



U.S. Department
of Transportation

**Urban Mass
Transportation
Administration**

CIRCULAR

UMTA C 5010.1A

July 22, 1988

**Subject: URBAN MASS TRANSPORTATION PROJECT MANAGEMENT
GUIDELINES FOR GRANTEES**

1. PURPOSE. This circular provides project management guidance for grant recipients in carrying out assistance projects pursuant to Sections 3, 8, 9 and 20 of the Urban Mass Transportation Act (UMT) of 1964, as amended, 49 United States Code (U.S.C.) Section 1601 et seq., and Sections 103(e)(4) and 142 of Title 23, U.S.C. It does not address Sections 3(a)(1)(C), 4(i), 6, 10, 11, 16(b)(2) or 18, unless a circular separately prepared for one of these sections refers the grantee to an applicable provision contained in Circular 5010.1A.
2. SUPERSESSION. This circular supersedes UMTA Circular 5010.1, "UMTA Project Management Guidelines for Grantees," dated 3-17-83, except as it applies to UMTA research and demonstration programs under Sections 6 and 10 of the Act, until such time as project management circulars for these programs are issued.
3. CANCELLATION. The circular cancels the following directives:
 - a. UMTA Notice 2920.1, "Single Annual Audit Requirements," dated 8-16-85.
 - b. UMTA Circular 4530.1, "Land Acquisition and Relocation Assistance Under the Urban Mass Transportation Act of 1964, as amended," dated 3-21-78.
 - c. UMTA Notice 5005.1, "Guidance on Program Income and Sales Proceeds," dated 9-25-85.
 - d. Chapter IV of UMTA Circular 8100.1A, "Program Guidance and Application Instructions for Planning and Technical Studies Grants," dated 8-30-85.
 - e. UMTA Circular 9050.1A, "Section 5 Operating Assistance Application Instructions," dated 12-21-81.
4. REFERENCES.
 - a. Sections 3, 5, 8, 9, 9A, and 20 of the UMT Act of 1964, as amended, 49 U.S.C. Section 1601 et seq.
 - b. Title 23, United States Code, Highways.
 - c. "Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970," 42 U.S.C. Section 4601 et seq.

Vertical line denotes change.

DISTRIBUTION: UMTA Headquarters Offices (U-W-2)
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- d. 49 CFR Part 23, "Participation by Minority Business Enterprise in Department of Transportation Programs."
- e. 49 CFR Part 21, "Nondiscrimination in Federally-Assisted Programs of the Department of Transportation--Effectuation of Title VI of the Civil Rights Act of 1964."
- f. 31 CFR Part 205, Ch. II, "Withdrawal of Cash From the Treasury for Advances Under Federal Grant and Other Programs."
- g. 49 CFR Part 27, Subpart E, "Mass Transportation Services for Handicapped Persons."
- h. Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions," dated 2-26-79.
- i. OMB Circular A-50, "Resolution of Audit Findings and Recommendations," dated 9-29-82.
- j. OMB Circular A-73, "Audit of Federal Operations and Programs," dated 3-15-78.
- k. OMB Circular A-87, "Cost Principles Applicable to Grants and Contracts with State and Local Governments," dated 1-15-81.
- l. OMB Circular A-102, Revised, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments."
- m. OMB Circular A-128, "Audit of State and Local Governments," dated 4-12-85.
- n. Department of Transportation Common Rule, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (replaces OMB Circular A-102, effective 3-12-88 and 10-1-88).
- o. Department of the Treasury Circular 1075, "Regulations Governing Withdrawal of Cash From the Treasury for Advances Under Federal Grant and Other Programs," 4th Revision, dated 12-14-77.
- p. Chapter 2000, Part 6, "Cash Advances Under Federal Grant and Other Programs," Treasury Financial Manual.
- q. Department of Health and Human Services Publication No. OASC-10, "A Guide for Local Government Agencies - Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government." (Guides are also available for non-profit organizations from UMTA Regional Offices or the Government Printing Office in Washington, D.C.)
- r. UMTA Circular 4704.1, "Employment Opportunity Program Guidelines for UMTA Recipients," dated 7-26-88.

- s. UMTA Circular 4702.1, UMTA Guidelines for Title VI Information Specific to UMTA Programs," dated 5-26-88.
 - t. UMTA Circular 4220.1B, "Third Party Contracting Guidelines," dated 5-5-88.
 - u. UMTA Circular 4715.1A, "Section 20 (Human Resource) Guidelines for UMTA Applicants," dated 7-26-88.
 - v. UMTA Circular 4716.1A, "UMTA Disadvantaged Business Enterprise Requirements for Recipients and Transit Vehicle Manufacturers," dated 7-26-88.
 - w. UMTA Circular 5700.1, "Requirements and Responsibilities for Indirect Cost Proposals/Cost Allocations Plans for Technical Studies and Capital Grants," dated 5-24-83.
 - x. UMTA Circular 8100.1A, "Program Guidance and Application Instructions for Planning and Technical Studies Grants," dated 8-30-85.
 - y. UMTA Circular 9030.1A, "Section 9 Formula Grant Application Instructions," dated 9-18-87.
 - z. UMTA Order 9010.1, "Section 9 Triennial Reviews," dated 2-1-88.
5. BACKGROUND. This revised circular updates the general project management procedures applicable to UMTA grantees that receive Federal funds under Sections 3, 8, 9 and 20 of the UMT Act of 1964, as amended, and under Sections 103(e)(4) and 142 of Title 23, U.S.C. The revisions are consistent with the current provisions of UMTA and other applicable statutes, OMB guidelines and DOT policy and regulations.
- These procedures are intended to assist grantees in administering UMTA-funded projects and meeting the various grant responsibilities and reporting requirements. For additional guidance on specific areas such as civil rights, relocation, cost principles, and third party contracting, refer to materials listed above in paragraph 4, "References." Recipients should also be aware of the applicable financial responsibility, environmental, private enterprise, elderly and handicapped, and other regulatory requirements.
6. WAIVERS. UMTA may waive any part of this circular provided that such action is consistent with applicable law. Applications for a waiver will be considered on the basis of their individual merit.

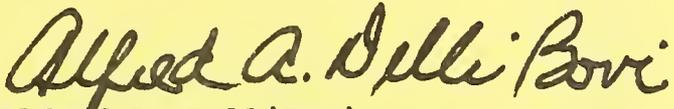

Alfred A. DelliBovi
Administrator



TABLE OF CONTENTS

<u>CHAPTER</u>		<u>PAGE</u>
I	<u>PROJECT ADMINISTRATION AND MANAGEMENT</u>	I-1
	1. General	I-1
	2. Notification of Grant Approval	I-1
	a. Project Authority	I-1
	b. Execution of Grant Agreement	I-1
	3. Grantee Responsibilities for Grant Administration and Management	I-2
	4. Civil Rights Requirements	I-3
	a. General	I-3
	b. Nondiscrimination	I-3
	c. Title VI (Service Delivery/Benefits)	I-3
	d. Equal Employment Opportunity (EEO)	I-3
	e. Disadvantaged Business Enterprise (DBE) Program	I-3
	f. Elderly and Handicapped Requirements	I-4
	5. Grant Reporting Requirements	I-4
	a. Quarterly Progress Reports	I-5
	b. Quarterly Financial Reports	I-6
	c. Quarterly Disadvantaged Business Enterprise (DBE) Reports	I-6
	d. Reports of Significant Events	I-6
	e. Report Due Dates	I-6
	6. Changes in an Approved Grant--Budget Revisions and Amendments of the Grant Agreement	I-6
	a. General	I-6
	b. Definitions	I-7
	c. Budget Revisions	I-7
	d. Administrative Amendments	I-9
	e. Full Grant Amendments	I-9
	7. Use and Disposition of Project Property	I-13
	a. Definitions	I-13
	b. Real Property	I-14
	c. Equipment	I-17
	8. Third Party Contracting	I-20
	9. Non-Traditional Insurance	I-21
	a. General Conditions	I-21
	b. UMTA Approval	I-21
	10. Value Engineering	I-21
	a. Definition	I-21
	b. Requirement	I-21
	11. Project Management Oversight (PMO)	I-21
	a. Definition	I-21
	b. Requirement	I-21
	12. Project Management Plan	I-22
	a. Definition	I-22
	b. Requirement	I-22
	13. Force Account	I-22
	a. Definition	I-22
	b. General	I-22
	c. Requirement	I-22

d.	Justification	I-23
14.	Claims	I-24
15.	Sales Proceeds	I-26
a.	General	I-26
b.	Definition	I-26
c.	Requirement	I-26
16.	Insurance Proceeds	I-27
17.	Retention and Access Requirements for Records	I-28
a.	Applicability	I-28
b.	Length of Retention Period	I-28
c.	Starting Date of Retention Period	I-28
d.	Substitution Of Microfilm	I-29
e.	Access to Records	I-29
f.	Restrictions on Public Access	I-29
18.	Special Requirements	I-30
a.	Hatch Act Requirements	I-30
b.	Environmental Protection	I-30
c.	Relocation Program Administration	I-30
d.	Housing Replacement Requirements	I-31
e.	Utility Relocation Agreements	I-31
f.	Leasing Agreement-Project Equipment and Facilities	I-32
g.	Copyrights and Rights in Data	I-32
h.	Patent Rights	I-32
i.	Published Reports	I-33
19.	On-site Inspections	I-33
a.	UMTA Project Team	I-33
b.	Quarterly Project Management Meetings	I-33
c.	Triennial Review	I-33
20.	Suspension of a Project	I-34
21.	Termination of a Project	I-34
a.	Termination for Cause	I-34
b.	Termination for Convenience	I-34
c.	Partial Termination	I-34
22.	Project Closeout Procedures	I-35
a.	Final Financial Settlement	I-35
b.	Adjustments to Federal Share of Costs	I-35
II	<u>FINANCIAL MANAGEMENT</u>	II-1
1.	Internal Management Controls	II-1
a.	General	II-1
b.	Definitions	II-1
c.	Objectives	II-1
d.	Necessary Elements	II-2
e.	Standards of Internal Management Control and Audit Resolution	II-2
2.	Cost Allocation Plan/Indirect Cost Proposal	II-5
a.	General	II-5
b.	Definitions	II-5
c.	Types of Plans	II-5
d.	Preparation of Plan	II-5
e.	Cognizant Federal Agency	II-6
f.	Costs Supported	II-7
g.	Plan Content	II-7
h.	Plan Approval	II-8

3.	Cost Standards	II-8
	a. General	II-8
	b. Allowable Costs	II-8
4.	Program Income	II-9
	a. General	II-9
	b. Definition	II-9
	c. Requirement	II-10
5.	Financial Reporting Requirements	II-10
	a. General	II-10
	b. Disclosure Criteria	II-10
	c. Financial Status Report (SF-269)	II-10
	d. Report of Federal Cash Transactions (SF-272)	II-11
6.	Annual Audit	II-11
	a. General	II-11
	b. Purpose	II-11
	c. Requirement	II-12
	d. Resolution of Audit Findings	II-12
7.	Third Party Contract Audits	II-13
	a. Responsibility for Audit	II-13
	b. Outside Audit Services	II-13
	c. Costs	II-13
	d. Contracting for Audit Services	II-14
8.	Triennial Review	II-14
	a. Requirement for the Reviews	II-14
	b. Conduct of the Reviews	II-14

III PAYMENT PROCEDURES

1.	General	III-1
	a. Payment Methods	III-1
	b. Restrictions	III-1
	c. Interest Income	III-2
	d. Recipient Payments to Contractors	III-2
2.	Letter of Credit (LOC) Payment Method	III-2
	a. Objectives	III-2
	b. Policy	III-2
	c. Procedures to Apply for Letter of Credit	III-3
	d. Recipient Organization Requirements	III-4
	e. Rejection of TFS 5805	III-5
	f. Excessive or Premature Withdrawals	III-5
	g. Revocation of Letter of Credit	III-6
3.	Reimbursement by Treasury Check	III-6
4.	Request for Advance or Reimbursement (SF-270)	III-7
	a. General	III-7
	b. Instructions	III-7
	c. Review of the SF-270	III-8
5.	Excessive Payments (Overpayments) to Grantees	III-8
	a. Repayment to UMTA	III-8
	b. Repayment Procedure	III-8

TABLE OF EXHIBITS

<u>EXHIBIT</u>		<u>PAGE</u>
I-1	Planning and Capital Grant Changes	I-11
I-2	Sample Statement of Reviews and Expenses	I-37
I-3	Overview of the Grant Management Sequence	I-38
II-1	Financial Status Report (SF-269)	II-15
II-2	Supplement to Financial Status Report for Section 8 Projects	II-17
II-3	Federal Cash Transactions Report (SF-272)	II-18
III-1	Authorized Signature Card for Payment Vouchers on Letter of Credit (SF 1194)	III-10
III-2	Signatory Authorization and Certification	III-13
III-3	Cash Outlay Plan	III-14
III-4	Information Contained on the Letter of Credit (SF 1193A)	III-15
III-5	Information Contained on the Request for Funds (TFS Form 5808)	III-19

CHAPTER I

PROJECT ADMINISTRATION AND MANAGEMENT

1. GENERAL. This circular describes the process and provides guidelines and procedures for management of UMTA grants under Sections 3, 4(i), 8, 9 and 20 of the UMT Act of 1964, as amended; and Title 23 U.S.C., Section 103(e)(4) (Interstate transfer) and 142 (FAUS). Procedures for management of Section 16(b)(2) grants are provided in the current version of UMTA Circular 9070.1. Procedures for management of Section 18 grants are provided in the current version of UMTA Circular 9040.1. Management of the remaining Section 5 and 9A grants should follow the guidance in this circular.

Chapter I of this circular deals with Project Administration and Management, Chapter II with Financial Management, and Chapter III with Payment Procedures. In the circular, agencies that receive UMTA grants are referred to either as grantees or recipients. The term "projects" refers to mass transportation improvement activities funded under a grant, as defined in executed grant or cooperative agreements. Similarly, the term "Program of Projects" refers to locally developed groups or lists of projects as presented to UMTA, approved, and defined in executed agreements (also referred to herein as "program").

2. NOTIFICATION OF GRANT APPROVAL. UMTA notifies grantees of grant approval by letter. The letter announces grant approval and transmits copies of the grant agreement and the approved project budget. Special conditions of the approval may be contained in the letter or the grant agreement. The grantee may begin to incur project costs as of the obligation date stated in the Notification of Grant Approval. Cash disbursements under Letters of Credit or requests for reimbursements for Federal grant or loan funds will not be honored until the grant or loan agreement has been executed by both UMTA and the grantee and returned to UMTA. Operating costs may be reimbursed after the fact. Before indirect costs can be reimbursed, a cost allocation plan must be submitted and approved. Similarly, non-traditional insurance and designated force account costs are eligible for reimbursement only after a plan covering such costs has been approved by UMTA. Cost allocation, force account, maintenance and insurance plans can accompany or follow the grant application. Additional information is contained in Chapter II.
 - a. Project Authority. As responsibility for management of nearly all projects is delegated to UMTA Regional Offices, references in this circular to UMTA mean the cognizant Regional Office. Section 4(i) and 3(a)(1)(c) projects and some Section 8 grants and contracts are administered by Headquarters offices.
 - b. Execution of Grant Agreement. After grant approval, UMTA will send the grantee four copies of the grant agreement for signature, with instructions. The grantee should execute, date and return two copies to UMTA. UMTA should be advised promptly if the grant agreement cannot be executed by the grantee within 90 days of the obligation date.

3. GRANTEE RESPONSIBILITIES FOR GRANT ADMINISTRATION AND MANAGEMENT. The grantee is responsible for administration and management of the grant in compliance with the terms and conditions of the grant agreement and requirements of this and other applicable UMTA circulars and regulations. The grantee is also responsible for funds which "pass through" to another recipient. Grantees may revise budgets in ways that do not change the amount, scope or purpose of a grant. Procedures for changes to an approved grant are discussed in paragraph 6 of this chapter. UMTA monitors grants to confirm that grantees establish and follow procedures that are reasonable and comply with UMTA requirements. Required grantee certifications stand in lieu of detailed UMTA scrutiny, substantiated by annual independent audits and triennial reviews.

The grantee's responsibilities include actions to:

- a. Provide continuous administrative and management direction of project operations;
- b. Provide, directly or by contract, adequate technical inspection and supervision by qualified professionals of all work in progress;
- c. Assure conformity to grant agreements, applicable statutes, codes, ordinances, and safety standards;
- d. Maintain the project work schedule agreed to by UMTA and the grantee and constantly monitor grant activities to assure that schedules are met and other performance goals are being achieved;
- e. Keep expenditures within the latest approved project budget;
- f. Assure compliance with UMTA requirements on the part of agencies, consultants, contractors, and subcontractors working under approved third party contracts or interagency agreements;
- g. Request and withdraw Federal cash only in amounts and at times as needed to make payments that are immediately due and payable (see Chapter III for further information on payment procedures);
- h. Account for project property and maintain property inventory records that contain all the elements required by OMB Circular A-102;
- i. Provide, through an insurance program or otherwise, for repair, replacement or reimbursement of the Federal share for grant property that is damaged or destroyed before the end of its useful life;
- j. Arrange for an independent organization-wide audit in accordance with OMB Circular A-128; and
- k. Prepare and submit force account, cost allocation and non-traditional insurance plans prior to incurring costs if seeking reimbursement for these costs.

4. CIVIL RIGHTS REQUIREMENTS.

- a. General. It is the responsibility of UMTA to ensure that grantees are in compliance with all civil rights program requirements that apply to transit related projects. The applicable civil rights program areas follow: Title VI of the Civil Rights Act of 1964 (Service Delivery/Benefits); Equal Employment Opportunity (EEO); the Disadvantaged Business Enterprise (DBE) Program (Section 106(c)); and the Handicapped Regulation (Section 504).

All required civil rights program submissions must be approved by UMTA and periodically updated in accordance with program guidelines.

- b. Nondiscrimination. Section 19, enacted as part of the Surface Transportation Assistance Act of 1978, states that no person on the basis of race, color, creed, national origin, sex, or age, shall be excluded from participation in, be denied the benefits of, or be subject to discrimination under any project, program, or activity funded in whole or in part through financial assistance under the UMT Act of 1964, as amended.

This nondiscrimination provision applies to employment and business opportunities and is to be considered in addition to the provisions of Title VI of the Civil Rights Act of 1964.

- c. Title VI (Service Delivery/Benefits). Each grantee requesting Federal financial assistance pursuant to Sections of the UMT Act covered by this circular, Federal Aid Urban System (FAUS) Transit Projects and Interstate Transfer Programs, must have a Title VI submission approved by UMTA as specified in UMTA Circular 4702.1, entitled "Title VI Program Guidelines for Urban Mass Transportation Recipients."

Once the initial Title VI submissions have been approved, updates are required every 3 years unless otherwise requested by UMTA.

- d. Equal Employment Opportunity (EEO). Grantees with 50 or more employees that have received within the previous Federal fiscal year capital and/or operating assistance grants of over \$1 million, or technical studies grants totalling over \$250,000, must have their EEO programs approved by UMTA. This requirement also applies to contractors (with more than 50 employees) that are engaged in providing transit services and receive some funds under Federal grant assistance. EEO program requirements are specified in UMTA Circular 4704.1, entitled "Equal Employment Opportunity Program Guidelines for UMTA Recipients."
- e. Disadvantaged Business Enterprise (DBE) Program. Grantees must meet the requirements of the Department of Transportation's (DOT) Minority Business Enterprise Regulation (49 CFR Part 23) and Section 106(c) of the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA), enacted 4-2-87. DBE program requirements are specified in the current version of UMTA Circular 4716.1A, entitled, "UMTA Disadvantaged Business Enterprise Requirements for Recipients and Transit Vehicle Manufacturers." Section 106(c) requires that not less than 10 percent of the amounts authorized to be appropriated under

Titles I, II, and III of the STURAA or obligated under Titles I, II, and III (other than Section 203) of the Surface Transportation Assistance Act of 1982 (STAA) shall be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals. Women are now included in the definition of socially and economically disadvantaged persons.

