

53.1 General Discussion

After substantial completion of the work, the agency shall diligently pursue contract completion. In cases where the contractor is not diligently pursuing completion, the agency shall impose liquidating damages penalties, completion of remaining work with local forces or unilateral closure and claims against the contractor.

After the construction phase of a FHWA transportation project, done either by competitive bidding or by local agency forces, specific procedures are carried out to terminate the project's finances and review project performance. These procedures are necessary in order to settle any outstanding contract obligations, and to ensure that funds were expended properly.

This chapter lists requirements for closing the project accounts at WSDOT and FHWA and discusses project management reviews and project audits.

53.2 Closure

Once the construction contract reaches substantially completion, the Local Agency shall submit a final project DBE closure package, (Closure package includes Form 272-055, Final DBE Utilization Plan Report, Form 272-065, Monthly Retainage Report, and DBE GFE documentation for all COA DBE underruns). Upon receipt of the complete DBE closure package the 60-day project closure period can begin.

The final FHWA closure period cannot begin until the complete DBE closure package is received and the final inspection of the project (Form 140-500, Final Inspection of federal Aid Project) from the Region Local Programs Office. During the period, the local agency shall complete the requirements described below.

No further payment will be made after the date indicated on the 60-day closure letter without the approval of Local Programs.

If the local agency identifies that they will be unable to complete the final billing, they may request with justification that the 60-day closure period be extended.

In this case, the local agency shall submit a written request to Local Programs justifying an extended closure period.

All Local Agency Agreements are required to have a Project Agreement End Date (2 CFR 200.309). Any costs incurred after the Project Agreement End Date are NOT eligible for federal reimbursement. All eligible costs incurred prior to the Project Agreement End Date must be properly submitted for reimbursement within 60 days after the Project Agreement End Date or they become ineligible for federal reimbursement.

- .21 **WSDOT Project Review** – The Region Local Programs Engineer will conduct the final field inspection. It is suggested that the Region Local Programs Engineer be invited to the final project inspection with the contractor. If the final inspection reveals items that must be corrected or resolved before the project can be closed, these will be noted in the final inspection report. The Region Local Programs Engineer will work with the local agency to make the necessary corrections or to accomplish resolutions. If there is an unresolvable item indicating that a portion of project work is ineligible for FHWA reimbursement, WSDOT will issue a letter of notification outlining the ineligible work items and related costs.

- .22 Final Billing** – Within 60 calendar days of the completion date, the local agency shall submit a final bill clearly marked “Final Billing” and a Final Project Summary to WSDOT Headquarters Local Programs.

This final billing should include the following statement, “The total eligible costs to date have only been reimbursed by Federal agreement number and not by any other grant or funding source” and this statement should be endorsed by the signature designee. Additionally, properly completed DBE documentation must be received by HQ Local Programs prior to any final release of federal or State funds resulting from the Final Voucher process.

- .23 Project Closure** – Once the project has been reviewed and closed by FHWA, Local Programs provides the agency with an Administrative Review letter. The letter includes a final accounting and settlement of the total project costs, which may result in a payment or billing to the agency as appropriate; and provides information on records retainage.

53.3 Project Reviews

In order to ensure that local agencies are administering FHWA funded projects in reasonable compliance with FHWA requirements and regulations and the Local Agency Guidelines manual, WSDOT will perform procedural reviews on federal funded local agency ad-and-award projects. Projects will be selected from the available projects awarded to the local agency based upon the assigned risk level documented in the risk assessments performed at the end of each project by the Region LPE.

These reviews will be:

- Project Management Reviews (PMR) performed by HQ Local Programs
 - CA Agencies projects are chosen based upon the overall results of the agency’s risk profile. Profiles are developed from a risk-based analysis of the past PMRs, project delivery, and awarded funding amounts. (HQ Local Program will select a qualifying project from the list of awarded federal projects, agencies with a high-risk score may have multiple projects selected and agencies with low-risk score may or may not have a project selected. The actual PMR will occur near or after completion of construction.)
 - PMRs will be performed in one of two ways, in person file reviews or electronic file reviews.
- Documentation Reviews are performed by the Region Local Programs Engineer with the frequencies of the reviews being based upon the risk assessment performed on each phase of the projects.
 - CA Agencies having a low-risk status will receive a documentation review a minimum of once per year on each phase of the project. (Meaning that the agency will receive a review during the design and the construction phases of projects.)
 - CA Agencies having a high-risk status will receive a documentation review once per year for all projects

- Projects selected should be near the middle of the design or construction phase, allowing for the agency to make correction or adjustment to their administration of the design or contract to achieve reasonable compliance.
- Documentation Reviews will be performed using the same methods as the formal PMR. These documentation Reviews may either be in person or by electronic methods. Documentation Reviews results are stored in the Region's project files. The agency shall be given a copy of the results and recommendations from these reviews.

