periods of time public employees are actively engaged, either directly or indirectly, in project-related activities.
2. Salaries, wages, and related payroll expenses of a local agency for maintenance, general administration, supervision and other overhead are not eligible for reimbursement.

b. Travel and Transportation.

1. Federal funds may participate in the cost of commercial transportation, privately owned automobiles, and per diem or subsistence essential to the completion of the project and is performed in accordance with prescribed procedures.
2. Reimbursement may be made for use of privately owned automobiles and per diem or subsistence incurred in conformance with the established reimbursement policy of the local agency.

c. Employee Leave and Holidays.

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

d. Social Security, Retirement, and Other Payroll Benefits.

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

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

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

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

.56 Other Unallowable Costs. Other unallowable costs include those costs identified in OMB circular A-87.

23.6 Billing Reviews

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

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

23.7 Appendices

[23.71 Sample Form PPC2, "Federal Aid Request for Payment"](#)

[23.72 Instructions for Completing Form PPC2](#)

Federal Aid Progress Billing

Address _____
 Fed Tax ID No. _____
 Agency Use: _____

Federal Aid Project: _____ LA- _____
 Agreement Number: _____
 Last Supplement: _____
 Project Title: _____

Progress Bill No: _____
 Final Progress Bill?: _____
 Billing Period from: _____ through: _____

	1	2	3	4	5	6	7	8
	Total Eligible This Period	Total Eligible To Date	Participation Rate	Amount Claimed This Period Col 1 x Col 3	Amount Claimed Prior Periods	Total Claimed To Date Col 4 + Col 5	Amount Authorized Per Agreement	Remaining Federal Funds Col 7 - Col 6
PE				0.00		0.00		0.00
<i>Total Preliminary Engineering</i>	0.00	0.00		0.00	0.00	0.00	0.00	0.00
RW				0.00		0.00		0.00
<i>Total Right of Way</i>	0.00	0.00		0.00	0.00	0.00	0.00	0.00
CN				0.00		0.00		0.00
				0.00		0.00		0.00
				0.00		0.00		0.00
CE				0.00		0.00		0.00
<i>Total Construction</i>	0.00	0.00		0.00	0.00	0.00	0.00	0.00
TOTAL PROJECT	0.00	0.00		0.00	0.00	0.00	0.00	0.00

Submission of this request for payment certifies that in accordance with the laws of the State of Washington and under the conditions of approval for the project identified above, have been incurred and are eligible for the purposes specified; also, that no other claims have been presented to, or payment made by, the State of Washington for those costs.

Signee _____ Title _____ Date _____
 Approved by Regional Local Programs Office _____ Date _____
 Return to Regional Local Programs Office _____
 Revised 09/2008

| Appendix 23.72 *Instructions for Completing Form PPC2*

This form only reflects the amounts claimed and authorized for payment to the local agency. It does not include costs for state services.

Distribution of Form

After the Fund Authorization letter is received by the agency, a blank PPC2 form should be filled out for the first progress billing. Highways and Local Programs will mail subsequent progress billing forms to the agency when payment for the previous billing is made.

Funding Set Up

The amount of federal funding set up for a project is based on the local agency agreement. The funding set up for each line item is shown in column (7). Column (7) should be compared with column (6) to ensure that the amounts requested are within the funding amount set up by the local agency agreement.

Payments will not be made in excess of the amount in column (7). If the amount in column (6) exceeds the amount shown in column (7), a supplement to the local agency agreement must be submitted to reflect the revised cost before payment can be made.

Exception: On a progress bill marked as Final, the amounts in column (6) may exceed the amounts in column (7), provided the total of column (6) does not exceed the total of column (7). Only one billing will be accepted as final.

Data Required to Request Payment

As a minimum, only those line items for which payment is being requested need to be coded. The other lines can be left blank. The agency's Federal Tax ID is always required.

Coding Instructions

The PPC2 is arranged in the same manner as the local agency agreement though not all lines from the local agency agreement are shown on the PPC2. The lines for state services are not included because state costs are billed separately. Since the state services are not shown, the totals for PE, R/W, and Construction shown on the PPC2 will not agree with those shown on the local agency agreement. The PPC2 totals will reflect the total amount available to the local agency based on the local agency agreement.