- f. Elderly and Handicapped Requirements. Consistent with the provisions of Section 16(a) of the UMT Act (Title III of P.L. 97-424, "The Surface Transportation Assistance Act of 1982"), construction of all grant funded facilities must incorporate special efforts in the planning and design of mass transportation facilities to assure that they are available to be effectively utilized by elderly and handicapped persons.

Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794, prohibits discrimination on the basis of handicap by recipients of Federal financial assistance. To assure compliance with this provision, all grantees must meet the requirements of DOT's regulation implementing Section 504 of the Rehabilitation Act of 1973 (49 CFR Part 27 Subpart E). The regulation requires grantees to establish a program meeting the requirements of this subpart. The grantee must ensure provision of service to handicapped persons at the full performance level within the period specified in its program submission. The program must include milestones describing the progress the grantee will make each year until it achieves the full performance level. All grantees must submit a Section 504 program to UMTA for review and approval describing the service provisions that are presently in place and those that will be in place when the program is fully implemented.

5. GRANT REPORTING REQUIREMENTS. The purpose of a grant is defined at the time of its approval and is formalized in the grant agreement. The grantee is responsible for accomplishing this purpose as earlier outlined in paragraph 3 of this chapter. UMTA monitors grant activities to ensure proper grantee stewardship of Federal funds and compliance with the laws and regulations that govern its grant programs. UMTA must also be able to report on program results, industry trends and its own oversight responsibilities.

The information UMTA needs for program forecasting, management and reporting is furnished through quarterly narrative progress reports by grantees about significant events, relevant grant activities and any changes to or variances in the grant schedule or budget.

With respect to the level of detail required for these reports, UMTA treats all approved budget line items alike. Thus, an activity contained in a Section 3 grant and a project contained in an approved Section 9 Program of Projects, each listed as budget line items, must be presented in the quarterly reports in sufficient detail that important information is not lost in aggregation. For example, the number of full sized buses in a

level of reporting detail. This will assure that UMTA has the information needed to manage its overall program and to respond fully to specific requests from Congressional committees, auditors and the general public.

- a. Quarterly Progress Reports. The requirement for quarterly progress reports applies to all UMTA grants covered by this circular except for grants for operating assistance only. Section 9 grants which include capital or planning assistance in the Program of Projects in addition to operating assistance must be reported on quarterly. If only operating assistance is involved, the reporting requirement is limited to a quarterly Statement of Revenues and Expenses (Figure I-2 shows a sample of a Statement of Revenues and Expenses). Depending on project complexity, UMTA may also request other special reports or quarterly project management meetings. Final project reports are discussed in paragraph 22 of this chapter.
 - (1) Required Information. At a minimum, each quarterly progress report should provide the following information. A narrative should address each budget line item or project within the Program of Projects as follows unless UMTA advises otherwise:
 - (a) A discussion of budget or schedule changes not requiring UMTA approval that were made during the reporting period;
 - (b) A comparison of scheduled activities and budgeted expenditures with actual accomplishments for the reporting period. Reports should be specific and include status; completion dates for specification preparation; bid solicitation; resolution of protests; and contract awards. An analysis of significant project cost variances should be included. Completion and acceptance of equipment and construction or other work should be discussed, together with a breakout of the costs incurred and those required to complete the project. Use quantitative measures, such as hours worked, sections completed or units delivered, and where required by the grant agreement, an updated bar chart;
 - (c) Reasons why any scheduled milestones or completion dates were not met, identifying problem areas and discussing how the problems will be solved. Discuss the expected impacts of delays and the steps planned to minimize them; and
 - (d) A list of all outstanding claims exceeding \$100,000 and all claims settled during the reporting period. This list should be accompanied by a brief description and the reasons for the claims.
 - (2) Other Helpful Information. The following information is helpful to UMTA in monitoring the progress of a project:
 - (a) Projected activities for the next quarter and steps planned to carry them out;

(b) Expected changes in scheduled activities, whether or not prior approval or amendments will be needed; and

(c) Pertinent photographs.

b. Quarterly Financial Reports. UMTA recipients submit financial information using the form prescribed by A-102 and A-110, the Financial Status Report. This report is discussed separately in Chapter II of this circular and should accompany the Quarterly Progress Reports when submitted to UMTA.

c. Quarterly Disadvantaged Business Enterprise Quarterly Progress Reports. As with financial reports, grantees may submit the reports required by the DOT DBE regulation with other quarterly reports.

d. Reports of Significant Events. Unforeseen events that impact the schedule, cost, capacity, usefulness or purpose of the project should be reported to UMTA immediately after detection and then reflected in the next Quarterly Progress Report. Special reports should be submitted when:

(1) Problems, delays, or adverse conditions will affect the grantee's ability to achieve project objectives within the scheduled time period or within the approved project budget. The report should discuss actions taken and/or contemplated and any Federal assistance needed to resolve the situation; or

(2) Favorable developments will enable the grantee to achieve project goals/complete project activities ahead of schedule or at lower cost.

e. Report Due Dates. An original quarterly report is due within 30 days after the end of each calendar quarter. Grantees may revise a year-end quarterly report within 60 days of its timely submission. In individual cases, UMTA may grant extensions of report due dates. Note that payments may be withheld when reports are not submitted on time.

6. CHANGES IN AN APPROVED GRANT - BUDGET REVISIONS AND AMENDMENTS OF THE GRANT AGREEMENT.

a. General. A grant obligates the grantee to undertake and complete activities defined by the scope and budget as incorporated in the grant agreement. The grant budget, as used in this circular, means the approved financial plan that UMTA and the grantee agree will be followed in carrying out the purposes of the grant. During the course of the program or project, it may be necessary to modify the grant by revising the budget or amending the grant agreement. For example, modifications may be required because of changes in the purpose, scope, description, terms and conditions, or cost of an approved grant.

It is important to note that many grant funds lapse for use in an urbanized area three years after the year in which they are apportioned (e.g., Section 9 funds apportioned for FY 1987 lapse 10-1-90). The Comptroller General has ruled that when the scope of a grant changes,

any unobligated funds remaining under the old scope must be deobligated and currently available funds must be obligated for the new scope. For this reason, proposed changes in the purpose or scope of a grant cannot be made if funds approved for it have lapsed. Because of the potential for severe penalties for anti-deficiency violations, grantees must exercise careful judgment in determining whether a grant change will alter its scope or purpose.

Planning and capital grant changes are summarized in Exhibit I-1, on pages 11 and 12 of this chapter. This table provides an overview of the relationship between budget revisions, administrative amendments and full grant amendments as described in the text.

b. Definitions.

- (1) Budget Line Item. The description and dollar amount contained in the budget for an approved grant activity. Also referred to as a line item. A line item may represent an activity approved as part of a project (as with Section 3), or a project approved as part of a Unified Planning Work Program or Program of Projects (as with Sections 8 and 9).
- (2) Budget Revision. A transfer of funds between or among budget line items within an approved grant. A budget revision cannot be used to change the purpose, scope, total dollar amount or terms and conditions of the grant. Some budget revisions require prior UMTA approval while others do not. Budget revision guidelines and approval requirements are outlined below in paragraph 6c of this chapter.
- (3) Administrative Amendment. A change in a grant contract normally initiated by UMTA to modify or clarify certain terms, conditions or provisions of grant.

An administrative amendment cannot be used to change the scope, amount or purpose of a grant. Examples of uses of administrative amendments are found below in paragraph 6d of this chapter.

- (4) Full Grant Amendment. A change in the scope or purpose of a grant or the Federal participation in its cost. Also referred to as a full amendment.

Full amendments are subject to the same application requirements as a new grant request. Issuance of a revised grant contract and budget is required for a full amendment and, because a change in the purpose, scope or funding of the grant results, a change in the previous obligation of funds is also required. UMTA can reobligate funds only if the previously obligated funds have not lapsed. Guidelines and approval requirements for full amendments are outlined below in paragraph 6e of this chapter.

- c. Budget Revisions. The approved grant budget is sent to the grantee with the grant approval letter. The grantee is responsible for controlling and monitoring all grant activities to ensure that they are

carried out in accordance with the approved budget, including control of individual budget line items.

- (1) Approval Requirements for Budget Revisions. Beyond assuring that grantees' budget revisions will not change the amount, scope or purpose of a grant, UMTA does not exercise control over the dollar amount to be spent to procure or construct items under an individual budget line item. UMTA monitors grants to confirm that grantees establish and follow procedures that are reasonable and comply with UMTA requirements. Formula grant changes (including advancement of approved Section 9 contingency projects) may be made by budget revision if the purpose, scope and amount of the grant will remain consistent with the applicable approved Unified Planning Work Program, State Work Program or Program of Projects. Except when any of the following conditions apply, required grantee certifications stand in lieu of direct UMTA review and approval, substantiated by annual independent audits and triennial reviews.

Grantees must obtain prior UMTA approval for proposed budget revisions when:

- (a) The Federal share of the grant exceeds \$100,000 and the cumulative amount of project funds to be transferred between or among line items, included in all budget revisions since the last one specifically approved by UMTA, will exceed ten percent of the approved budget for capital grants, or exceed twenty percent (but not thirty percent) for planning grants. No transfer of funds to be used for purposes other than those specified in the grant agreement or which would increase the Federal participation;
- (b) The revision would transfer funds between operating and capital/planning categories, or between line items with different Federal matching ratios;
- (c) The revision is for the addition or deletion of items that are set forth as requiring prior awarding agency approval in OMB Circular A-87. These include automatic data processing services, building space, insurance and indemnification, management studies, preagreement costs, professional services and proposal costs;
- (d) The revision would transfer funds budgeted for training to other purposes; or
- (e) The revision would change a formula or discretionary capital grant in either of the following ways:
- 1 Increase or reduce the number of units to be purchased or constructed where the change does not exceed the greater of one unit or ten percent of the number approved in the line item;

2 Change the size or physical characteristics of the items specified in a grant.

- (2) Budget Format. A three column format is recommended for budget revision proposals: Column A, the current approved budget; Column B, the line item changes; and Column C, the revised budget line items (Column A + Column B). Whether or not prior UMTA concurrence is required for a budget revision, a statement should be submitted for each change that identifies and fully explains its need and how it will affect the project.

All budget revisions should be dated and numbered consecutively. Those requiring approval should be submitted for UMTA review. Those not requiring approval should be submitted with Quarterly Progress Reports.

- d. Administrative Amendments. An administrative amendment may be used to change or clarify the terms, conditions or provisions of a grant contract. These usually are initiated by UMTA and may be used only when no change will result in the scope, amount or purpose of the grant.

An administrative amendment is used to modify a grant contract for such purposes as to comply with changes required by UMTA law, to change the year or type of funds obligated for a grant, to transfer equipment from one grantee to another or to reflect a change in the grantee's name.

Administrative amendments involving transfer of capital assets from one grantee to another to be used directly in the provision of mass transportation services must be coordinated with the Department of Labor (DOL) prior to approval to determine whether Section 13(c) labor provisions apply. For all other administrative amendments, an information copy of the revised grant contract must be sent to DOL.

- e. Full Grant Amendments.

- (1) Requirement. A grant amendment is required when proposed changes in the grant would:
- (a) Alter the scope or purpose of the approved project; or
 - (b) Require an increase in the project amount or a change in the Federal/local matching ratio.
- (2) Change of Scope or Purpose. The scope or purpose of a grant is changed by any of the following grant changes:
- (a) A transfer within an approved planning grant budget that cumulatively exceeds thirty percent of the budget most recently approved by UMTA when UMTA's share of the grant is more than \$100,000;

- (b) A change that exceeds the greater of one unit or ten percent of the number of units to be purchased or constructed under an approved capital grant line item;
 - (c) A change to a formula capital grant to add a grant line item, if not previously included as a contingency project in an approved Program of Projects, or to delete a grant line item;
 - (d) A change to add to or delete a line item in a Section 3 or Title 23 capital grant; or
 - (e) A change that UMTA concludes is significant which modifies a line item, project description or the size or type of items specified in any grant.
- (3) Procedures. A full amendment must be used for grant changes that cannot be handled by a budget revision or administrative amendment. Full amendments require the issuance of a revised grant contract and budget, and may require a change in the amount of funds obligated for the grant. A deobligation and reobligation of funds to accompany a change in project scope can occur only if the previously obligated funds have not lapsed.

A full amendment is subject to the same requirements as a new grant request except that the grantee need not resubmit portions of the original grant application that are unaffected by the change. In all cases, the grantee must submit a detailed description of the changes, a revised Program of Projects or Unified Planning Work Program, if applicable, an SF-424 and a statement of continuing validity of one-time submissions.

- (4) Funds Reobligation. To effect a change in scope of a formula grant, the Federal funds previously approved must not have lapsed and the obligation of Federal funds must be changed as follows:
- (a) If the scope of a grant is reduced, the funds obligated to it must be reduced accordingly unless offsetting cost increases are approved by UMTA.
 - (b) If a grant is changed to replace some activities by others, funds must be deobligated from the former and reobligated for the latter.
- (5) Increase in the Project Amount. If the scope of a grant increases and additional Federal funds are required, new funds may be obligated to the project.
- (6) Change in the Federal/local Matching Ratio. If the matching ratio must be changed, it may be accomplished by increasing or decreasing the local or Federal share.

PLANNING, CAPITAL AND OPERATING GRANT CHANGES

BUDGET REVISION

A transfer of funds within an approved grant budget. None of the budget revisions described below permits a change in the grant amount, scope, purpose, or terms and conditions.

PLANNING GRANTS
Section 8, 9

Section 9

CAPITAL AND OPERATING GRANTS
Section 3, Title 23

Budget revisions that do not require prior UMTA approval:

Transfer funds between or among line items within an approved budget that cumulatively does not exceed 10 percent of the budget most recently approved by UMTA and UMTA's share of the grant exceeds \$100,000 (20 percent for planning grants) - all Sections

Advance an approved
Section 9 contingency
project

Advance an approved
contingency project

With prior UMTA approval and as otherwise limited below, a budget revision is also used to:

Add, delete or modify
grant work tasks consis-
tent with the currently
approved UPWP or State
work program

Increase or reduce the number of units to be
purchased or constructed where the change does not
exceed the greater of one unit or 10 percent of
the number approved in the line item

Transfer funds within an
approved budget that
cumulatively exceeds 20
percent of the budget
most recently approved by
UMTA, but is not more than
30 percent, and UMTA's
share of the grant is more
than \$100,000

Transfer funds within an approved budget that
cumulatively exceeds 10 percent of the budget
most recently approved by UMTA and UMTA's share
of the grant exceeds \$100,000

Change the size or physical characteristics of the
items specified in a grant

Transfer funds between training and other line
items; operating and capital/planning line items;
or line items with different matching ratios.

(Continued)

PLANNING, CAPITAL AND OPERATING GRANT CHANGES

ADMINISTRATIVE AMENDMENT

An amendment normally initiated by UMTA that is needed to change or clarify the terms, conditions or provisions of a grant contract, but does not change the scope, amount or purpose of the grant.

An administrative amendment is used to modify a grant contract for such purposes as to comply with changes required by UMTA law, to change the year or type of funds obligated for a grant, to transfer equipment from one grantee to another or to reflect a change in the grantee's name - all Sections.

FULL GRANT AMENDMENT

A change in the scope or purpose of a grant or the Federal participation. Requires a revised grant agreement and budget. May require obligation of additional funds, reduction of the amount of funds obligated or deobligation and obligation of funds.

A scope or purpose change includes:

<u>PLANNING GRANTS</u> <u>Section 8, 9</u>	<u>CAPITAL AND OPERATING GRANTS</u> <u>Section 9</u>	<u>Section 3, Title 23</u>
A transfer of funds within an approved budget that cumulatively exceeds 30 percent of the budget most recently approved by UMTA and UMTA's share of the grant exceeds \$100,000	A change that exceeds the greater of one unit or 10 percent of the number of units to be purchased or constructed under an approved line item	A change to add or delete a line item
	A change to add a grant line item, if not previously included as a contingency project in an approved Program of Projects, or to delete a line item	

A change that UMTA concludes is significant which modifies a line item, project description or the size or type of items specified in a grant - all Sections.

7. USE AND DISPOSITION OF PROJECT PROPERTY.

a. Definitions. The following definitions apply to UMTA property management standards, but not to eligibility of an item for capital funding:

- (1) Real Property. Land, including affixed land improvements, structures and appurtenances. Does not include movable machinery and equipment.
- (2) Personal Property. Property of any kind that is not real property. It may be tangible--having a physical existence--or intangible, such as patents, inventions and copyrights.
- (a) Equipment. All tangible personal property that has a useful life of more than one year and an acquisition cost that exceeds \$5,000 per unit. Includes rolling stock and all other movable items used in the provision of mass transportation service.
- (b) Supplies. All tangible personal property other than equipment.
- (3) Acquisition Cost of Purchased Equipment. The purchase price of equipment. This is the net invoice unit price, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose of its acquisition. Other charges such as the cost of inspection, installation, transportation, taxes, duty or protective in-transit insurance should be treated in accordance with the grantee's regular accounting practices. The cost of items separately installed and removable from rolling stock, such as fareboxes, radios and wheelchair lifts, is treated as a separate acquisition and not as part of the cost of the vehicle.
- (4) Excess Property. Property under the control of any Federal agency or grantee which the grantee determines is no longer required for its needs or discharge of its responsibilities, or which is replaced under an UMTA grant.
- (5) Net Proceeds from the Sale of Project Real Property and Equipment. The amount realized from the sale of property no longer needed for transit purposes, less the greater of \$100 or 10 percent of the sale price, which may be deducted to cover the costs of disposition.
- (6) Incidental Use of Project Real Property. The authorized use of real and personal property acquired with UMTA funds for purposes other than provision of mass transit service. Such use must be compatible with the approved purposes of the project and not interfere with intended uses of project assets. Air rights sale and lease are treated as incidental uses and not as disposition of excess property.

(7) Excess Property Utilization Plan. A document prepared by a grantee that states how the grantee will use or dispose of designated real property or any federally owned equipment that is no longer needed for approved project purposes. This use or disposition is subject to guidance provided hereinafter and may require prior UMTA concurrence. If the grantee has not expressly determined that real property or equipment continues to be necessary for completion of the project, the property must be listed as excess and included in the plan.

b. Real Property. The following requirements govern the acquisition use or disposition of real property purchased with UMTA funds.

ONE APPRAISAL + R. ANALYSIS
\$ 250,000
\$ 250,000
\$ 50,000

(1) Real Property Acquisition Standards. Land acquisition and relocation must be carried out pursuant to the requirements of 49 C.F.R., Part 25. Real property is acquired at its current fair market value, established on the basis of ^{an} independently prepared appraisal. ~~Two appraisals~~ and a reviewer's analysis are required when the estimated property value exceeds \$100,000. Similarly, one appraisal and a reviewer's analysis are required when the estimated property value is \$100,000 or less. Prior UMTA concurrence is required when the reviewer's recommended offer of just compensation exceeds \$150,000, or when a property transaction in excess of \$150,000 must be resolved through eminent domain proceedings. Prior UMTA concurrence is also required when a settlement is \$25,000 higher than the grantee's offer and administrative settlement must be negotiated.