The agency may lose CA status, have its delegation of authority reduced to a project or phase of a project, or be placed on probationary CA. This may be the result of:

- A PMR or Documentation Review.
 - An audit by the State Auditor.
 - Final project inspection.
 - The qualifications and experience of the agency staff are altered.
- .31 PMR Preparation** – Local Programs, performs PMRs through the following two methods, the standard agency visits to review physical files or via electronic review of the agency files. Physical visits will be requested through the Region Local Programs Engineer, they will schedule the PMR with the agency. The request will include that the local agency managers are available to participate or answer questions that may arise from the review. The local agency shall have all pertinent documentation ready for the scheduled review. If the agency is chosen to receive an electronic PMR (ePMR), they will receive the PMR questions in two parts and allowed five working days to respond with the requested documents. Part one of the ePMR will consist of the administration, consultant, and ROM. Part two will consist of the material documentation and the contractors' portion. Typical questions and documents to be examined during this review are listed on Form 272-024. Physical PMRs will have all deficiencies will be identified for CA agencies at the time of the PMR and a copy of the PMR documentation given to the agency's representative. Electronic PMRs will have deficiencies identified as the ePMR progresses in each part. The agency will receive a 15-day grace period (starting at the after the agency is notified of the deficiencies) to submit items not found or unavailable during the PMR. These items shall be submitted through the Region Local Programs Engineer within 15 calendar days.
- Note:** The agency may request an additional 30 days with justification prior to the end of the original 30-day grace period, to supply outstanding items that are not readily available. Upon conclusion of the grace period no further submittals will be accepted and a final findings PMR letter will be issued to the agency.
- .32 PMR Deficiencies** – Local Programs will address deficiencies based upon the following criteria's.
- If no deficiencies are found in the local agency's project management methods, the local agency will be informed in writing of the review team's findings and recommendations. A letter of reasonable compliance will be issued to the agency.
 - Agency identified or minor deficiencies identified by the region during the documentation review. The agency will be required to submit and implement a training plan to prevent the issues from reoccurring on future projects. The training plan will be between the agency and the Region Local Programs Engineer. The Region LPE will maintain and monitor these plans.

- If deficiencies are identified by HQ Local Programs or if minor deficiencies are found during a PMR. The Agency will be required to submit and implement a corrective action plan to prevent issues from reoccurring on future projects. The corrective action plan will be between the Agency and HQ Local Programs. HQ Local Programs will maintain the plan in the Agency's CA file and may delegate the monitoring of the corrective action to the region LPE.
- If major deficiencies are identified in the local agency's procedures, management practices during the PMR, or the agency fails to address outstanding items after the 15-day grace period. The local agency will be instructed to take corrective action within 60 days.

If deficiencies exist in the agency's procedures, management practices, or systems, or if specific project errors are found, WSDOT's administrative response might be one or more of the following:

- No action against the agency.
- Joint conference with the Local Agency, Region Local Programs Engineer, and the Director, Local Programs or the director's designee.
- Limit or withhold the agency's future Certification Acceptance authority to the extent deemed necessary:
 1. Allow Certification on a project-by-project basis.
 2. Direct WSDOT to assign a Project Engineer to each project for supervision, inspection, and administration.
 3. Contract the supervision, inspection, and administration to a consulting firm.
 4. Delay project authorization until adequate supervision, inspection, and administration is available from the local agency, WSDOT, or consultants.
- Establish a repayment plan when violations to procedures make certain expenditures ineligible for federal reimbursement. Per Section VII of the Local Agency agreement, withholding of funds from the local agency's gasoline tax distribution may be necessary if a satisfactory repayment plan is not established within 45 days.

If the deficiencies include ineligible work, WSDOT will issue a citation letter stating the amount to be repaid.

53.4 Financial and Compliance Audit

- .41 **Single Audit** – The local agency is responsible for ensuring that a federal single audit is performed in accordance with 2 CFR Part 200.501 – Audit Requirements. WSDOT is also responsible for ensuring that FHWA funds are properly expended. The State Auditor will therefore audit each local agency.
- .42 **Project Audit** – A project audit by WSDOT Local Programs is triggered by deficiencies found during:
 1. A routine audit by the State Auditor, either on an FHWA project or on any other project where federal funds are involved.
 2. A documentation review.
 3. A project management review.

- .43 Project Records** – Project records shall be maintained in accordance with the terms of the Local Agency Agreement and shall be made available to the audit personnel upon request. It is helpful if field notes and other documentation are available in sufficient detail to facilitate the audit review.
- .44 Audit Report** – The state auditor notifies Local Programs upon completion of a formal audit report. If findings on a particular audit arise, Local Programs contacts the agency to confirm the findings and coordinate resolution. Audit findings must be resolved within six months of the date that the audit report is issued. Upon resolution, Local Programs issues a Management Review letter to the agency and provides copies to the FHWA. Audits will normally include the following categories:
- Interagency Agreements
 - Land Development or Land Acquisition Projects
 - Tier Contracting Procedures
 - Fund Management – Transactions
 - Accounting Methods – Cash or Accrual
 - DBE-EEO Practices
 - Use of Grant Acquired Equipment

53.5 Appendices

- 53.51 Vacant
- 53.52 Vacant
- 53.53 Vacant
- 53.54 Certified Payroll Example

53.6 Forms

- 272-024 Local Agency Project Management Review, Checklist
- 140-500 Final Inspection of Federal Aid Projects

Appendix 53.51 Vacant

Appendix 53.52 Vacant

Appendix 53.53 Vacant