The top portion of the form includes project identification information that will automatically appear on each progress billing. This information includes: Agency, Agreement No., Federal Aid No., Title, Progress Bill No., and Billing Period. Please provide actual dates for the current billing period and indicate

whether the billing represents a final voucher for PE, R/W, or Construction in the spaces provided. Enter the estimated amount of project completion in percent for the applicable phase.

A space has been provided for an “Agency Billing Identification” number. This eight character item is for the agency’s use and is not required to receive payment. You may enter any combination of alphabetic and numeric symbols. This number will be used to identify each billing on the Vendor’s Remittance Advice which is transmitted to agencies receiving Electronic Fund Transfers (EFT). The number will appear in the “Invoice Number” block on the Vendor’s Remittance Advice.

- Line a — Agency work for PE.
Eligible PE cost incurred by the local agency.
- Line b-c — Other — For PE
Same as shown on agreement, usually consultant cost paid by local agency.
- Line e — Total PE Cost Estimate. This is the total amount claimed and authorized for payment to the local agency within the PE phase.
Column (7) on this line shows the total amount of funds set up for the local agency based on the latest version of the Local Agency Agreement. It does not include (line d) state services.
- Line f — Agency Work for R/W
Eligible R/W cost incurred by local agency.
- Line g-h — Other — R/W
Same as shown on Local Agency Agreement, usually consultant (etc.) cost paid by the local agency.
- Line j — Total R/W Cost Estimate. This is the total amount claimed and authorized for payment to the local agency within the R/W phase.
Column (7) on this line shows the total amount of federal funds set up for the local agency based on the latest version of the Local Agency Agreement. It does not include (line i) state services.
- Line k — Contract
Eligible payments made to contractor.
- Lines l-n — Other
Other costs incurred by the local agency as indicated on the Local Agency Agreement, such as Day Labor, Agency Supplied Materials, etc.

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- Line o — Agency Work
Eligible cost incurred by the local agency.
- Line q — Total CN Cost Estimate. This is the total amount claimed and authorized for payment to the local agency within the Construction phase.
Column (7) on this line shows the total amount of funds set up for the local agency based on the latest version of the Local Agency Agreement. It does not include (line p) state services.
- Line r — Total Project Cost Estimate. Add the Total PE, Total R/W, and Total Construction. This is the total amount claimed and authorized for payment to the local agency.
Column (7) on this line shows the total amount of federal funds for all phases of work for the local agency based on the latest version of the Local Agency Agreement. It does not include state services.
- Column (1) — Total Expenditures Eligible for Federal Participation This Period
Record the total eligible expenditures this period for each item of work.
- Column (2) — Total Eligible to Date
- Column (3) — Percent of Participation
The current participation ratio will be provided.
- Column (4) — Amount Claimed This Period
Column (4) can never exceed column (1) times column (3), but may be less than. Multiply column (1) by column (3) and enter in column (4). This represents the amount of funds claimed on this progress bill.
- Column (5) — Amount Claimed Prior Period
This represents the total amount of funds previously claimed (column (6) on the previous billing). This amount will be provided on the form.
- Column (6) — Total Claimed to Date
Add column (4) and column (5) and enter the total in this column. The total claimed to date for PE, R/W, and Construction cannot exceed the amount authorized shown in column (7). Refer to funding setup section.

Column (7) — Amount Authorized Per Agreement

This is the total amount of funds authorized for each line item per the latest version of the Local Agency Agreement. This amount will be provided on the form.

Column (8) — Remaining Funds

Subtract column (6) from column (7) and enter the difference in this column. The difference represents the remaining funds available. This column cannot be a negative value. If negative, a supplement to the Local Agency Agreement must be prepared to receive full payment.

Sign and date the progress billing and distribute according to the instructions located at the bottom of the form. **All hard copy requests for payment must have an original signature in order to be processed.** If you have any questions, please contact your Regional Highways and Local Programs Engineer.