(2) Incidental Use of Real Property. Title to real property is vested in the grantee or other public body. It is UMTA policy to permit grantees maximum flexibility in determining the best and most cost-effective use of UMTA-funded property. To this end, UMTA encourages incidental uses of real property that can raise additional revenues for the transit system or, at a reasonable marginal cost, enhance system ridership. For example, grantees may be able to exploit surface and air rights over transit stations. UMTA approval is required for these incidental uses of real property, which must be compatible with the original purposes of the grant.

Incidental use of project real property is subject to the following considerations:

- (a) The policy applies only to property that continues to be needed and used for an UMTA project or program. It is UMTA's intention to assist only in the purchase of property that is essential to an UMTA project.
- (b) With assurance that the full use and safety of the approved mass transit project are protected, incidental uses may be

- (c) Incidental use must not in any way interfere with the grantee's continuing control over the use of the property or its continued ability to carry out the project or program.
 - (d) While UMTA is particularly interested in encouraging incidental use as a means of supplementing transit revenues, non-profit uses are also permitted.
 - (e) Proceeds from the proposed sale or lease of air rights should reflect their appraised fair market value.
- (3) Biennial Excess Real Property Review and Certification. At least once every two years, concurrent with its biennial equipment inventory and certification of use, the grantee must review all grantee-owned real property that was acquired with UMTA assistance, and certify to UMTA what real property continues to be needed for purposes specified in its approved UMTA grants. The required certification is based on a physical inventory of all project property. In addition, the grantee must prepare (or update) an excess property utilization plan for all property that is no longer used to carry out its active grants
- (a) Review of all Project Property. In its review, the grantee should consider whether:
 - 1 The parcel, when purchased, exceeded the grantee's need because partial acquisition would have left an uneconomic remnant (whether because of configuration, topography or other reason).
 - 2 The property was purchased for construction staging purposes such as access, storage or underpinning, and now is no longer being used for those purposes.
 - 3 The intended use of the parcel is no longer possible because of system changes, such as alignment, or amendments to the project grant agreement; or
 - 4 Improvements on real property that are damaged or destroyed, and thus not being used for project purposes, may still be needed for the project. If so, they may be renovated or replaced. In this case, applicable cost principles must be observed.
 - 5 A portion of the parcel remains unused, will not be used for project purposes in the foreseeable future, and can be sold or otherwise disposed of.
 - (b) Property Inventory. Having identified all excess real project property, the grantee must prepare an inventory of the excess parcels. For each parcel, the inventory should include a summary of any conditions on the title and the following information:

- 1 The original acquisition cost;
- 2 The UMTA share of the original acquisition cost, expressed in dollars and dollars per square foot;
- 3 The currently appraised fair market value; and
- 4 The UMTA grant number under which the property was acquired.

- (4) Submission of Grantee's Biennial Inventory, Certification and Utilization Plan for Excess Real Property. The grantee's inventory report, certification and utilization plan should be submitted to UMTA once every two years. Unless UMTA and the grantee agree otherwise, the real property certification is submitted together with the equipment certification described in paragraph 7c(2)(b) of this chapter. The biennial submission of an inventory, certification and utilization plan does not relieve the grantee of its obligation to notify UMTA when it knows that property purchased under a grant is no longer needed for the originally intended purpose. Similarly, grantees are required to notify UMTA when property is taken out of the service intended at grant approval or put to additional or substitute uses. UMTA review of the plan will be completed within 60 days. UMTA concurrence in the plan must be received before the grantee disposes of excess property or uses it for non-transit purposes.

Incidental use of real property for non-transit purposes generally presumes that the recipient will continue to use the property for the purposes authorized under the grant. If the grantee determines that real property is no longer needed for the approved project, UMTA approval of its utilization plan can include use of the property for other purposes. This may include use in other Federal grant programs or in non-Federal programs that have consistent purposes with those authorized for support by UMTA.

- (5) Use and Disposition of Excess Real Property. When real property is no longer needed, it should be used for other purposes or disposed of according to provisions of an approved excess property utilization plan (as discussed in paragraphs 7b(3) and (4), immediately above). This plan may include any of the following use or disposition options:
- (a) The grantee may acquire clear title by compensating UMTA for its share in the property. This share is calculated by applying the Federal percentage of participation in the cost of the approved project to the currently appraised fair market value of the property.
 - (b) The grantee may market and competitively sell the property and pay UMTA its share of the fair market value of the property. This is the percentage of UMTA participation in the original grant times the best obtainable price, net of reasonable sale costs.

- (c) The grantee may transfer the property to another grantee for use for a different UMTA project without a reimbursement of funds to UMTA. This involves acquisition by the transferee of the transferor's proportional interest in the appraised fair market value of the property and assumption of liability for any continuing Federal interest in it.
- (6) UMTA Approval. UMTA will complete its review of the plan within 60 days after receipt. UMTA concurrence in the plan must be received before the grantee disposes of excess property or uses it for purposes other than transit.
- (7) In-kind Contributions of Real Property. Real property may be contributed as part of the local matching share for a grant if needed to carry out the scope of the approved project. Valuation of the donated property is equal to its purchase price, if owned and donated by the grantee, or is the independently appraised fair market value if owned and donated by a third party.

Credit can only be allowed for the value of the portion of land used or consumed by the project. Such land becomes a part of the project and all inventory, reporting and disposition requirements applicable to project properties apply.

c. Equipment.

- (1) Equipment Management Standards. These standards apply to equipment purchased with Federal funds.
- (a) Title. Subject to the obligations and conditions set forth in this section, title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee, subgrantee or another participating public body.
- (b) Use.
- 1 Equipment is to be used by the recipient in the programs or project for which it was acquired as long as needed, whether or not the program or project continues to be supported by Federal funds.
- 2 The grantee may make equipment available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the project or program for which it was originally acquired. UMTA reserves in the grant agreement the right to require the grantee to transfer title to equipment no longer needed or used for the purposes of the grant (or program) to the Federal Government or an otherwise eligible grantee.

3 The grantee must not use equipment acquired with grant funds to provide services to compete unfairly with private companies that provide equivalent services.

- (c) Insurance. State and local insurance requirements govern the type and extent of insurance coverage grantees should provide to safeguard federally funded equipment. Grantees are nonetheless responsible for reimbursing to UMTA the Federal share of any casualty loss for grant-funded assets that are not replaced by proceeds from a settlement received from an insurance carrier or from an approved non-traditional insurance arrangement, including self-insurance by the grantee.

When the grantee uses insurance or other proceeds to replace or repair lost or destroyed equipment, UMTA retains the same proportionate share in the replaced equipment as it had with the original, established at the fair market value immediately prior to the loss. If lost assets are not to be replaced, the grantee is responsible for reimbursing to UMTA the Federal share, again at the fair market value immediately prior to the loss. Grantees should carefully review their insurance coverage to determine their potential exposure from uncompensated losses under deductible provisions of a commercial insurance policy and under any non-traditional insurance arrangements. Guidance on non-traditional insurance is included in paragraph 9 of this chapter.

- (2) Equipment Management Requirements. Equipment management procedures include the following minimum requirements:
- (a) Property records must be maintained by the grantee. Records must include a description, identification number, source, acquisition date, cost, percentage of Federal participation in the cost, the grant project under which it was procured, location, use and condition, and any disposition data, including the date of disposal and sale price, or, where applicable, the method used to determine its fair market value. The grantee should also state who holds title to the equipment.
- (b) A physical inventory of equipment must be taken and the results reconciled with equipment records at least once every two years. Any differences must be investigated to determine the cause of the difference. In connection with this inventory, the grantee must certify the existence, current use, and continued need for the equipment. The requirement for this certification continues throughout the useful life or until disposition of project equipment. It must be based on an adequate equipment management record system and state for each grant that:

- 1 Equipment acquired under the grant will continue to be used for the purpose for which the grant was approved;
- 2 The equipment does not exceed the needs of the grantee's transit operations;
- 3 None of the equipment has been sold, damaged, lost, or otherwise taken out of transit service; and
- 4 A physical inventory and verification have been taken at least once during the preceding two-year period.

If any of these assurances cannot be made, a statement should be submitted with the certification that details relevant information such as date, items involved, nature of the loss and the original grant number under which it was procured. If the required certifications are not submitted, or for other cause, UMTA may ask for a copy of the most recent equipment inventory or arrange to physically examine the property.

- (c) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of property. Any loss, damage, or theft must be investigated and documented by the grantee.
 - (d) Adequate maintenance procedures must be developed and implemented to keep the property in good condition. These procedures should be consistent with the maintenance plan required of grantees for equipment funded under Section 3 and 9 capital grants and should be documented and available for audit or triennial review.
 - (e) Equipment contracts should include supplier warranties that provide for correction of unacceptable material or workmanship. These should specify coverage and duration, and meet accepted industry standards. Grantees are responsible for:
 - 1 Establishing and maintaining a system for recording warranty claims. This system should provide information needed by the grantee on the extent and provisions of coverage and on claim processing procedures, and
 - 2 Identifying and diligently enforcing warranty claims.
- (3) Disposition Standards For Equipment and Supplies. When equipment or supplies acquired under a grant are no longer needed for UMTA supported projects or programs, they may be retained by the grantee or disposed of. Disposition should follow competitive sales procedures to ensure the highest possible return. Grantees are required to request prior UMTA disposition instructions only as specified below:

*compatible use**L 16(2)(b)**Proj. class. 5**L 18(3)*

- (a) After the useful life of equipment is reached, equipment with a unit fair market value exceeding \$5,000, or unused supplies with a total aggregate fair market value of more than \$5,000, may be retained or sold, with reimbursement to UMTA of an amount calculated by multiplying the total aggregate fair market value at the time of disposition, or the net sale proceeds, by the percentage of UMTA's participation in the original grant. The grantee's transmittal letter should state whether the equipment was retained or sold. Sales proceeds must be handled as discussed in paragraph 15, below.
- (b) Equipment with a unit fair market value of \$5,000 or less, or supplies with a total aggregate fair market value of \$5,000 or less, may be retained, sold or otherwise disposed of with no obligation to reimburse UMTA. Note that records must be retained according to paragraph 17, below.
- (c) Any disposition of equipment before the end of its useful life is subject to prior UMTA concurrence in the method of disposition. The reimbursement amount for equipment removed from service before the end of its useful life is the UMTA share of the unamortized value of the remaining service life, based on straight line depreciation of the original purchase price, unless that unamortized value is \$5,000 or less.
- (d) Except when equipment that is damaged or destroyed is replaced (either with insurance proceeds or otherwise), transfer of the Federal interest from a capital asset purchased under a grant to one not acquired with Federal assistance is not permitted.
- (e) Transfer of excess equipment by a grantee to another UMTA grant recipient for use in mass transportation operations may require UMTA coordination with the Department of Labor to determine whether Section 13(c) labor provisions apply.

8. THIRD PARTY CONTRACTING. Third party contracts are those entered into by the recipient for the procurement of supplies, equipment, construction, and other services required to execute a grant project. Recipients must follow certain procedures to ensure that these materials and services are obtained in free and open competition, prices are fair and reasonable, and are in compliance with the provisions of applicable Federal, State and local laws. This includes affording procurement opportunities to small and disadvantaged business enterprises.

For information on specific third party contracting standards, see UMTA Circular 4220.1B, entitled "Third Party Contracting Guidelines," and UMTA Circular 4716.1A, entitled "UMTA Disadvantaged Business Enterprise Requirements for Recipients and Transit Vehicle Manufacturers." Inter-Agency Agreements passing through grant funds to other public bodies (including transit operators) are not third-party contracts. However, the pass-through recipient must comply with UMTA Circular 4220.1B if it enters into any subsequent third-party contracts using UMTA grant funds.

9. NON-TRADITIONAL INSURANCE. Contributions to non-traditional insurance programs are eligible for reimbursement under UMTA programs subject to the following provisions, which are consistent with those applied to self-insurance programs in OMB Circular A-87.

a. General Conditions.

- (1) The amounts represented as expenses must reflect either projected cash deposits to the program for the project period or actual cash deposits to the program for reimbursement;
- (2) Deposits remaining at the end of the fiscal year must be carried over into the following year;
- (3) The amounts deposited must be reasonable and actuarially sound;
- (4) Interest and income earned on such programs must be used to offset insurance program costs;
- (5) The funds in the insurance program must be used for the stated purpose; and
- (6) Losses charged to the program are not eligible operating expenses.

b. UMTA Approval. UMTA will approve inclusion in a grant of non-traditional insurance costs after a new Standard Assurance or Statement of Continued Validity of One-Time Submissions is submitted, stating that the grantee is in compliance with UMTA requirements.

10. VALUE ENGINEERING.

a. Definition. Value Engineering is the systematic application of recognized techniques which identify the function of a product or service, established its value, and provide it reliably at the lowest overall cost. This function should be achieved at the lowest possible life-cycle cost consistent with requirements for performance, maintainability, safety and esthetics.

b. Requirement. UMTA encourages the use of value engineering techniques on all construction projects and requires it on major projects. Major projects are those to construct or extend a fixed guideway segment for use by bus or rail; or to rehabilitate or modernize existing fixed guideway pursuant to a full funding agreement. In addition, UMTA may otherwise determine that a project is major, and, therefore, subject to the value engineering requirement.

11. PROJECT MANAGEMENT OVERSIGHT (PMO).

a. Definition. A process UMTA uses to monitor a project to assure it is on time, within budget, in conformance with design criteria, constructed to approved plans and specifications, and efficiently and effectively implemented.

b. Requirement. UMTA provides PMO services for major capital projects, using its own staff or a combination of UMTA and contractor staff. For

general guidance, grantees are required to provide all needed information about each project selected for this oversight. PMO begins as early in project implementation as practical, usually during the preliminary engineering process.

12. PROJECT MANAGEMENT PLAN.

- a. Definition. A written program covering a grantee's detailed project management strategy to control the project budget, schedule and quality.
- b. Requirement. The provisions of Public Law 100-17 require that grantees develop and maintain a project management plan for all major capital projects funded by UMTA. Grantees are referred to the report entitled Management of Urban Construction Programs, Volume 1: Guidelines for Developing a Project Management Plan, report no. UMTA-MA-06-0100-81-2, dated 6-81 and available from the National Technical Information Service, Springfield, VA 22161.

13. FORCE ACCOUNT.

- a. Definition. Work other than grant administration that is included in an approved grant and performed by a grantee's own forces. Force account work may consist of construction, refurbishment, overhaul and inspection activities if eligible for reimbursement under the grant and no private sector contractors can be used to perform them. Force account work does not include project administration activities.
- b. General. UMTA encourages the use of private contractors to perform approved capital improvement activities. However, one of four conditions may warrant the use of a grantee's own forces. These are cost savings, exclusive expertise, safety and efficiency of operations, and union agreement. Reimbursement for force account work is subject to the following requirements:
 - (1) Preparation of a force account plan and justification as described in paragraph 13c and d, below; and
 - (2) UMTA prior review of the plan and justification where:
 - (a) The total estimated cost of force account work to be performed under the grant is greater than \$500,000, and
 - (b) The estimated cost of any force account task exceeds \$100,000.
- c. Requirement. After deciding to use force account labor to carry out a capital project, the grantee must prepare and retain the following force account documentation on file:
 - (1) A copy of the justification for using grantee forces, as described in paragraph 13d, immediately below.

- (2) A copy of a force account plan that describes the work. This should include:
 - (a) A description of the scope of work;
 - (b) A copy of the plans and specifications for all construction work;
 - (c) A detailed estimate of costs;
 - (d) A schedule and budget; and
 - (e) A copy of the proposed cooperative agreement when another public agency is involved.

d. Justification. The required documentation must provide the basis for the grantee's decision to use force account labor, including the following information:

(1) Cost.

- (a) Provide the present worth of the estimated cash drawdown for both the force account and private sector contract options. In the analysis, use the current interest rate paid on one-year Treasury Bills as the discount rate. Include the following costs in the analysis:
 - 1 Cost of preparing documents;
 - 2 Cost of administration and inspection;
 - 3 Cost of labor, materials and specialized equipment;
 - 4 Cost of overhead;
 - 5 Profit for private contract;
 - 6 Unit prices in lieu of 3 - 5, above if applicable for private contract; and
 - 7 Certification that costs presented are fair and reasonable.
- (b) Provide an analysis of force account labor availability, considering normal operations and maintenance activities as well as other programmed and existing capital projects. Item 3, above, must be consistent with this analysis;
- (c) Base the present worth calculation on the midpoint of construction; and
- (d) If the time for completion of the work differs for force account and a private sector contract, include an estimate of the cost of not using the completed improvement in the present worth calculation. For example, if the work is to replace leased facilities, the cost of continuing the lease

until the work is complete should be taken into account in the cost estimate for each option considered.

- (2) Exclusive Expertise. Submit documentation equivalent to a sole source justification stating the basis for a determination that no private sector contractor has the expertise to perform the work.
- (3) Safety and Efficiency of Operations.
 - (a) Safety considerations may be addressed by a statement of the transit operator's safety officer that performing the work with private sector contractors would have an adverse effect on public safety.
 - (b) Efficiency concerns may be addressed by a present worth calculation as in paragraph 13d(1) Cost, above, including an estimate of the value of lost transit operation efficiency.
- (4) Union Agreement. Provide relevant citations from the labor agreement and an analysis of how it pertains to the work in question.

Special care must be taken to ensure that requirements of OMB Circular A-87 are followed, especially for charging expendable property to force account projects and making sure that allowable costs are assigned to the correct budget code numbers.

Most general purpose equipment and tools can be used in force account work and thereby benefit more than one project. Therefore, the cost of these items normally should not be treated as a direct charge to the project. However, an appropriate use or depreciation charge is an allowable indirect cost if otherwise provided for in the project budget.

Unusual circumstances may call for purchase of specialized equipment that is unique to the force account work that is being performed. If such equipment is required, prior UMTA approval must be obtained before its acquisition. The usual UMTA equipment disposition requirements apply.

The progress and status of force account activities should be separately discussed in quarterly project reports, with emphasis on schedule and budget.

14. CLAIMS. Consistent with provisions of the grant agreement, third party contractor claims are to be evaluated and resolved by the grantee pursuant to the following considerations, requirements and limits:
 - a. UMTA has a vested interest in the settlement of disputes, defaults, or breaches involving any federally assisted third party contracts.
 - b. UMTA retains a right to a share of any proceeds recovered through a third party contract claim, in proportion to the Federal share committed to the project. If the third party contract contains a

liquidated damages provision, any liquidated damages recovered must be credited to the project unless UMTA permits other uses of the funds involved.

- c. The grantee must pursue all legal rights available under any third party contract.
- d. The grantee must notify UMTA of any current or prospective litigation or major disputed claim relating to any third party contract.
- e. Claims for reimbursement that result from third party contract change orders issued by the grantee are handled as sole source procurements under provisions of UMTA Circular 4220.1A, not as claims.
- f. Before settlement of a claim, the grantee must:
 - (1) Adequately document in its project files all pertinent facts, events, negotiations, applicable law, and a legal evaluation of the likelihood of success in any potential litigation proceeding;
 - (2) Undertake an audit to substantiate each part of the claim; and
 - (3) Assure that its documentation provides sufficient information to serve as the basis for UMTA concurrence in the compromise or settlement of the claim, in the event that UMTA review and concurrence become necessary. Although UMTA does not become involved in the negotiation of a claim and normally does not question individual elements of a claim settlement, UMTA may question the reasonableness of a negotiated settlement amount.
- g. Any Federal cost sharing in grantees' third party contractor claims will be determined as follows. Claims that result from grantee negligence or error normally are not eligible for UMTA participation. For example, UMTA normally will not participate in any claim for which the grantee failed to:
 - (1) obtain clear access to all needed right-of-way prior to award of the construction contract;
 - (2) execute all required utility agreements in time to assure uninterrupted construction progress;
 - (3) undertake comprehensive project planning and scheduling to achieve proper coordination among contractors;
 - (4) inform potential contractors of all available geo-technical information on subsurface conditions;
 - (5) assure that all grantee-furnished materials are compatible with contractor project facilities and/or equipment and available when needed;

- (6) complete all pre-construction survey and engineering prior to issuing the contractor a Notice to Proceed;
- (7) obtain the necessary approvals and agreements from all other public authorities affected by the project prior to contract award; or
- (8) assure that all design and shop drawings are promptly approved and made available to the contractor as needed.

If the grantee's claim records substantiate that reasonable and prudent measures were taken to prevent or offset the causes underlying the claim, UMTA may participate in the negotiated cost. Subject to availability of funds, UMTA can fund a prorated share of the properly incurred, eligible costs of contractor claims that are not caused by mismanagement on the part of the grantee or attributable to the contractor.

- h. Grantees must secure UMTA review and concurrence in proposed claim settlements before using Federal funds in the following instances:
 - (1) When negotiated claim settlements exceed \$1,000,000;
 - (2) When insufficient funds remain in the approved grant to cover the settlement; or
 - (3) Where a special Federal interest is declared because of program management concerns, possible mismanagement, impropriety, waste or fraud.
- i. As it deems necessary, UMTA may initiate review of grantee claims. Claimed amounts, determined to be ineligible through subsequent audit or UMTA review, if already disbursed, must be returned to UMTA by the grantee.
- j. A list of all outstanding claims exceeding \$100,000 and a list of all claims settled during the reporting period are required as part of each quarterly progress report. This list should be accompanied by a brief description and the reasons for each claim.

15. SALES PROCEEDS.

- a. General. Procedures for disposition of proceeds from the sales of UMTA-funded assets are set forth below. These apply to all planning and capital grants governed by this circular except for previously approved grants that contain terms and conditions to the contrary.
- b. Definition. Sales Proceeds is the net proceeds generated by the disposition of excess real property or equipment that was purchased in part with UMTA grant funds.
- c. Requirement. When a grantee disposes of equipment with a unit value of more than \$5,000 at the time of disposition, or supplies with an aggregate residual value of more than \$5,000, the grantee must remit to

UMTA the Federal portion of the appraised fair market value or net sales proceeds. The Federal portion that applies is that of the grant under which the property was originally acquired. This provision applies to both real property and equipment that are declared excess, regardless of whether it was disposed of by sale, conversion by the grantee to non-transit use, or disposal as a result of casualty loss. It does not apply to proceeds from sale or lease of air rights or from other incidental uses of project property, which are treated as program income.

Sales proceeds refunded to UMTA must be paid in the form of a check or, if over \$10,000, may be transmitted to UMTA by the electronic funds transfer system. Payment to resolve an audit finding may not be accomplished by an offset against the amount of a requisition or the amount drawn under a letter of credit. The check should be accompanied by a memorandum explaining the purpose of the check and identifying the project number under which the sales proceeds are being refunded. Mail payments to the UMTA lockbox facility at:

U. S. Department of Transportation
Urban Mass Transportation Administration
P. O. Box 360324M
Pittsburgh, PA 15251-6324

Certain proceeds from the sale or other disposition of assets will be retained by the grantee. These include the local share of proceeds from the sale of assets that were funded with Federal assistance, all proceeds from the sale of assets not funded with Federal assistance, and all proceeds from the sale of air and subsurface rights generated through incidental use of project real property. Proceeds from the sale of locally financed assets that were replaced under a Federal grant must be retained for mass transit purposes. (See requirements related to Program Income in Chapter II, paragraph 4c, below.)

16. INSURANCE PROCEEDS. Grantees may handle insurance proceeds received as reimbursement for casualty losses on federally funded equipment in either of two ways:
- a. With no further UMTA assistance, use the insurance proceeds to replace or repair the destroyed or damaged asset(s) to the standard and condition it was in before the loss. In this case, there is no requirement to reimburse UMTA, but UMTA does continue to have a proportionate interest in the replaced or renewed property. This interest is established at the fair market value of the asset immediately prior to the casualty loss; or
 - b. If the item is not being repaired or replaced, remit to UMTA the Federal share of the insurance proceeds and any applied deductible from the pre-loss value, based upon:
 - (1) Its fair market value just prior to the casualty, and,

- (2) The Federal/grantee cost sharing ratio under which it was originally acquired.

Note that Part II of the grant agreement requires fair market value to be based upon straight line depreciation.

17. RETENTION AND ACCESS REQUIREMENTS FOR RECORDS.

a. Applicability.

- (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of recipients which are:
 - (a) Required to be maintained by this circular or the terms of the grant agreement, or
 - (b) Otherwise reasonably considered as pertinent to UMTA program requirements or the grant agreement.
- (2) This section does not apply to records maintained by contractors or subcontractors.

b. Length of Retention Period.

- (1) Except as provided, records must be retained for three years from the starting date specified in paragraph 17c, below.
- (2) If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained for three years after completion of the action and resolution of all issues which arise from it.
- (3) To avoid duplicate recordkeeping, UMTA may make special arrangements with recipients (including subrecipients as appropriate) to retain any records which are continuously needed for joint use. UMTA will request transfer of records to its custody when it determines that the records possess long-term retention value. When the records are transferred to or maintained by UMTA, the 3-year retention requirement is not applicable to the recipient.

c. Starting Date of Retention Period.

- (1) General. The starting date for retention of records related to multiyear projects is the date of submission of the expenditure report upon project completion or, if waived, the date it would have been due.
- (2) Equipment records. The retention period for the equipment records required by paragraph 7c(2)(a) and (b) starts from the date of the equipment's disposition or replacement or transfer at UMTA's direction.

- (3) Records for income transactions after grant closeout. In some cases grantees must report income after a grant is closed out. Where there is such a requirement, the retention period for the records pertaining to the earning of the income starts from the end of the grantee's fiscal year in which the income is earned.
 - (4) Indirect cost rate proposals, cost allocation plans and similar rate and rate allocation methods. This paragraph applies to the following types of documents, and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage charge back rates or composite fringe benefit rates).
 - (a) If submitted for negotiation. If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the grantee) to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts from the date of such submission.
 - (b) If not submitted for negotiation. If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the grantee) for negotiation purposes, then the 3-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.
- d. Substitution of Microfilm. Copies made by microfilming, photocopying, or similar methods may be substituted.
- e. Access to Records.
- (1) Records of recipients and subrecipients. UMTA and the Comptroller General of the United States, or any of their authorized representatives, have the right of access to any books, documents, papers, or other records of the recipient which are pertinent to the grant, in order to make audit, examination, excerpts, and transcripts.
 - (2) Expiration of right of access. The right of access in this section is not limited to the required retention period but continues as long as the records are retained.
- f. Restrictions on Public Access. The Federal Freedom of Information Act (5 U.S.C. 552) does not apply to records owned and possessed by the grantee. Unless required by State or local law, recipients and subrecipients are not required to permit public access to their records.

18. SPECIAL REQUIREMENTS.

- a. Hatch Act Requirements. Chapter 15 of Title 5 of the United States Code (Hatch Act) provides that all State or local agency employees who are engaged in an activity financed by Federal Government grants or loans may not be candidates for elective office or use their positions to influence public elections. Furthermore, those State and local agencies receiving Federal assistance are prohibited from coercing their employees into making political contributions. Exceptions to the general Hatch Act prohibition do exist, such as that for persons holding elective office. State and local agencies should contact the appropriate UMTA Regional Counsel or the UMTA Office of Chief Counsel to discuss any questions they may have about the specific applicability of these provisions to their situation.

- b. Environmental Protection Requirements. The National Environmental Policy Act (42 U.S.C. 4321) and implementing procedures require that the environmental effects of proposed mass transportation projects be documented and that environmental protection be considered before a decision is made to proceed with a project. Where adverse environmental effects are likely to result, Section 14 of the UMT Act (49 U.S.C. 1610) requires that alternatives be considered to avoid such effects. If there is no feasible and prudent alternative to avoid the effects, all reasonable steps must be taken to minimize adverse environmental effects.

Measures to avoid or mitigate environmental harm are described in the environmental documents prepared for projects. These measures have been developed jointly by UMTA and the grantee to respond to State and local as well as Federal environmental requirements. The mitigation measures in final environmental documents are expressed as commitments on the part of the grantee which will be implemented if the project receives Federal funding. When a grant is made, the mitigation measures are incorporated by reference in the grant agreement for construction and become legally binding terms and conditions of the grant which cannot be withdrawn or substantively changed without UMTA's approval.

The progress in implementing adopted mitigation measures is monitored by UMTA regional staff through periodic project reviews, on-site inspections and special meetings when necessary. The grantee has the responsibility to apprise UMTA at the earliest possible time of any problems in implementing the adopted measures and the need for changes. Where mitigation options are being considered, UMTA will maintain a role in the decision process to ensure compliance with Section 14 of the UMT Act.

- c. Relocation Program Administration. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. Sec. 4601 et seq.), sets forth guidelines for Federal participation in relocation payments necessitated by federally assisted programs in order to carry out an approved program for the relocation of families, individuals, business concerns, and nonprofit organizations. If a grantee has an approved project that involves

relocation or land acquisition, the grantee must submit a one-time certification of compliance with the provisions of that Act as part of the grant application.

The certification of compliance is required by the recipient at the local and/or State level. The grantee should refer to 49 C.F.R. Part 25.4 Subpart A for further instructions.

- d. Housing Replacement Requirements. No person can be displaced from his/her residence because of a project until the grantee has made decent, safe, and sanitary replacement housing available to them. Such replacement housing must be located in areas generally not less desirable with respect to public utilities and public and commercial facilities, reasonably accessible to their places of employment, at rents or prices within their financial means, and must be fair housing (i.e., open to all persons regardless of race, color, religion, sex, or national origin).

When relocation is involved in the project, grantees must follow instructions contained in 49 C.F.R. Part 25 Subpart C. Where State or local law conflicts with Federal law, the grantee must comply with Federal law in order to be reimbursed. Costs incurred to comply with State laws which are not expressly authorized by Federal law are not eligible project costs.

- e. Utility Relocation Agreements. The construction of transit systems may require the relocation and/or rearrangement of privately and publicly owned facilities. These facilities include, but are not limited to systems and physical plant for producing, transmitting or distributing communications, electricity, gas, oil, crude products, water, steam, waste, storm water, or other like substances; publicly owned fire and police signal systems; and railroads and streets, which directly or indirectly serve the public or any part thereof. Relocating and/or rearranging utilities and facilities necessary to accommodate an UMTA funded transit system may be considered an eligible expense as part of an UMTA-funded project. Exceptions to this include those situations where State and local law expressly prohibit the financing of such by the public entity.

- (1) Eligibility for UMTA Funding. In order to qualify for UMTA funding, the recipient must execute an agreement for relocating or rearranging facilities with the entity responsible for the facilities prescribing the procedures for the relocation and/or rearrangement of the facilities for the purpose of accommodating the construction of the UMTA funded project. These agreements are distinguishable from third party contracts in that:

- (a) Only actual allowable, allocable, and reasonable costs are reimbursable. Where the work is to be performed by the public utility's forces, no profit is allowed; and
- (b) Reimbursement is limited to the amount necessary to relocate and/or rearrange the facilities to effect a condition equal to the existing utility facilities. Generally, reimbursement would not provide for greater capacity, capability,

durability, efficiency or function, or other betterments. Indirect costs of governmental entities incurred under a utility relocation agreement are eligible for UMTA reimbursement only in accordance with an approved Cost Allocation Plan as prescribed in OMB Circular A-87.

- (2) Approval. Prior UMTA approval is required for all utility relocation agreements that exceed \$100,000 in total value.

f. Leasing Agreement--Project Equipment and Facilities. With prior UMTA concurrence, the recipient may enter into a contract for the leasing of its project equipment and facilities with a private operator. Under this arrangement the recipient should include the following provisions in the proposed lease agreement:

- (1) Unless otherwise agreed to by UMTA, project equipment shall be operated by the lessee to serve the best interest and welfare of the project sponsor and the public.
- (2) Lessee shall maintain project equipment at a high level of cleanliness, safety, and mechanical soundness under maintenance procedures outlined by the project sponsor. The project sponsor and/or UMTA shall have the right to conduct periodic maintenance inspections for the purpose of confirming the existence, condition, and the proper maintenance of the project equipment.
- (3) The grantee is responsible for the fair market value of leased property. As required by the provisions of Circular A-102, UMTA allows the grantee the flexibility to use discretion in selecting the type, extent, and cost of insurance coverage needed as long as the insurance coverage complies with State and local government requirements.

UMTA will not impose any particular insurance requirements except in special instances where a finding has been made by UMTA that the grantee does not have the financial capability to carry out the proposed project. A history of poor performance or financial instability could be the basis for such a finding.

g. Copyrights and Rights in Data. Except as otherwise provided in the grant agreement, the grantee is free to copyright any material developed under or during the course of a project. However, UMTA reserves a royalty-free nonexclusive and irrevocable right to reproduce, publish, distribute, or otherwise use, and to authorize others to use the work for Government purposes.

h. Patent Rights. All recipients must notify UMTA of any inventions, improvements, or discoveries conceived or actually reduced to practice by the recipient or its employees in the course of, or under the terms of, the grant contract. UMTA determines whether or not and where a patent application will be filed, as well as the disposition of all rights in such inventions, improvements and/or discoveries, including title to and rights under any patent application or patent that may be

issued. The recipient is responsible for executing all documents to effect the determination.

- i. Published Reports. All UMTA sponsored reports must contain on the inside front cover the following disclaimer:

NOTICE

This document is disseminated under the sponsorship of the Department of Transportation in the interest of information exchange. The United States Government assumes no liability for the contents or use thereof.

When trade names or manufacturers names are used in a report, this fact must be specifically brought to the attention of UMTA before the report is approved. These reports must contain the following notice on the inside front cover:

NOTICE

The United States Government does not endorse products or manufacturers. Trade or manufacturers' names appear herein solely because they are considered essential to the object of this report.

19. ON-SITE INSPECTIONS. UMTA may conduct on-site inspections of projects to evaluate the grantee's effectiveness in implementing the project in conformance with the grant agreement. Inspection visits may be made, for example, to follow up on information received from the grantee about an event with significant impact on the project, or to determine whether the grantee has adequately complied with civil rights laws, regulations, and agreements. Inspection and concurrence by UMTA in project work does not relieve the grantee of its responsibilities and liabilities as the responsible party for carrying out the grant.
 - a. UMTA Project Team. UMTA may assign its own or contractor staff to provide special oversight or monitoring of major construction or equipment acquisition projects. Contractor staff are generally used for major projects.
 - b. Quarterly Project Management Meetings. Quarterly project management meetings may also be instituted with selected recipients. These meetings will provide a forum for management briefings, status/progress reports, discussion of accomplishments and problems and, as appropriate, an opportunity for site inspection. The quarterly meetings do not replace quarterly written reports unless a specific exemption is granted by UMTA.
 - c. Triennial Review. Conduct of the triennial reviews and evaluations of Section 9 grantees will normally involve a site visit. The triennial review procedure is briefly described in Chapter II, paragraph 8, Triennial Review, and further detailed in UMTA Notice 9010.1, "Section 9 Triennial Reviews."

20. SUSPENSION OF A PROJECT. The suspension of a grant is an action by UMTA which temporarily suspends Federal assistance for the project pending corrective action by the grantee or pending a decision to terminate the grant by UMTA. If UMTA determines that the recipient has failed to comply with the terms and conditions of the grant agreement, including the civil rights requirement, UMTA will notify the recipient in writing of its intent to suspend the grant. UMTA may withhold further payments and/or prohibit the recipient from incurring additional obligations pending corrective action by the recipient or a decision to terminate the project for cause. This includes work being performed by third party contractors or consultants. Unless UMTA notifies the grantee otherwise, suspension will not invalidate obligations properly incurred by the grantee prior to the date of suspension to the extent that they cannot be cancelled. Upon making a determination of noncompliance, UMTA will notify the recipient by telephone, with written confirmation.
21. TERMINATION OF A PROJECT. A project may be terminated either for convenience or cause.
- a. Termination for Cause. UMTA may terminate a grant, in whole or in part, at any time before project completion, whenever it determines that the grantee has failed to comply with the conditions of the grant including civil rights compliance or failure to make reasonable progress. UMTA will promptly notify the recipient in writing of its intent to terminate and the reasons thereof and the effective date. Payments made to the recipients or recoveries by UMTA will be in accordance with the terms of the grant agreement and the legal rights and liabilities of both parties as defined in the agreement.
 - b. Termination for Convenience. UMTA or the recipient may terminate a grant in whole or part, when both parties agree that continuation of the project would not produce results commensurate with the further expenditure of funds. By signing the grant agreement, the recipient agrees at the outset to a termination for convenience if UMTA makes such a finding. Both parties must agree upon the termination conditions, including the effective date and, in case of partial terminations, the portions to be terminated. The recipient may not incur new obligations for the terminated portion after the effective date and must cancel as many outstanding obligations as possible. UMTA will evaluate each noncancelable obligation to determine its eligibility for inclusion in project costs. Settlement will be made in accordance with terms and conditions of the grant agreement. UMTA allows full credit to the recipient for the Federal share of the noncancelable obligations properly incurred by the recipient prior to termination.
 - c. Partial Termination. In some cases, UMTA may deobligate funds in an approved grant before closeout because they are no longer needed to accomplish the grant purpose.

22. PROJECT CLOSEOUT PROCEDURES. Closeout is the process by which UMTA determines that all responsibilities and work by the grantee have been completed and the associated financial records are closed. Closeout begins immediately after all work activities under the project are completed and all closeout documentation must be submitted within the following 90 days.

a. Final Financial Settlement. The recipient must initiate closeout of a grant when all approved activities have been completed. This requires a letter notifying UMTA that the grant is ready for closeout, stating when the documentation required for final financial settlement will be submitted:

- (1) A copy of the final Request for Funds (TFS-5805) or the original of the final Request for Advance or Reimbursement (SF-270), submitted for UMTA payment of any remaining eligible expenses;
- (2) A statement of when the next biennial inventory will be conducted of real property and equipment acquired under the grant. This must be within two years of grant award or the last inventory certification, as discussed in paragraph 7c(2) of this chapter. Property no longer needed for purposes of the grant must be disposed of according to paragraph 7c(3) of this chapter. Property records must be maintained for three years after disposition of the property, whether or not the grant has been closed (see paragraph 17 of this chapter);
- (3) A final Financial Status Report (SF-269);
- (4) A final project budget; and
- (5) Any other reports required as a condition of the grant. Where final progress reports are required, they should include a narrative discussion of the status of each line item contained in the final grant budget.

UMTA reserves the right to unilaterally initiate grant closeout. This may be necessary in cases where approved funds have been substantially drawn down or the grantee has done little over the past year to complete approved grant activities.

b. Adjustments to Federal Share of Costs. Necessary adjustments to the Federal share of cost will be made after UMTA has received and reviewed the required closeout information. Adjustments may also be necessary after the audit required by OMB Circular A-128 has been performed. UMTA funds are not available for audit or other grant activities after a grant has been closed out. Additional information on audit is contained in Chapter II, paragraph 6.

Any Federal grant funds received by the grantee but not expended must be returned in the form of a credit shown on the TFS-5805, a check payable to the Urban Mass Transportation Administration and mailed to the address shown below, or wire transfer if the amount is \$10,000 or more.

Checks should be mailed to:

U. S. Department of Transportation
Urban Mass Transportation Administration
P. O. Box 360324M
Pittsburgh, PA 15251-6324

When funds are returned to UMTA, a copy of any correspondence sent to Headquarters at the time of repayment should be furnished to the Regional Office.

(SAMPLE)

STATEMENT OF REVENUES AND EXPENSES
Tonawanda Regional Transit Authority
January 1, 1977 through June 30, 1977

<u>Expenses</u>		\$404,400
Transportation	\$150,200	
Maintenance and Equipment	95,000	
Traffic and Advertising	5,000	
Administrative and General	41,300	
Insurance and Safety	15,000	
Taxes and Rents	12,900	
Depreciation and Amortization	83,000 - (Ineligible)	
Interest	2,000 - (Contra Expense)	
<u>Revenues:</u>		\$121,800
Passenger Farebox	\$101,200 - (Revenue)	
Token and Transfers	2,000 - (Revenue)	
Charter Bus	14,000 - (Non-Transportation)	
Advertising	3,100 - (Local Share)	
CETA	1,300 - (Revenue)	
Interest	200 - (Contra Expense)	
<u>Subsidies:</u>		\$155,200
City of Tonawanda	\$125,000	
Revenue Sharing	10,000	
State Elderly Fares	15,200	
Contributed Services	5,000 - (Contributed Services Operating Expense and Local Share)	

Exhibit I-2

OVERVIEW OF THE GRANT MANAGEMENT SEQUENCE

<u>One Time Events</u>	<u>Periodic or Recurring Events</u>	<u>Events that May Occur</u>
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Notice-grant approval
 Sign grant agreement
 Set up letter of credit

Assure grantee controls
 are in place
 Request letter of credit
 or requisition payments
 Submit quarterly reports -
 progress; financial; and
 DBE
 Major events reports
 Technical studies reports
 UMTA on-site inspections
 Conduct biennial inventory;
 send certification
 Third party contracts

Budget revision
 Grant amendment
 Property disposition
 Control sales and
 insurance proceeds

Single annual audit
 Audit of third-party
 contracts
 UMTA triennial review

Grant suspension
 Grant termination

Submit final reports
 Final financial settlement
 Project closeout

CHAPTER II

FINANCIAL MANAGEMENT

1. INTERNAL MANAGEMENT CONTROLS.

- a. General. UMTA payments to grantees are made in cash to meet its share of eligible expenses under a grant.

Acceptance of an UMTA grant obligates the grantee to use funds it receives as specified in the grant agreement. This creates a vested interest of the United States in unused grant balances, any improperly applied funds, and property or facilities purchased or otherwise acquired under the grant--whether funds are received by the grantee as an advance or by reimbursement.

Grantees and subgrantees are responsible for establishing and maintaining adequate internal management control over all their functions that govern implementation of a grant.

For proper management of grants, these controls must be used by each grantee in all its operating, accounting, financial and administrative systems. To assure proper accountability for grant funds, internal controls must be integral with the management systems used by the grantee to regulate and guide its operations.

b. Definitions.

- (1) Internal Controls. The organization plan, methods and procedures adopted by the grantee to insure that resources are properly used and safeguarded, and that necessary information is provided to grantee and UMTA managers, specifically:

- (a) Resources must be used in accordance with applicable State, local, and Federal laws, regulations and policies, and the grant contract;
- (b) Resources must be safeguarded against waste, loss, and misuse; and
- (c) Reliable data on resource use and safeguards must be accumulated, maintained and fairly disclosed in reports to grantee management and UMTA.

- (2) Accounting System. The formal books, accounts, supporting records, documents, papers, reports and governing procedures used to account for the resources and operations of an organization.

- c. Objectives. A proper system of internal controls will help the grantee to:

- (1) Operate efficiently and economically;
 - (2) Keep obligations and costs within the limits of authorizations and legal requirements, consistent with accomplishing the purpose of the grant;
 - (3) Safeguard assets against waste, loss or misuse;
 - (4) Ensure timely collection and proper accounting of the grantee's operating and other revenues;
 - (5) Assure accuracy and reliability in financial, statistical and other reports.
- d. Necessary Elements. Certain elements are necessary to achieve these objectives and meet the standards discussed later in this chapter. Each facilitates the grantee's use of internal controls. These are:
- (1) Reasonable assurance that internal controls are in fact an integral part of the grantee's management systems;
 - (2) Existence of a positive and supportive attitude among grantee managers and employees;
 - (3) Assignment of internal control functions to competent and experienced employees;
 - (4) Identification of specific internal control objectives to assure that needs are identified and that valid controls are planned and implemented.
 - (5) Adoption of internal control policies, plans and procedures that reasonably assure their effectiveness, such as organizational separation of duties and physical arrangements such as locks and fire alarms. The grantee should conduct a regular program of testing to identify vulnerabilities in the internal control system.
- e. Standards of Internal Management Control and Audit Resolution.
- (1) General.
 - (a) Grantee management policies that govern grant implementation must be clearly stated, understood throughout the organization and conform to applicable legislative and administrative requirements.
 - (b) The grantee's formal organizational structure must clearly define, assign and delegate appropriate authority for all duties.
 - (c) Responsibility for duties and functions must be segregated within the organization to assure that adequate internal checks and balances exist. Grantees should pay particular

attention to authorization, performance, recording, inventory control and review functions to reduce the opportunity for unauthorized or fraudulent acts.

- (d) A system for organizational planning should exist to determine financial, property and personnel resource needs.
- (e) Written operating procedures should be simply stated, yet meet the grantee's operating, legal and regulatory requirements. In developing its procedures, the grantee should consider such factors as feasibility, cost, risk of loss or error, and availability of suitable personnel. Other important considerations are the prevention of illegal or unauthorized transactions or acts.
- (f) The grantee's information system must reliably provide needed operating and financial data for decisionmaking and performance review.
- (g) Proper supervision must be provided and performance must be subject to review of an effective internal audit program.
- (h) All personnel must be properly qualified for their assigned responsibilities, duties and functions. Education, training, experience, competence and integrity should be considered in assigning work. All must be held fully accountable for the proper discharge of their assignments.
- (i) Expenditures must be controlled so that construction, equipment, goods and services are acquired at least cost and received as contracted for (as to quality, quantity, prices and time of delivery).

Authorizations must conform to applicable statutes, regulations and policies.

- (j) All real property, equipment, expendables and funds must be safeguarded to prevent misuse, misappropriation, waste or unwarranted deterioration or destruction.
- (2) Financial Management Systems. Each grantee and subgrantee must establish and maintain an adequate financial management system that provides for:
- (a) Accumulation and reporting of accurate, current and complete financial information for each grant;
 - (b) Records that identify the source and application of funds for grant supported activities. These must include information about Federal awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays and income;

- (c) Control and accountability for all funds, property and other assets, including safeguards against unauthorized use;
 - (d) Comparability of actual outlays with budgeted amounts for each grant-funded activity. Where appropriate, unit cost information should be provided for productivity comparisons;
 - (e) Procedures that assure the shortest elapsed time between U.S. Treasury advances and grantee disbursements. Primary grantees must conform to equivalent standards of timing and amount in transferring funds to secondary grantees;
 - (f) Procedures for determining reasonableness, eligibility and proper allocation of costs as required by OMB Circulars A-87, revised, "Cost Principles for State and Local Governments," and A-122, "Cost Principles for Nonprofit Organizations, Lobbying Revision," as appropriate;
 - (g) Accounting records that are supported by source documentation; and
 - (h) Procedures that assure timely and appropriate resolution of audit findings and recommendations (see paragraph 6d below).
- (3) Accounting Systems. Grantees and subgrantees must meet these accounting system standards:
- (a) Grantee accounting systems must be complete and reliable. They must embrace and accurately represent the status of all funds, property, assets and liabilities, obligations, receipts and revenues, expenditures, disbursements and costs. Accounting records appropriately include financial data and quantitative data where the latter are necessary for planning, control or other management purposes.
 - (b) Financial transactions must be adequately supported in the grantee's files with pertinent documents available for audit. All transactions must be recorded when made, in way that readily permits them to be traced from originating documents through summary records and financial reports.
- (4) UMTA Survey of Grantee's Internal Controls. DOT auditors or designated representatives may visit a grantee after project approval to survey its system of internal controls. On-site surveys are usually limited to new grantees of major grants or those who have encountered difficulties in administering previous UMTA grants. The survey will address grantee compliance with the foregoing internal and financial control standards.

The Office of Inspector General will report the survey results. UMTA will provide the grantee a copy and discuss action by the grantee to correct any reported deficiencies.

2. COST ALLOCATION PLAN/INDIRECT COST PROPOSAL.

- a. General. Under federally funded grant programs, recipients may incur costs of both a direct and indirect nature. A cost allocation plan is required to support the distribution of indirect administrative costs related to the grant program.
- b. Definitions. Direct costs are those that can be identified specifically with a particular project. These costs may be charged directly to a grant project.

Indirect costs are those that are:

- (1) Incurred for a common or joint purpose benefitting more than one cost objective; and
- (2) Not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

The term "indirect costs" applies to costs of this type originating in each of the grantee's operating or organizational units (hereinafter referred to as unit or department), as well as those incurred by others in supplying goods, services, and facilities to each unit. Examples of indirect costs are operation and maintenance of buildings and expenses of unit heads and their immediate staff. Principles and standards for determining costs applicable to grants and contracts with grantees or other State or local agencies are presented in OMB Circulars A-87; A-21; Revised; A-122; and the appropriate Department of Health and Human Services (DHHS) publications.

- c. Types of Plans. There are two types of cost allocation plans presented in OMB Circulars A-87; A-21, Revised; and A-122. The first plan covers distribution of costs of support services provided to local government agencies and is referred to as a consolidated local government-wide cost allocation plan. The second plan covers distribution of costs within an individual recipient or contractor agency, including costs of services allocated to it under the consolidated local government-wide cost allocation plan, for all work performed by that agency. This second type of plan is commonly referred to as a central service cost allocation plan or an indirect cost proposal. A DHHS brochure, OASC-10, contains questions and answers regarding cost allocation plans and sample formats for both consolidated and central service cost allocation plans. This brochure is available from UMTA.
- d. Preparation of Plan. Grantees who intend to seek UMTA reimbursement for indirect costs must prepare a cost allocation plan or indirect cost rate proposal for concurrence before incurring and charging these costs to an UMTA project:
 - (1) Purpose. The purpose of the plan is to guide the grantee's allocation of costs, assuring that:

- (a) All activities of local government departments or State agencies have been considered;
 - (b) Distribution of indirect costs is based on a method(s) reasonably indicative of the amount of services provided;
 - (c) Services provided are necessary for successful conduct of Federal programs;
 - (d) Level of costs incurred are reasonable;
 - (e) Costs of State or local centralized government services may be charged in conformance with government-wide cost allocation plans; and
 - (f) Costs claimed are allowable in accordance with A-87; A-21, Revised; or A-122, as applicable.
- (2) Steps in Plan Development. Four steps are basic in preparing a cost allocation plan:
- (a) Identifying costs of each type of service to be claimed;
 - (b) Determining the method for allocating each type of service cost to users;
 - (c) Mathematically allocating these costs to users; and
 - (d) Summarizing amounts allocated if using a single, formal, comprehensive local government-wide plan.

Once UMTA or another cognizant Federal agency has accepted a grantee's cost allocation plan or indirect cost rate proposal, the grantee must update it annually. The update should be retained and made available for review at the time of the grantee's organization-wide audit.

- e. Cognizant Federal Agency. The departmental cost allocation plan/indirect cost rate proposal should be submitted to the "cognizant" or "lead" Federal agency in the following cases:
- (1) The recipient is working on its first assistance project or has not previously had a cost allocation plan/indirect cost rate proposal reviewed and accepted;
 - (2) The recipient has made a change in its accounting system, thereby affecting the previously approved cost allocation plan/indirect cost rate and its basis of application; or
 - (3) The recipient's proposed cost allocation plan/indirect cost rate exceeds the amounts and rates approved for the previous year(s) by more than 10 percent.

In other instances, the recipient should forego submission of its annual cost allocation plan/indirect cost rate proposal directly to the cognizant agency, retaining the documents for future review. In accordance with OMB Circular A-128, this review will be accomplished at the time of the organization-wide audit of the recipient.

Cognizance is generally assigned to the Federal agency having the greatest dollar involvement with a grantee organization within a given State or locality. (OMB has assigned cognizant audit agencies for State and local Governments - Federal Register, 1-6-86.)

If DOT is the cognizant agency, cost allocation plans should be sent to UMTA for DOT review unless the Federal Highway Administration (FHWA) is the primary awarding agency. In that case, the plans should be sent to FHWA with a copy to UMTA.

- f. Costs Supported. All costs in the plan must be supported by formal accounting records to substantiate the propriety of eventual charges. The allocation plan of the recipient should cover all applicable costs. It should also cover costs allocated under plans of other agencies or organizational units which are to be included in the costs of other federally sponsored programs. To the extent feasible, cost allocation plans of all agencies rendering assistance to the recipient should be presented in a single document.

The cost allocation plan should contain but need not be limited to the following:

- (1) The nature and extent of services provided and their relevance to federally sponsored programs;
- (2) Items of expense to be included;
- (3) Methods to be used in distributing cost; and
- (4) Appropriate civil rights data.

- g. Plan Content. The cost allocation plan should contain, but not necessarily be limited to, the following:

- (1) Individual position or group classifications for direct staff services;
- (2) The annual salary rate or salary range for each position classification, with estimated average salary charged to the project for each rate;
- (3) The estimated period of service as provided by each position classification, estimated percentage of time each position will devote to the project, and the estimated cost of each;
- (4) The nature and extent of services provided by each position classification;

- (5) Details of other direct charges including the nature of charges and estimated costs; and
- (6) All categories of indirect costs, proposed methods, and the basis for allocating them to the project, total indirect costs, and the estimated amount to be charged to the project.

It is important to note that although personnel services should be estimated on a percentage-of-time basis for planning purposes, only actual time charged to the project as supported by adequate time sheets will be eligible for reimbursement.

- h. Plan Approval. Whenever the cognizant agency gives prior approval to a government-wide cost allocation plan or indirect cost proposal, such approval is formalized, distributed to all interested Federal agencies, and applicable to all Federal grants in accordance with OMB Circulars A-87; A-21, Revised; or A-122.

3. COST STANDARDS.

- a. General. Recipients must follow the guidelines contained in OMB Circulars A-87 (State and local governments), A-21, Revised (educational institutions); or A-122, Revised (non-profit organizations) in determining whether project costs are allowable or unallowable. Project costs must specifically relate to the purpose of the grant contract and the latest approved project budget. Care must be exercised when incurring costs to ensure that all expenditures meet the criteria of eligible costs. Failure to exercise proper discretion may result in expenditures for which use of project funds cannot be authorized.
- b. Allowable Costs.
 - (1) General. The criteria that govern the eligibility of project costs are discussed below. These criteria are drawn from the cited OMB circulars. To be allowable under a grant program, costs must:
 - (a) Be necessary and reasonable for proper and efficient administration of the grant program, be allowable under the principles contained in the OMB circulars and except as specifically provided in this circular, not be general expenses required to carry out the overall responsibilities of State or local governments;
 - (b) Be authorized or not prohibited under State or local laws or regulations;
 - (c) Conform to any limitation or exclusions set forth in the principles, Federal laws, or other governing limitations as to types or amounts of cost items;
 - (d) Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other

activities of the unit of government of which recipient is a part;

- (e) Be treated consistently through application of generally accepted accounting principles appropriate to the circumstances;
 - (f) Not be allowable or included as a cost of any other federally financed program in either current or prior periods;
 - (g) Be net of all applicable credits; and
 - (h) Not be incurred prior to grant award unless specifically provided for in a Letter of No Prejudice or equivalent document approved by the UMTA Administrator.
- (2) Program Specifics. The following three provisions describe allowable costs for Capital Grant and Loan projects, Section 5 and 9 Operating Assistance projects, Section 4(i), 8 and 9 Technical Study projects, Interstate Substitution projects, and FAUS projects. Determination of allowability in each case should be based on treatment of standards provided for similar or related items of cost. If any problems arise, contact the appropriate UMTA regional or headquarters office.
- (a) Capital Grant and Loan Projects. Recipients must follow the principles of A-87 in determining allowable costs under capital projects, subject to Section 3(a)(2)(C) of the Urban Mass Transportation Act of 1964, as amended, which states, "No grant or loan funds shall be used for payment of ordinary governmental or non-project operating expenses."
 - (b) Operating Assistance Grants. Information on allowable costs for operating assistance grants can be found in UMTA Circular 9030.1, "Section 9 Formula Grant Application Instructions, Appendix F."
 - (c) Technical Study Grants. Recipients are to follow the principles of A-87 in determining allowable costs under Section 8 and Section 9 Technical Study grants.

4. PROGRAM INCOME.

- a. General. UMTA's program income policies are governed by Section 4(a) of the Act. As this statutory provision varies from guidance governing the use and disposition of program income contained in OMB Circular A-102, the following provisions apply to all UMTA planning and capital grants governed by this circular except for previously approved grants that contain terms and conditions to the contrary.
- b. Definition. Program income is revenue generated directly or indirectly from grant supported activities (i.e., income generated by grant funds after they have been applied to authorized grant purposes). Program income is a form of mass transit revenue, but excludes sales proceeds,

interest earned on advances of Federal funds and revenues generated by activities that are not grant supported. Examples of program income include fare box revenues and income from the sale or lease of air rights or from other leases; advertising; concessions; and the sale of planning reports and maps.

- c. Requirement. Grantees may retain program income so long as it is used only for mass transit purposes. These may include planning, capital or operating expenses. Program income may not be used to refund or reduce the local share of a grant.

Grantees must account for program income in their accounting system, which is subject to audit. The accounting system must be capable of identifying program income and the purpose for which it was used.

5. FINANCIAL REPORTING REQUIREMENTS.

- a. General. UMTA uses the Financial Status Report (SF-269) to monitor project funds. Note that payment can be withheld for failure to submit either financial or narrative reports in a timely manner.

- b. Disclosure Criteria. The following criteria are basic to full disclosure in financial reports by recipients:

- (1) All essential financial facts relating to the scope and purpose of each financial report and applicable reporting period should be completely and clearly displayed in the reports.
- (2) Reported financial data should be accurate and timely. The requirement for accuracy does not rule out inclusion of reasonable estimates when precise measurement is impractical, uneconomical, unnecessary, or conducive to delay.
- (3) Financial reports should be based on the required supporting documentation maintained under an adequate accounting system that produces information which objectively discloses financial aspects of events or transactions.
- (4) Financial data reported should be derived from accounts that are maintained on a consistent, periodic basis; material changes in accounting policies or methods and their effect must be clearly explained.
- (5) Reporting terminology used in financial reports to UMTA should be consistent with receipt and expense classifications included in the latest approved project budget.

- c. Financial Status Report (SF-269).

- (1) Recipients must submit the original of the SF-269 with their quarterly progress reports to report the status of funds for all nonconstruction and construction projects whether the recipient receives payment through the Letter of Credit or by reimbursement. Financial Status Report forms can be obtained from UMTA. The

SF-269 should be prepared on an accrual basis.

- (2) A Financial Status Report bearing an original signature must be submitted to UMTA quarterly, no later than 30 days after the end of the calendar quarter. Reports are required every quarter until the project has been completed. A completed sample copy of the SF-269 is included hereinafter as Exhibit II-1. The reports should be prepared by budget line item code, task or project, as appropriate. Instructions for completing the form are provided on the back of the form. Section 8 reports should follow the format illustrated in Exhibit II-2. Financial Status Reports for Section 9 grants should show the financial activities of the Program of Projects as a whole, including any operating assistance.

d. Report of Federal Cash Transactions (SF-272).

- (1) Grantees submit this report only if they receive funds in advance by direct Treasury check. Grantees that are paid by UMTA Letter of Credit do not use this form. Instructions for completing the SF-272 are found on the reverse side of the form. The grantee should estimate in the "remarks" block the amount of Federal funds that will be required during each month of the ensuing quarter for each grant involved. Copies of the SF-272 are available from UMTA.
- (2) The SF-272 (one copy with original signature) should be submitted to UMTA 15 working days after the end of each quarter. Recipients requesting advances \$10,000 or less per month are not subject to this requirement. Recipients receiving over \$1 million per year may be required to submit this report monthly. The UMTA program manager determines the need and frequency of the report. A sample copy of the SF-272 is included as Exhibit II-3.

6. ANNUAL AUDIT.

- a. General. OMB Circular A-128 (A-128) implements the provisions of the "Single Audit Act of 1984," establishing a new single annual audit requirement for State/local governments and other public bodies that receive Federal assistance. The circular supersedes Attachment P to OMB Circular A-102 for fiscal years that began after 12-31-84, and applies to all UMTA grantees.
- b. Purpose. The purpose of the single annual audit requirement is to determine whether the grantee:
 - (1) Has prepared financial statements that fairly present its financial position and the results of its financial operations in accordance with generally accepted accounting principles;
 - (2) Has in place internal accounting and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations; and

- (3) Has complied with laws and regulations that may have material effect on its financial statements and on each of its major Federal assistance programs (as defined according to the sliding scale discussed in A-128).

The single annual audit is to be performed by an independent auditor who is required to determine and report on whether the grantee has internal control systems that reasonably assure it is managing Federal assistance programs in compliance with applicable laws and regulations. Review of a proposed contract for the services of an independent auditor can be arranged through UMTA with the grantee's cognizant Federal auditor. OMB has assigned a cognizant Federal auditor, who generally represents the agency from which the recipient receives the preponderance of its Federal assistance. OMB has published a list of "Cognizant Agency Assignments for Cost Allocation Under OMB Circular A-87 and for Single Audit under OMB Circular A-128" in the Federal Register, Vol. 51, No. 3, dated 1-6-86. The "Federal Cognizant Agency Audit Organization Guidelines" prepared by the Single Audit Committee of the President's Council on Integrity and Efficiency, 10-85, may be a useful guide to grantees in arranging and monitoring their third party contract audits.

Finally, grantees now are required to determine whether certain subrecipients spend Federal assistance funds they receive in accordance with applicable laws and regulations. Audit judgment concerning the grantee's determination is left to the independent auditor.

- c. Requirement. UMTA grantees are required to obtain the services of an independent auditor to conduct a single audit each year in conformance with OMB Circular A-128, except where a State constitution or statute provides for a single biennial audit. Inasmuch as grantees are required to comply with all provisions of this OMB circular, it is incorporated herein by reference. Copies are available upon request from UMTA.

Two copies of each audit report must be provided to UMTA and one copy to the DOT regional office of the Inspector General. The single annual audit will encompass and meet the needs of all Federal departments and agencies, except where Federal law provides otherwise.

- d. Resolution of Audit Findings. Grantees and subgrantees are responsible for prompt resolution of all audit findings and recommendations. This responsibility requires that the grantee:

- (1) Promptly evaluate the report;
- (2) Determine the appropriate followup actions and establish a date for their completion; and
- (3) Complete all required actions within the established period of time.

Deficiencies or opportunities for improvement identified in an audit must be resolved by the grantee. The resolution of audits begins with

UMTA's report to the grantee and continues until the grantee corrects identified deficiencies, implements needed improvements or demonstrates that the findings or recommendations are not valid or do not warrant management action.

The audit is not resolved until UMTA concurs in the documentation of steps taken to implement any needed corrective actions.

The status of outstanding audit findings and recommendations should be monitored and reported by the grantee in quarterly progress reports and, where appropriate, significant events reported.

Additional guidance on resolution of audit findings and recommendations can be found in OMB Circular A-50, Audit Followup, dated 9-29-82.

7. THIRD PARTY CONTRACT AUDITS.

- a. Responsibility for Audit. Grantees must ensure that grant assisted activities are carried out effectively and efficiently. Audit of third party contracts is an important tool available to grantees in meeting this obligation. A third party audit may be initiated by the grantee as part of its own management process. For example, consultant, engineering or service contracts commonly include provisional overhead (burden) and G & A rates which need to be verified by audit for the applicable contract periods. Contract audits may also be requested by UMTA to ascertain that payments were made in conformance with the terms of the contract, or for other purposes. Finally, audit of a third party contract may be recommended by the firm conducting the grantee's single annual audit.

Third party contract audits must be conducted by independent auditors, whether within the grantee's organization (but independent of the grant management office) or contracted with an outside audit agency or private firm.

- b. Outside Audit Services. Many UMTA recipients assign proposal evaluation and contract monitoring duties to their own auditors or financial management personnel. However, some do not have qualified personnel within their organization to conduct this kind of audit review. They must obtain these services elsewhere. Two available sources for audit services are qualified independent accounting firms and contract auditors from agencies and departments of the Federal Government. Private firms usually are able to initiate the audit sooner after the grantee's request than a Federal agency can, but in some cases, a continuing Federal audit function is maintained at contractor locations and can be used for audit of UMTA grantees' third party contracts. In other cases, an audit by a Federal agency may best serve the overall government interest.
- c. Costs. Costs of third party audit surveillance and proposal evaluation are eligible for reimbursement by UMTA as a direct or indirect charge in accordance with OMB Circular A-87. UMTA recommends that grantees seek guidance from the cognizant Federal auditor before negotiating

audit contract agreements. (Cognizant Federal auditor is earlier described under Annual Audit, paragraph 6b of this chapter.)

- d. Contracting for Audit Services. In contracting with a private firm for an independent audit, grantees should follow standard procedures for third party contracts. Grantee requests for Federal audit assistance should be directed to UMTA.

8. TRIENNIAL REVIEW.

- a. Requirement for the Reviews. UMTA is required by the Surface Transportation Assistance Act of 1982 to perform reviews and evaluations of Section 9 grantees to evaluate formula grant management performance and grantee compliance with current UMTA requirements. The reviews must be conducted for each Section 9 grantee at least once every 3 years and integrated into UMTA's grant management functions. The reviews are conducted by teams formed by UMTA Regional Offices, following an annual work program.

The scope, procedures and the format of the Triennial Review Report are explained in UMTA Notice 9010.1, Section 9 Triennial Reviews, dated 5-6-85.

- b. Conduct of the Reviews. Desk reviews are performed, followed by a site visit. The team documents its findings and recommendations in a Draft Triennial Review Report, which is furnished to the grantee for comment before it is released in final form to interested local, State and Federal officials.

When appropriate, corrective actions are recommended to resolve grantee program management deficiencies. UMTA monitors the grantee's actions until compliance with all program requirements is achieved. If needed, UMTA can invoke sanctions to assure that grantees act to correct any noted program deficiencies.

FINANCIAL STATUS REPORT <i>(Follow instructions on the back)</i>		1. FEDERAL AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH REPORT IS SUBMITTED		2. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER		OMB Approved No. 80-RO180		PAGE OF					
3. RECIPIENT ORGANIZATION <i>(Name and complete address, including ZIP code)</i>		4. EMPLOYER IDENTIFICATION NUMBER		5. RECIPIENT ACCOUNT NUMBER OR IDENTIFYING NUMBER		6. FINAL REPORT <input type="checkbox"/> YES <input type="checkbox"/> NO		7. BASIS <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL					
8. FROM <i>(Month, day, year)</i>		9. TO <i>(Month, day, year)</i>		PERIOD COVERED BY THIS REPORT		FROM <i>(Month, day, year)</i>		TO <i>(Month, day, year)</i>					
10. STATUS OF FUNDS		(b)		(c)		(d)		(e)		(f)		(g)	
PROGRAMS/FUNCTIONS/ACTIVITIES ▶													
a.	Net outlays previously reported	\$		\$		\$		\$		\$		\$	
b.	Total outlays this report period												
c.	Less: Program income credits												
d.	Net outlays this report period <i>(Line b minus line c)</i>												
e.	Net outlays to date <i>(Line a plus line d)</i>												
f.	Less: Non-Federal share of outlays												
g.	Total Federal share of outlays <i>(Line e minus line f)</i>												
h.	Total unliquidated obligations												
i.	Less: Non-Federal share of unliquidated obligations shown on line h												
j.	Federal share of unliquidated obligations												
k.	Total Federal share of outlays and unliquidated obligations												
l.	Total cumulative amount of Federal funds authorized												
m.	Unobligated balance of Federal funds												
11. INDIRECT EXPENSE		e. TYPE OF RATE <i>(Place "X" in appropriate box)</i>		PROVISIONAL <input type="checkbox"/>		PREDETERMINED <input type="checkbox"/>		FINAL <input type="checkbox"/>		FIXED <input type="checkbox"/>		DATE REPORT SUBMITTED	
		b. RATE		c. BASE		d. TOTAL AMOUNT		e. FEDERAL SHARE		SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL		TELEPHONE <i>(Area code, number and extension)</i>	
12. REMARKS: <i>Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.</i>										TYPED OR PRINTED NAME AND TITLE			

STANDARD FORM 269 (7-76)
Prescribed by Office of Management and Budget
Cir. No. A-110

INSTRUCTIONS

UMTA C 5010.1A
9-18-87

Please type or print legibly. Items 1, 2, 3, 6, 7, 9, 10d, 10e, 10g, 10i, 10l, 11a, and 12 are self-explanatory, specific instructions for other items are as follows:

<i>Item</i>	<i>Entry</i>	<i>Item</i>	<i>Entry</i>
4	Enter the employer identification number assigned by the U.S. Internal Revenue Service or FICE (institution) code, if required by the Federal sponsoring agency.	10c	Enter the amount of all program income realized in this period that is required by the terms and conditions of the Federal award to be deducted from total project costs. For reports prepared on a cash basis, enter the amount of cash income received during the reporting period. For reports prepared on an accrual basis, enter the amount of income earned since the beginning of the reporting period. When the terms or conditions allow program income to be added to the total award, explain in remarks, the source, amount and disposition of the income.
5	This space is reserved for an account number or other identifying numbers that may be assigned by the recipient.	10f	Enter amount pertaining to the non-Federal share of program outlays included in the amount on line e.
8	Enter the month, day, and year of the beginning and ending of this project period. For formula grants that are not awarded on a project basis, show the grant period.	10h	Enter total amount of unliquidated obligations for this project or program, including unliquidated obligations to subgrantees and contractors. Unliquidated obligations are: Cash basis—obligations incurred but not paid; Accrued expenditure basis—obligations incurred but for which an outlay has not been recorded. Do not include any amounts that have been included on lines a through g. On the final report, line h should have a zero balance.
10	The purpose of vertical columns (a) through (f) is to provide financial data for each program, function, and activity in the budget as approved by the Federal sponsoring agency. If additional columns are needed, use as many additional forms as needed and indicate page number in space provided in upper right; however, the totals of all programs, functions or activities should be shown in column (g) of the first page. For agreements pertaining to several Catalog of Federal Domestic Assistance programs that do not require a further functional or activity classification breakdown, enter under columns (a) through (f) the title of the program. For grants or other assistance agreements containing multiple programs where one or more programs require a further breakdown by function or activity, use a separate form for each program showing the applicable functions or activities in the separate columns. For grants or other assistance agreements containing several functions or activities which are funded from several programs, prepare a separate form for each activity or function when requested by the Federal sponsoring agency.	10j	Enter the Federal share of unliquidated obligations shown on line h. The amount shown on this line should be the difference between the amounts on lines h and i.
10a	Enter the net outlay. This amount should be the same as the amount reported in Line 10e of the last report. If there has been an adjustment to the amount shown previously, please attach explanation. Show zero if this is the initial report.	10k	Enter the sum of the amounts shown on lines g and j. If the report is final the report should not contain any unliquidated obligations.
10b	Enter the total gross program outlays (less rebates, refunds, and other discounts) for this report period, including disbursements of cash realized as program income. For reports that are prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to contractors and subgrantees. For reports prepared on an accrued expenditure basis, outlays are the sum of actual cash disbursements, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received and for services performed by employees, contractors, subgrantees, and other payees.	10m	Enter the unobligated balance of Federal funds. This amount should be the difference between lines k and l.
		11b	Enter rate in effect during the reporting period.
		11c	Enter amount of the base to which the rate was applied.
		11d	Enter total amount of indirect cost charged during the report period.
		11e	Enter amount of the Federal share charged during the report period. If more than one rate was applied during the project period, include a separate schedule showing bases against which the indirect cost rates were applied, the respective indirect rates the month, day, and year the indirect rates were in effect, amounts of indirect expense charged to the project, and the Federal share of indirect expense charged to the project to date.

SUPPLEMENT TO FINANCIAL STATUS REPORT
FOR PLANNING PROJECTS UNDER SECTIONS 8 and 9

GRANTEE: _____

PROJECT NO. _ _ - _ - _ _ _

APPROVED ACTIVITIES

	<u>Last</u> <u>Reported</u>	<u>Changes</u> <u>This</u> <u>Period</u>	<u>Current</u> <u>Budget</u>
4_.11.00 Program Support & Administration			
4_.12.00 Genl Devel & Comprehensive Plng			
4_.13.01 Long Range Plng - System Level			
4_.13.02 Long Range Plng - Project Level			
4_.14.00 Short Range Transportation Plng			
4_.15.00 Transportation Improvement Progr			
Special Projects:			
4_.16.01 Elderly & Handicapped			
4_.16.02 Financial Planning			
4_.16.03 Risk Mgmt/Safety Plng			
4_.16.04 DBE/WBE Planning			
4_.16.05 Private Participation			
4_.17.00 Other Activities			

TOTALS \$ _____ \$ _____ \$ _____

EXPENDITURE CLASSIFICATION
THROUGH THIS REPORTING PERIOD

4_.20.01 Personnel	\$ _____	4_.20.05 Supplies	\$ _____
4_.20.02 Fringe	\$ _____	4_.20.06 Contractual	\$ _____
Benefits		4_.20.07 Other	\$ _____
4_.20.03 Travel	\$ _____	4_.20.08 Indirect	\$ _____
4_.20.04 Equipment	\$ _____	Charges	
		TOTAL	\$ _____

FEDERAL CASH TRANSACTIONS REPORT

(See instructions on the back. If report is for more than one grant or assistance agreement, attach completed Standard Form 272-A.)

Approved by Office of Management and Budget, No. 80-RO187

1. Federal sponsoring agency and organizational element to which this report is submitted

2. RECIPIENT ORGANIZATION

Name :

Number and Street :

City, State and ZIP Code :

4. Federal grant or other identification number

5. Recipient's account number or identifying number

6. Letter of credit number

7. Last payment voucher number

Give total number for this period

8. Payment Vouchers credited to your account

9. Treasury checks received (whether or not deposited)

10. PERIOD COVERED BY THIS REPORT

FROM (month, day, year)

TO (month, day year)

3. FEDERAL EMPLOYER IDENTIFICATION NO. ▶

11. STATUS OF FEDERAL CASH

(See specific instructions on the back)

a. Cash on hand beginning of reporting period

\$

b. Letter of credit withdrawals

c. Treasury check payments

d. Total receipts (Sum of lines b and c)

e. Total cash available (Sum of lines a and d)

f. Gross disbursements

g. Federal share of program income

h. Net disbursements (Line f minus line g)

i. Adjustments of prior periods

j. Cash on hand end of period

\$

12. THE AMOUNT SHOWN ON LINE 11J, ABOVE, REPRESENTS CASH REQUIREMENTS FOR THE ENSUING

Days

13. OTHER INFORMATION

a. Interest income

\$

b. Advances to subgrantees or subcontractors

\$

14. REMARKS (Attach additional sheets of plain paper, if more space is required)

15. CERTIFICATION

I certify to the best of my knowledge and belief that this report is true in all respects and that all disbursements have been made for the purpose and conditions of the grant or agreement

AUTHORIZED CERTIFYING OFFICIAL

SIGNATURE

TYPED OR PRINTED NAME AND TITLE

DATE REPORT SUBMITTED

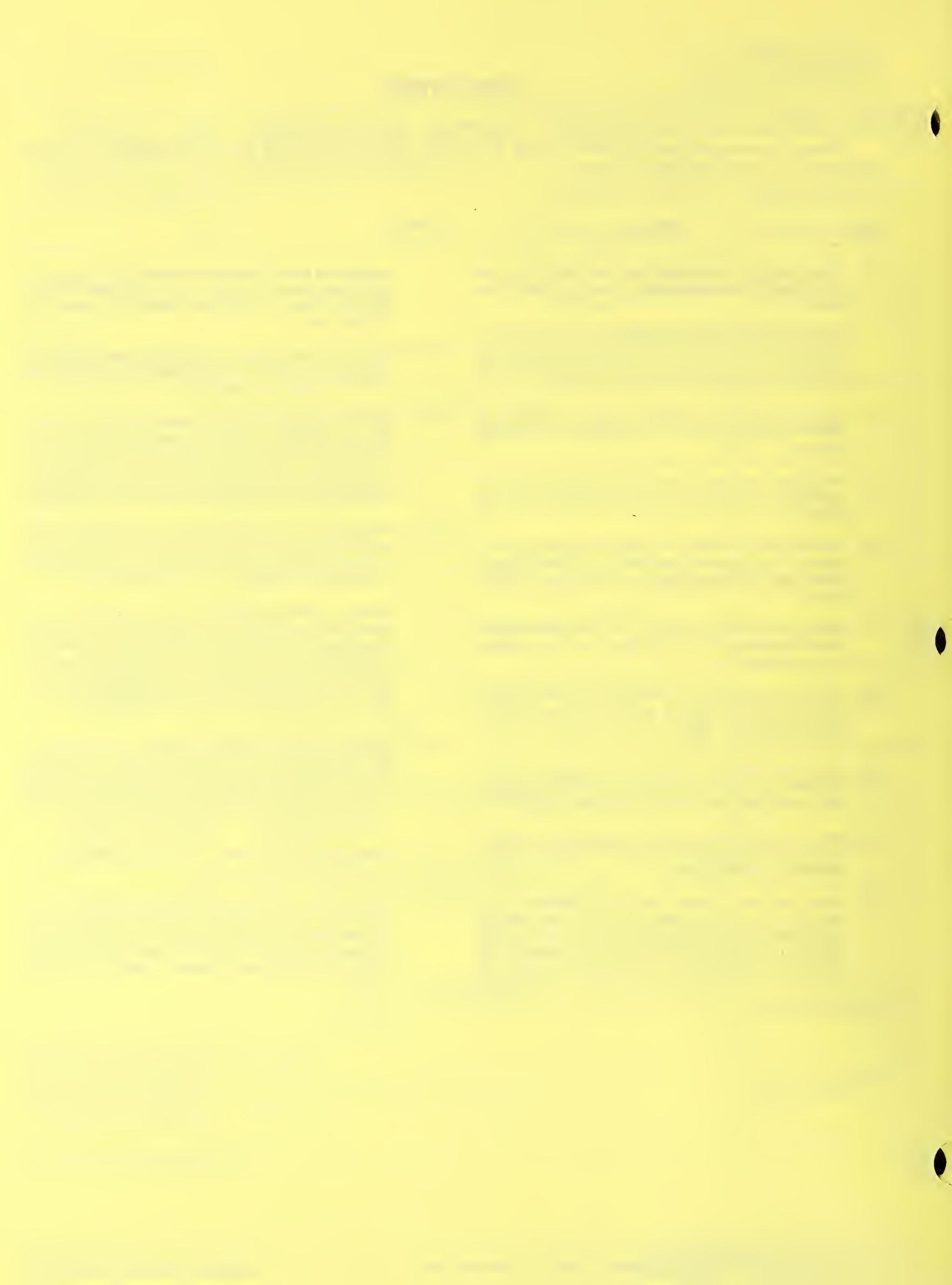
TELEPHONE (Area Code, Number, Extension)

THIS SPACE FOR AGENCY USE

INSTRUCTIONS

Please type or print legibly. Items 1, 2, 8, 9, 10, 11d, 11e, 11h, and 15 are self explanatory, specific instructions for other items are as follows:

<i>Item</i>	<i>Entry</i>	<i>Entry</i>	<i>Item</i>
3	Enter employer identification number assigned by the U.S. Internal Revenue Service or the FICE (institution) code. If this report covers more than one grant or other agreement, leave items 4 and 5 blank and provide the information on Standard Form 272-A, Report of Federal Cash Transactions—Continued; otherwise;	employee's share of benefits if treated as a direct cost, interdepartmental charges for supplies and services, and the amount to which the recipient is entitled for indirect costs.	
4	Enter Federal grant number, agreement number, or other identifying numbers if requested by sponsoring agency.	11g	Enter the Federal share of program income that was required to be used on the project or program by the terms of the grant or agreement.
5	This space reserved for an account number or other identifying number that may be assigned by the recipient.	11i	Enter the amount of all adjustments pertaining to prior periods affecting the ending balance that have not been included in any lines above. Identify each grant or agreement for which adjustment was made, and enter an explanation for each adjustment under "Remarks." Use plain sheets of paper if additional space is required.
6	Enter the letter of credit number that applies to this report. If all advances were made by Treasury check, enter "NA" for not applicable and leave items 7 and 8 blank.	11j	Enter the total amount of Federal cash on hand at the end of the reporting period. This amount should include all funds on deposit, imprest funds, and undeposited funds (line e, less line h, plus or minus line i).
7	Enter the voucher number of the last letter-of-credit payment voucher (Form TUS 5401) that was credited to your account.	12	Enter the estimated number of days until the cash on hand, shown on line 11j, will be expended. If more than three days cash requirements are on hand, provide an explanation under "Remarks" as to why the drawdown was made prematurely, or other reasons for the excess cash. The requirement for the explanation does not apply to prescheduled or automatic advances.
11a	Enter the total amount of Federal cash on hand at the beginning of the reporting period including all of the Federal funds on deposit, imprest funds, and undeposited Treasury checks.	13a	Enter the amount of interest earned on advances of Federal funds but not remitted to the Federal agency. If this includes any amount earned and not remitted to the Federal sponsoring agency for over 60 days, explain under "Remarks." Do not report interest earned on advances to States.
11b	Enter total amount of Federal funds received through payment vouchers (Form TUS 5401) that were credited to your account during the reporting period.	13b	Enter amount of advance to secondary recipients included in item 11h.
11c	Enter the total amount of all Federal funds received during the reporting period through Treasury checks, whether or not deposited.	14	In addition to providing explanations as required above, give additional explanation deemed necessary by the recipient and for information required by the Federal sponsoring agency in compliance with governing legislation. Use plain sheets of paper if additional space is required.
11f	Enter the total Federal cash disbursements, made during the reporting period, including cash received as program income. Disbursements as used here also include the amount of advances and payments less refunds to subgrantees or contractors, the gross amount of direct salaries and wages, including the		



CHAPTER III

PAYMENT PROCEDURES

1. GENERAL.

a. Payment Methods. UMTA uses two methods in making cash payments to grantees:

- (1) Letter of Credit (LOC); and
- (2) Reimbursement by Treasury check.

Under the first method, UMTA provides payment to grantees by electronically wiring funds to the recipient's financial institution. Under the second method, UMTA reimburses grantees for work performed by having a Treasury check prepared for mailing to the grantee. In either instance, payments may be based on actual costs incurred and/or advanced to the grantee. If advanced, the funds must be for immediate disbursement needs, as explained below.

The Department of Treasury Circular (TC) 1075 governs payments to recipients for financing operations under Federal grant and other programs. These regulations require that payment to a recipient be limited to the minimum amounts needed and timed so as to be in accord only with the actual, immediate cash requirements of the recipient in carrying out the approved project. The timing and amount of cash requested must be as close as administratively feasible to the actual disbursements by the recipient for direct project costs and the proportionate share of allowable indirect costs.

b. Restrictions. No UMTA grant program may:

- (1) Require physical segregation of cash depositories for Federal grant funds which are provided to a recipient; or
- (2) Establish any eligibility requirements for cash depositories in which Federal grant funds are deposited by recipients, with the exception of the following cases:
 - (a) All monies advanced to a recipient which are subject to the control or regulation of the United States or any of its officers, agents, or employees (public funds as defined in Treasury Circular No. 176, as amended) must be deposited in a bank with Federal Deposit Insurance Corporation (FDIC). Insurance must be collaterally secured.
 - (b) Consistent with the national goal of expanding the opportunities for minority business enterprises, recipients and subgrantees are encouraged to use minority banks (a bank which is owned at least 50 percent by minority group members). A list of minority owned banks can be obtained

from the Office of Minority Business Enterprises, Department of Commerce, Washington, D.C. 20230.

- c. Interest Income. Under the Department of Treasury regulations, recipients (including States and State Instrumentalities) are not permitted to retain Federal cash in large amounts for long periods of time. UMTA requires recipients to remit all income earned on advances of Federal funds, except interest earned on advances, to States or instrumentalities of a state as provided by the Intergovernmental Corporation Act of 1968 (P.L. 90-577). Interest income must be remitted to UMTA.
 - d. Recipient Payments to Contractors. With respect to payment to contractors, recipients will not be reimbursed for amounts that are to be withheld to assure satisfactory completion of work. These amounts will be paid when recipients make their final payment, including amounts withheld.
2. LETTER OF CREDIT (LOC) PAYMENT METHOD.
- a. Objectives.
 - (1) To provide funds to a recipient promptly in an amount to meet the immediate cash disbursements needs; and
 - (2) To preclude the withdrawal of funds from the U.S. Treasury no sooner that absolutely necessary to meet the disbursement requirements of the grantee or the sub-grantees/third party contractors.
 - b. Policy.
 - (1) In accordance with TC 1075, a recipient is required to limit and time withdrawals under the LOC to minimum amounts needed to meet the actual, immediate cash disbursement requirements in carrying out the approved grant. The timing and amount of withdrawals must be as close as is administratively feasible to the actual disbursements made by the recipient for the Federal share of the direct and allowable indirect grant costs.
 - (2) Cash payments made by the recipient to secondary recipients must conform to the same standards of timing and amount as apply to payments by UMTA to recipients, including the furnishing of reports of cash disbursements and balances.

Primary recipients must develop procedures whereby secondary recipients can obtain funds from the primary recipient as needed for disbursement. In accordance with OMB Circular A-102 and Treasury regulations, recipients must use the LOC funding method on all projects when the following three conditions exist:

- (a) There is or will be a continuing relationship between a recipient and UMTA for at least a 12-month period and the total amount to be advanced by UMTA within that period is \$120,000 or more;
 - (b) The recipient has established or demonstrated to UMTA the willingness and ability to establish procedures that will minimize the time elapsing between the transfer of funds and their disbursement by the recipient; and
 - (c) The grantee's financial management system meets the standards for fund control and accountability prescribed in Chapter II.
- c. Procedures to Apply for Letter of Credit. The following reference is a brief outline of the LOC procedures under the Treasury Financial Communications System (TFCS)-LOC method of reimbursement. (The Regional Disbursing Office LOC method previously used was phased out by Treasury on 12-31-85).
- (1) UMTA determines that a recipient should be funded under the LOC procedure and sends the recipient Standard Form 1194, Authorized Signature Card for Payment Voucher on Letter of Credit (see Exhibit III-1).
 - (2) The recipient completes and returns to UMTA three original SF-1194's including a Signatory Authorization and Certification (see Exhibit III-2).
 - (3) The recipient prepares a "Cash Outlay Plan" that forecasts cash needs for normal withdrawal payments during the applicable fiscal year (see Exhibit III-3).
 - (4) UMTA reviews the completed SF-1194 and, when approved, forwards the original to the grantee's financial institution.
 - (5) UMTA prepares SF-1193A, Letter of Credit, in duplicate. The completed cash outlay plan is used to establish the amount on the LOC. The original SF-1193A is transmitted to Treasury and the duplicate is forwarded to the recipient (see Exhibit III-4).
 - (6) UMTA furnishes the recipient a supply of TFS 5805's Request for Funds (see Exhibit III-5).
 - (7) Following the effective date of the LOC, the recipient executes and submits a TFS 5805 to its financial institution in order to receive funds necessary to meet immediate cash disbursement needs and simultaneously forwards a copy to UMTA.

- (8) The financial institution wires the request through Treasury to UMTA. If no problems are noted by UMTA, the amount requested is wired to the grantee within 24 hours.
- (9) The TFS 5805 ordinarily must be drawn:
 - (a) Not more frequently than once daily;
 - (b) In an amount no less than \$5,000, but no more than \$5,000,000, unless so stated on the LOC; and
 - (c) Not equal to or in excess of \$50,000,000 unless at least 48 hour prior notice is given to the UMTA Accounting Office.
- (10) In the event a recipient receiving funds by an LOC demonstrates an unwillingness or inability to establish procedures to minimize the time elapsing between the withdrawal of funds under the LOC and the disbursement of such funds, UMTA will cancel the LOC to the extent of the undisbursed balance not obligated in good faith in execution of the Federal project as authorized, and require the recipient to finance its operations with its own working capital.
- (11) UMTA encourages issuance of a single consolidated LOC to cover all payments to a grantee for grant programs covered by this circular. If the grantee or UMTA administrative needs require more than one LOC, UMTA must approve issuance of another. In no instance may one project be included on more than one LOC.

Additional information is available in TC 1075. A "Payment System Users Manual" that is also available from UMTA details TFCS-LOC procedures.

d. Recipient Organization Requirements.

- (1) Authorized Signature Cards. The signature of each individual authorized by the recipient to sign the TFS 5805 must appear on the SF-1194, Authorized Signature Card for Payment Vouchers on Letter of Credit. The number of authorized individuals should be between two and six. The recipient must submit three original copies of the SF-1194 to UMTA, along with a Signatory Authorization and Certification (see Exhibits III-1 and III-2).

The reverse side of the signature card should contain the name, address, and telephone number of the contact person to whom the certified signature card should be forwarded; the recipient bank account number; the American Banking Association's nine-digit identifier; and the telegraphic identifiers of the sending and receiving financial institution.

- (2) Cash Outlay Plan. The recipient must complete a Cash Outlay Plan indicating the amount of cash needed during a given fiscal year for all projects under the LOC. This shall be the basis for establishing the amount on the LOC (see Exhibit III-3).

- (3) Request for Payment on Letter of Credit (TFS 5805). The recipient organization must execute TFS 5805, Request for Funds, each time funds are needed to meet current cash disbursement needs. An illustration and instructions for completing this form are shown in Exhibit III-5.
 - (4) Planning Letter of Credit Withdrawals. The recipient organization must exercise sound financial judgment and planning to ensure that the requirements for maintaining minimum cash balances are met. In preparing the TFS 5805, careful consideration of the timing of payments to contractors is required in order to determine when funds are needed.
- e. Rejection of TFS 5805. The TFS 5805 will be examined for errors, deficiencies, or omissions which may necessitate the rejection of the request:
- (1) The signature of the official(s) requesting the drawdown does not match those on the authorized signature cards;
 - (2) The amount requested is greater than the available balance on the LOC;
 - (3) The amount requested for a project is greater than the unexpended balance on that project. If such is the case, the entire drawdown request will be rejected;
 - (4) The breakdown of amounts requested for each project does not sum to the total amount of the drawdown;
 - (5) The amount requested is more than \$5,000,000 and UMTA has not approved an amendment to the LOC authorizing drawdowns of more than \$5,000,000;
 - (6) The amount requested is \$50,000,000 or more and at least 48 hours prior notice was not given;
 - (7) There are excessive funds in the hands of the recipient organization as determined by UMTA; or
 - (8) A written request has been received from UMTA to withhold payment for a reason other than those listed above.
- f. Excessive or Premature Withdrawals. In accordance with OMB Circular A-102, when excessive cash is being held by a recipient, UMTA must request a refund of the excessive cash and, if the recipient is not a State Government or an instrumentality of the State, the interest earned on those funds.
- (1) Exceptions. The only exceptions to the requirement for prompt refunding are when the funds involved:

- (a) Will be disbursed by the recipient within seven calendar days; or
- (b) Are less than \$10,000 and will be disbursed within 30 calendar days.

These exceptions to the requirement for prompt refunding should not be construed as approval for a recipient to maintain excessive funds. They are applicable only to excessive amounts of funds which are erroneously drawn.

(2) Return of Funds. The return of funds is accomplished as follows:

- (a) UMTA requests the recipients to remit the excessive cash and any interest to UMTA by a check made payable to the Urban Mass Transportation Administration. If a single check is used to remit both the premature withdrawal and the interest, the amount of each must be separately identified;
- (b) The check(s) are to be mailed to the UMTA lockbox facility (see paragraph 5.b.(2) below) and be accompanied by a memorandum explaining the purpose of the check(s) and identifying the project number. A copy of the check and the memorandum should be sent to the grantee's Regional Office;
- (c) If \$10,000 or more, the amount should be wired to UMTA using the Treasury Financial Communications System (TFCE); and
- (d) If the project is on a LOC, the amount may be repaid through a credit on the LOC drawdown document. This credit must be shown in full and not netted against any amount being claimed on the same project. Additionally, in no instance may the overdrawn amount be used on another project, unless an appropriate credit is shown for the original project, with a charge to the new project. Payments of interest must be made by check.

g. Revocation of Letter of Credit. An LOC will be revoked when it has been determined that the recipient has demonstrated an unwillingness or inability to establish procedures to withdraw only the amounts necessary to meet current disbursement needs and to time withdrawals as closely as possible to the actual cash disbursements. The amount authorized under the LOC will be decreased to the amount withdrawn, plus the amount already obligated in good faith in executing the Federal project as authorized. Once this remaining balance has been withdrawn, the LOC will be revoked.

3. REIMBURSEMENT BY TREASURY CHECK. If a grantee is not reimbursed through an LOC, its payments are made by Treasury check as reimbursement for cash the grantee has actually disbursed. An SF-270 is submitted to UMTA for this purpose (see paragraph 4 below).

4. REQUEST FOR ADVANCE OR REIMBURSEMENT (SF-270).

- a. General. Recipients submit an SF-270 to receive payment for all projects when a LOC is not used. Copies of the SF-270 are available from UMTA.

No other documentation need accompany this form. An original and two copies should be sent to UMTA.

- b. Instructions. Instructions for completing an SF-270 are printed on its reverse side. In addition, the following instructions should assist recipients in completing this form (see Exhibit III-6).

- (1) Only the total column on this form should be completed, unless the project involves more than one funding ratio. In such instances, the other columns are also to be used. In addition, grantees may elect to round all figures to the nearest dollar; i.e., amounts of \$.50 or over would be rounded to the higher dollar. For example: If the non-Federal share is computed to be \$2,572.70, the amount reported would be \$2,573.
- (2) Block #5--All requisitions should be numbered consecutively beginning with #1 as the first requisition.
- (3) Block #8--The first requisition covers the date of the grant approval letter through the end of the period for which reimbursement is requested. When a requisition requests reimbursement only, the "ending" date will be the same date which outlays are reported on line 11a of this form. If the reimbursement and/or an advance is being requested, the "ending" date should reflect the period through which the advance funds are needed.

All requisition report periods should run consecutively. For example, if a requisition is submitted for the period 1/1/85 to 3/31/85, the next requisition will begin on 4/1/85.

- (4) Block #9--The name of the recipient should be exactly as indicated on the grant contract.
- (5) Block #11--Line A--The "as of" date should be the date for which the recipient has actual costs recorded. This date should be the same as the "to" date, Block #8, unless the recipient is requesting an advance.

Line B--Represents the amount applicable to program income that was required to be used for the project or program by terms of the grant or other agreement.

Line D--Represents the estimated expenditures for the advance period, both UMTA share and local share.

Line F--Non-Federal share of line E, depending on the funding ratio for a particular project. If anything other than those percentages, the reason should be specified.

Line G--Federal share of line E, depending on the funding ratio for a particular project.

Line H--Total of previous requisition(s) submitted. This line should not represent actual checks received because the recipient may have submitted a requisition that is in the process of being paid. Requisition #1 on this line should be zero.

Note that recipients should only complete the "total" column of Block #11, unless the grant award letter or grant agreement specified that there is more than one funding source supporting the project. In such cases, separate columns should be utilized for each funding source.

- c. Review of the SF-270. Each SF-270 for funds will be reviewed in light of the periodic progress reports and financial reports required for each project. Changes requiring grant amendments or prior approval of a budget revision must be approved before funds for these changes are requisitioned.
5. EXCESSIVE PAYMENT (OVERPAYMENT) TO GRANTEEES. UMTA program managers will be alert to any information which may indicate a potential overpayment.
- a. Repayment to UMTA. The following are possible reasons for payments becoming due to UMTA:
- (1) insufficient non-Federal funds to match Federal payments:
 - (2) the sale of project equipment; or
 - (3) excessive Federal funds in the project account.
- b. Repayment Procedure. Required repayments must be made promptly to UMTA. The grantee is instructed to:
- (1) Make the check payable to "Urban Mass Transportation Administration;"
 - (2) Mail all checks to the UMTA lockbox facility at:

U.S. Department of Transportation
Urban Mass Transportation Administration
P.O. Box 360324M
Pittsburgh PA 15251-6324

- (3) If \$10,000 or more, the amount should be wired to UMTA using TFCS;
- (4) Specify applicable project number(s) on the check;
- (5) Provide written explanation as to purpose of payment; and
- (6) Send a copy of the check and the explanatory letter to the grantee's Regional Office.

SF-1194
Authorized Signature Card for Payment
Vouchers on Letter of Credit

Standard Form 1194 & Treasury Form 1000 Fiscal Service Bureau of Accounts		AUTHORIZED SIGNATURE CARD FOR PAYMENT VOUCHERS ON LETTER OF CREDIT		Letter of Credit Number
				Federal Reserve Bank
Letter of Credit Issued in Favor of (Recipient)		Issued by (Federal Agency)		
SIGNATURES OF INDIVIDUALS AUTHORIZED TO DRAW ON THE CITED LETTER OF CREDIT		<input type="checkbox"/> ONLY ONE SIGNATURE REQUIRED ON PAYMENT VOUCHERS or <input type="checkbox"/> ANY TWO SIGNATURES REQUIRED TO SIGN OR COUNTERSIGN		
Typed Name and Signature		Typed Name and Signature		
Typed Name and Signature		Typed Name and Signature		
I CERTIFY THAT THE SIGNATURES ABOVE ARE OF THE INDIVIDUALS AUTHORIZED TO DRAW PAYMENT VOUCHERS FOR THE CITED LETTER OF CREDIT.		APPROVED:		
_____ DATE AND SIGNATURE OF AUTHORIZING OFFICIAL (Recipient)		_____ DATE AND SIGNATURE OF AGENCY CERTIFIED OFFICER		

1194-101

U.S. GOVERNMENT PRINTING OFFICE : 1982 O - 381-628 (7818)

- (1) Letter of Credit Number - The letter of credit number is assigned by UBP. (If SF-1194 is updating current signatures, the recipient should enter the eight digit letter of credit assigned).
- (2) Federal Reserve Bank - Strike out "Federal Reserve Bank" and insert "FOR TFCS PAYMENT ONLY".
- (3) - Leave blank on INITIAL cards submitted to UMTA. Any subsequent changes to the SF-1194 should contain the effective date of the change.
- (4) Letter of Credit Issued In Favor of - Recipient enters complete name and address
- (5) Issued By - Enter U.S. Department of Transportation, Urban Mass Transportation Administration.

- (6) Signatures of Individuals - Authorized to Draw on the cited Letter of Credit - An 'X' in the first block authorizes anyone of the signatures in Item 7 to sign TFS Form 5805. UMTA requires at least two signatures, therefore, this block should not be used.
- An 'X' in the second block indicates a counter signature is required. Any combination of two (2) authorized signatures on the TFS Form 5805 will be considered a counter signature.
- (7) Typed Name and Signature - Typed names and signatures of persons authorized to sign and/or countersign TFS Form 5805. (Erasures, strikeovers, correction tape or fluid etc., are NOT acceptable, i.e., Treasury will REJECT the signature authorizations).
- (8) Typed Name and Signature of Authorizing Official - Typed name, signature and date of official authorizing individuals in (7), above, to sign TFS Form 5805 for the organization (the authorizing officials must sign and date each card submitted).
- (9) Approved - Completed by the responsible UMTA official approving the TFCS Letter of Credit. (Recipient does not complete).

Reverse Side of The
SF-1194

- A. Contact at the Financial Institution:
Mr. A.B. Carroll, Vice President
First Commerce Bank of Anywhere
1609 Somewhere Avenue
Nowhere, USA 99999
Telephone No: (999) 123-4567
- B. Recipient's bank account number: 1234ABCD56
- C. American Bankers Association No: 123456789
- D. Telegraphic Abbreviation: GGIRS ANYWHERE
- E. Recipient's Financial Institution: SAME
-

The recipient will provide the following information on the Reverse side of only two (2) SF-1194's:

- A. The name, address and telephone number of the contact person at the financial institution to whom Treasury should forward the certified SF-1194. (Include full name, title of the individual and the area code in the telephone number).
- B. The recipient's bank account number at its financial institution. Do not include hyphens or spaces.
- C. The American Bankers Association (ABA) nine-digit identifier of the sending financial institution. The sending financial institution is defined as the financial institution requesting the transfer of funds to its Federal reserve account.
- D. The Telegraphic abbreviation of the sending financial institution.
- E. The nine-digit identifier of the recipient's financial organization, if it is not the sending financial institution or the word "SAME" if it is also the sending financial institution.

NOTE: If the U.S. Treasury should reject a recipient's SF-1194 signature cards, the recipient will be required to submit new ones. All signature cards must be completed before they are submitted to UMTA. (A TFCS account cannot be established until signature cards are accepted by Treasury).

Signatory Authorization and Certification

(Signature of Authorized Official)

This is to certify that the above is the signature of

(Typed Name)

(Title)

(Name of Recipient)

and that he/she is authorized to certify the signature appearing in block 7 of the Standard Form 1194, Authorized Signature Card for Payment Vouchers on Letter of Credit.

This (does/does not) supersede previous signatory authorization for this letter of credit.

Signature of Recipient organization official

Typed Name and Title

Date

Signature of Witness

Seal

CASH OUTLAY PLAN

RECIPIENT

Name _____

Address _____

Letter of Credit No. 69-08-_____

Name of Contact and Telephone No. _____

FORECAST OF CASH NEEDS FOR NORMAL WITHDRAWAL PAYMENTS FOR THE FOLLOWING PERIOD;

OCTOBER	1986	\$ _____
NOVEMBER	1986	_____
DECEMBER	1986	_____
JANUARY	1987	_____
FEBRUARY	1987	_____
MARCH	1987	_____
APRIL	1987	_____
MAY	1987	_____
JUNE	1987	_____
JULY	1987	_____
AUGUST	1987	_____
SEPTEMBER	1987	_____
TOTAL		\$ _____

ISSUING AGENCY (1) Department of Transportation Urban Mass Transportation Admin.	LETTER OF CREDIT Auth: Treasury Department Circular No. 1075, Revised	LETTER-OF-CREDIT NUMBER <u>69-08-9999</u> (2) AMENDMENT NUMBER <u>INITIAL</u> (3)
AGENCY STATION SYMBOL (4) 69-08-8701	(FOR AGENCY USE)	EFFECTIVE DATE July 1, 1982 (5)
TO: Treasury Disbursing Center or Regional Office Philadelphia Disbursing Center (303) (6)	Address: P.O. Box 8676 (7) Philadelphia, PA 19101	

In accordance with the authorization of the Fiscal Assistant Secretary, Department of the Treasury, there is hereby authorized for the account and responsibility of the issuing agency a letter of credit:

IN FAVOR OF: (8) RECIPIENT ORGANIZATION NAME AND ADDRESS	TREASURY CHECKS TO BE MADE PAYABLE TO: "FOR TFCS PAYMENT ONLY" (9) RECIPIENT ORGANIZATION NAME 0865000392 054000030 RIGGS WASH SAME		
AMOUNT AUTHORIZED (10) \$ 20,500,000.00	TIME DESIGNATION (11) <input checked="" type="checkbox"/> EACH FISCAL YEAR <input type="checkbox"/> WITHOUT TIME LIMIT	PRIOR AUTHORIZATION (12) \$ -0-	THIS CHANGE (13) \$ Increase \$ Decrease

Time Designation: Each Fiscal Year (14)

The unpaid balance of this letter of credit is revoked at the end of each fiscal year and the full amount authorized is reestablished at the beginning of each fiscal year unless you are advised in writing that this letter has been revoked.*

OR

The unpaid balance of this letter of credit is carried forward at the end of each fiscal year and will remain available during the following fiscal year end, in addition, the full amount authorized is reestablished at the beginning of each fiscal year unless you are advised in writing that this letter has been revoked.*

Time Designation: Without Time Limit

The unpaid balance of this letter of credit will remain available until you are advised in writing that this letter has been revoked.*

The amount of this letter of credit is hereby certified to be drawn against, upon presentation to you of Standard Form 183, Request for Payment on Letter of Credit and Status of Funds Report, by the official(s) of the recipient organization whose signature(s) appear(s) on the Standard Form 1194, Authorized Signature Card for Payment Vouchers on Letter of Credit, attached hereto or previously or subsequently furnished you.

The amount of each Request for Payment paid by the Department of the Treasury to the recipient organization at a designated commercial bank shall constitute payment to the recipient organization by the United States.

I certify to the Department of the Treasury that the payments authorized herein are correct and proper for payment from the appropriations or funds legally committed and available for the purpose, when paid in accordance with the terms and conditions cited above.

*This letter of credit is irrevocable to the extent the recipient organization has obligated funds in good faith thereunder in executing the authorized Federal program in accordance with the grant, contract, or other agreement.

DATE CERTIFIED _____ (15)

AUTHORIZED CERTIFYING OFFICER _____ (16)

TYPED NAME AND TITLE _____

Information Contained on the SF-1193A
Letter of Credit

The UMTA Office of Budget and Financial Management prepares the Letter of Credit, Standard Form 1193A and forwards to the U.S. Treasury along with the SF-1194's (Authorized Signature Card for Payment Vouchers on Letter of Credit). The following information is contained on the SF-1193A:

- (1) The Issuing Agency - The Department of Transportation, Urban Mass Transportation Administration, issues the Letter of Credit.
- (2) Letter of Credit - The letter of credit number is comprised as follows:
 - a. The first four (4) digits of the letter of credit number identify the agency, in this instance, UMTA; and
 - b. The last four (4) digits identify the recipient's letter of credit number. The eight digit letter of credit number is required on the TFS Form 5805, "Request for Funds."
- (3) Amendment Number - The letter of credit must be amended for:
 - a. Any increase or decrease in the amount authorized;
 - b. Any change in the name of the recipient as shown in the "In Favor Of" block;
 - c. Any change in the information shown in the "Treasury Checks To Be Made Payable To" block;
or
 - d. The authorization for the recipient to draw amounts in excess of \$5 million is established or rescinded.

A statement will be included in the amending letter of credit to explain any amendment other than a change in the amount authorized.

- (4) Agency Station - The Agency Location Code (ALC) or Agency Station Symbol (terms are used interchangeably) identifies the UMTA accounting station under which the letter of credit is issued. The Agency Location Code is required on the TFS Form 5805.
- (5) Effective Date - The effective date should not be the same as, or in advance of, the certified date. The effective date should allow Treasury at least one (1) week for processing amendments and (2) weeks for processing initial letters of credit.
- (6) Treasury Disbursing Center Philadelphia Disbursing Center and its ALC will appear in this block.
- (7) Address - Address of the Philadelphia Disbursing Center will appear in this block.
- (8) In Favor of - The name and address of the recipient.
- (9) Treasury Checks - This block must contain the following information in the sequence as illustrated below:
- a. "For TFCS PAYMENT ONLY";
 - b. Name of the recipient organization (not to exceed thirty (30) characters). Abbreviations are acceptable;
 - c. The recipient's account number at its financial institution (not to exceed twenty (20) characters);
 - d. A nine-digit identifier for wire transfers of the sending financial institution (the sending financial institution is defined as the financial institution requesting the transfer of funds to its Federal reserve account);
 - e. Telegraphic abbreviation of the sending financial institution (not to exceed thirty (30) characters); and
 - f. The nine-digit identifier of the recipient organization's financial institution if it is not the sending financial institution or the word SAME if it is the sending financial institution.

- (10) Amount Authorized - To the extent possible, the initial SF-1193A shall be prepared for the estimated annual drawdown for awards to be covered by the letter of credit.
- *NOTE: If individual drawdowns in excess of \$5,000,000.00 are authorized, the letter of credit (SF-1193A) must be so annotated.
- (11) - The time designation used by UMTA is "Each Fiscal Year".
- (12) Prior Authorization - A dollar amount must appear in this block on every amending letter of credit. Where the purpose, or one of the purposes, of the current amendment is to increase or decrease the amount authorized, the PRIOR AUTHORIZATION will be the AMOUNT AUTHORIZED from the initial letter of credit (if the current amendment is number 1) or on the previous amendment (if the current amendment is number 2 or subsequent).
- (13) This Change - A dollar amount must appear in this block to either increase or decrease the authorization, if the purpose or one of the purposes of the current amendment is to change the amount authorized.
- (14) Time Designation: - The unpaid balance of the letter of credit is revoked at the end of each fiscal year ending September 30, and the full amount authorized is reestablished at the beginning of each Federal fiscal year, October 1, unless the letter of credit is revoked in writing.
- (15) Date Certified - Date signed by the UBP certifying officer.
- (16) Authorized Certifying Officer - The letter of credit will be signed by an approved officer and directly beneath the signature, the typed name and title of that certifying officer shall appear.

A certified copy of the SF-1193A will be forwarded each recipient organization and to the grantee's Regional Office.

REQUEST FOR FUNDS		FOR COMMERCIAL BANK USE ONLY	
SECTION I - MESSAGE FORMAT		DATE _____	
(1)		<input type="checkbox"/> PAID	
SECTION II - CERTIFICATION (Must Be Completed By Drawer)		<input type="checkbox"/> REJECTED DUE TO:	
TO 021030004	TYPE (3) 1031	AMOUNT (7) \$ 1,179,025.00	SPECIAL HANDLING INSTRUCTIONS REQUEST FOR FUNDS (8)
FROM 05400030		NO BANK SAME (10)	
SENDER RIGGS WASH (5)	(6)		
RECEIVER TREAS NYC/1303 (11)	TOO (12) FPA (13)	LCM (14)	ACM (15)
/ 69088701 /		/ 003 / \$ 3,500 (16) NON BOM (17) OLR (18)	
/ 12345ABCD		/ 062082 /	
Organization Name (19)		THIRD PARTY INFORMATION (20)	
/ MD030001\$79.025/MD050002\$900.00/MD090003\$200.000			
SECTION II - CERTIFICATION (Must Be Completed By Drawer)			
I certify that this Request for Funds has been drawn in accordance with the terms and conditions of the Letter of Credit cited and that the amount for which drawn is proper for payment to the account of the drawer at the drawer's bank. I also certify that the date reported is correct and that the amount of the Request for Funds is not in excess of immediate disbursement needs.			
DATE July 22, 1982	SIGNATURE (21)	TITLE Assistant Treasurer	(23)
DATE July 22, 1982	COUNTERSIGNATURE (22)	TITLE Chief, Accountant	(23)
ORIGINAL - SUBMIT TO COMMERCIAL BANK			

TFS FORM 5805a EDITION OF 11-70, IS OBSOLETE
DEPARTMENT OF THE TREASURY - FISCAL SERVICE
FINANCIAL MANAGEMENT SERVICE

Instructions for the Preparation
of
"Request for Funds" (TFS Form 5805)

Section I - Message Format

The recipient organization shall complete the TFS Form 5805 as follows:

1. PC (Priority Code) - This item is not completed by the recipient organization
2. TO - the nine-digit identifier, 021030004, is the routing symbol of the U.S. Treasury. This item is a constant and must be reflected on all messages. (If not preprinted, ENTER).
3. TYPE - The type/subtype code 1031 identifies sending financial institution as shown on the letter of credit.
4. FROM - Enter the nine-digit identifier of the sending financial institution as shown on the letter of credit.
5. CL (CLASS) - This item is not completed by the recipient organization. (Note: Some Federal Reserve Districts prohibit use of this field).
6. REF (REFERENCE NUMBER) - Leave Blank. This item is completed by the financial institution transmitting the message.
7. AMOUNT - Enter the total dollar amount of Federal funds requested. This amount must be properly punctuated to include the cents digits and must not exceed fourteen (14) positions, including commas and the decimal point. For example, total amount requested: \$1,179,025.00.
8. SPECIAL HANDLING INSTRUCTIONS - "REQ FOR FUNDS" is used to indicate the purpose of the message. (If item is not preprinted, ENTER).

9. SENDER - (Sending Financial Institution Name) Enter the telegraphic abbreviation of the sending financial institution as shown on the letter of credit.
10. RO BANK - (RECIPIENT ORGANIZATION'S FINANCIAL INSTITUTION)
If the recipient organization's financial institution is not the sending financial institution, i.e., the sending financial institution is acting as a correspondent bank for the recipient organization's financial institution, the recipient organization enters the nine-digit identifier of its financial institution as shown on the letter of credit. If the recipient organization's financial institution is the sending financial institution enter the word SAME in this field.
11. RECEIVER - The telegraphic abbreviation, TREAS NYC, is required on all messages sent to the U.S. Treasury. (If not preprinted, ENTER).
12. TDO - (AGENCY LOCATION CODE OF TREASURY DISBURSING OFFICE)
If not preprinted ENTER (303). This code must be enclosed in parentheses. It is used to identify the Treasury Regional Disbursing Center disbursing funds.
13. FPA - (AGENCY LOCATION CODE OF THE FEDERAL PROGRAM AGENCY)
Enter the UMTA Agency Location Code -- 69088701.
Do not include dashes and/or spaces.
14. LCN - (LETTER OF CREDIT NUMBER).
Enter the eight-digit letter of credit number as shown on the letter of credit. Do not include letters, dashes and/or spaces.
15. ACN - (RECIPIENT ORGANIZATION'S COMMERCIAL BANK ACCOUNT NUMBER)
Enter the account number at the financial institution to be credited with the funds as shown on the letter of credit. Do not include dashes and/or spaces.

16. RQN - (REQUEST NUMBER)
Enter the number assigned to this TFS Form 5805. TFS Form 5805 are to be numbered consecutively starting with 001 and reverting back to 001 each October 1, the beginning of the Federal fiscal year. If a TFS Form 5805 is rejected, the next TFS Form 5805 is assigned the next consecutive number.
17. BOH - (BALANCE ON HAND)
Enter the total amount to the nearest dollar, of Federal funds on hand at the time of submission of the FORM TFS 5805 that is applicable to the award(s) funded through the letter of credit. This amount must be in whole dollars and include commas, not to exceed eleven positions. For example, \$10,787.52 would be shown as 10,788.
18. DLR - (DATE OF LAST REQUEST)
Enter the date on which the TFS Form 5805 immediately preceding this TFS Form 5805 was submitted for payment under the letter of credit. Sample entries are illustrated as follows:

November 13, 1981, is entered as 111381;
January 8, 1982, as 010882.
19. RON - (RECIPIENT ORGANIZATION NAME)
Enter recipient organization name as shown in the "Treasury Checks To Be Made Payable To:" block on the letter of credit.
20. THIRD PARTY INFORMATION - The recipient enters information detailing the projects for which a drawdown is being applied. For example, if a drawdown is being requested for \$1,179,025.00, the third party information might show: MD030001\$79,025/
MD050002\$900,000/MD090003\$200,000.

The sum of all program draws must equal the total amount requested (Item 7). Grantees are requested to draw only in whole dollars to the extent possible. This will eliminate the need for entering the cents digits in the third party information field. If, however, funds

are to be applied in other than whole dollars, the cents digits must be entered for the applicable projects.

The third party information field is limited to 169 characters. If more space is required due to the number of projects for which drawdowns are being requested, the grantee will have to make more than one drawdown request. In all instances, the sum of the individual project draws in item 20 should equal the total amount requested in item 7.

Section II - Certification

21. DATE - Enter the date(s) the TFS Form 5805 is signed.
22. SIGNATURE/COUNTER - Representatives authorized on the SF-1194 (signature card) on file at the recipient organization's financial institution sign the request for funds document.
NOTE: If an individual is both a designated signer of requests for funds and a designated official of the recipient organization, that person's signature must appear in both the appropriate spaces provided on the SF-1194.
23. TITLE - Enter the titles of the individuals signing the TFS Form 5808.
24. DISTRIBUTION OF TFS FORMS 5805

The TFS Forms 5805 are distributed as follows:

The original and duplicate copies will be presented to the financial institution as early in the day as possible;

The triplicate copy will be retained by the recipient organization. (All financial records and supporting documents will be retained in accordance with established Federal requirements); and

The quadruplicate copy should be sent to the appropriate UMTA Regional or Headquarters program office.

Exhibit III-5

DOT LIBRARY



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