

 <p style="text-align: center;">STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES</p> <p style="text-align: center;">Policy and Procedure</p>		POLICY AND PROCEDURE NUMBER 06.01.002	PAGE 1 of 12
		EFFECTIVE DATE July 3, 2006	
SUBJECT In-Kind Match		SUPERSEDES FMOM 05.40.010	DATED March 15, 1997
CHAPTER Finance	SECTION Expenditures	APPROVED BY Signature on File	

PURPOSE

This formalizes the policy and procedure of the department on accounting for the project share of expenditures associated with in-kind match funding on federally funded projects.

POLICY

In-kind match funding expenditures on federally funded projects will be accounted for according to the procedure below.

PROCEDURE

Background

On some federally funded projects, the department is not the sole provider of match funding. Instead, a local government, tribal entity, or other approved third party provides some or all of the match funding. This is called in-kind match funding.

In-kind match funding requires special procedures to ensure the department meets its requirement to document total project expenditures. In-kind match funding expenditures can be documented in two ways:

- If the department bills the third party for the match portion, the match expenditures are reflected in AKSAS.
- If the third party incurs the expenditure, the appropriate regional finance office of the department maintains documents showing that the match expenditures exist in the third party's accounting system. Each written agreement with a third party must stipulate that each reimbursement request lists total amount incurred during the

billing period, the reimbursement request amount, match share, and rate of participation.

In-kind match funding may be in the form of expenditures incurred by the third party that are not reimbursed by a federal entity or this department, cash contributions that the third party makes to the department, or real property that the third party donates to the department.

Three in-kind match scenarios

There are three in-kind match scenarios:

1. ***Pass through match:*** All project expenditures are incurred by the third party. The third party bills the department for reimbursement of these expenditures. If the third party is responsible for the entire match share, the department reimburses the third party for only the share of the expenditures that is billable to the federal funding agency. If the third party and the department are splitting the match portion, the department also reimburses the third party for the department's share of the match.
2. ***Donated (real property) match:*** The department incurs all of the project expenditures. The third party provides some or all of the match share to the department in the form of donated real property.

Special PDA/AR and collocation codes have been established for this scenario to record expenditure/revenue authority and actuals:

Central region	AR 89991	CC 24444410
Northern region	AR 89992	CC 24444420
Southeast region	AR 89993	CC 24444430
Headquarters	AR 89994	CC 24444440

3. ***External match:*** The department incurs all of the project expenditures and bills the third party for some or all of the match share of the expenditures. The department also bills the federal funding agency for reimbursement of the federal share of the expenditures.

The use of any in-kind match should be noted on the ATP (FHWA form ATP-PR-2 or 2A). If anything other than funds is used, the method to determine the value of the match needs to be provided as an attachment to the ATP. For further information, refer to <http://www.fhwa.dot.gov/innovativefinance/ifp/innoman.htm>, section 2.3 Flexible Match.

Accounting for the three in-kind match scenarios

The three in-kind match funding scenarios share similar procedural steps. All of the scenarios pertain to capital improvement projects that incur activity on the PDA/AR structure.

Following are two examples that illustrate how to administer in-kind match funding. The first example reflects a third party providing 100% of the match funding. The second example reflects a third party providing only 50% of the match funding and the department providing the balance. In each example, federal participation is 90% and the total estimated phase or project funding is \$800,000.00.

Example #1: Third party provides 100% of match

Step 1 - Regional project control office establishes original project structures.

After taking into consideration the following concerns, project/phase structures are established the same as for any other federal project. Additional phases, if needed, are established using normal procedures.

- The choice of which phase to establish depends on the type of work to be performed. Unique program codes have been established in AKSAS and the TPBS so that reimbursement payments to the third party can be made from the design, right-of-way, construction, utility, or planning phase. The requirement to use only phase 8 ledger codes is discontinued. However, using a phase 8 ledger code may still prove useful if the department is also going to perform work and post expenditures to the same project. This allows the use of different billing ratios within the same project.
- A copy of the processed PDA and corresponding agreement is provided to the regional finance office whenever these types of agreements are established. The finance office is made aware of potential billings coming from a third party or is alerted to be on the look out for account receivables and to be prepared to bill a third party for reimbursement. Additional information is in the PFD and PDA sections.

Step 2 - Regional project control office establishes original project budget.

A. *Pass through*

Since the third party incurs all expenditures and provides 100% of the match, the department reimburses it for only the federal share of the project costs. As a

result, only federal authorization is set up on the bill-back RS and reflected as actual authorization in AKSAS.

AB, 520-55

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR
720,000	03	244XXXXX		30XXXX?2	75000	02	
Financial description line data is the same as regular projects.							
<720,000>	03	244XXXXX		30XXXX?2	59250	02	
Financial description line data is the same as regular projects.							

RS, 140-10

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR	IEAX	Priority
720,000	03	24140020	60809	3099990?	75440	02		2	1
AR XXXXX Federal Funding									
<720,000>	03	244XXXXX	N/A	30XXXX?2	59250	02			
PJ XXXXX Ph ?									

PFD & PDA

Since the department will reimburse the third party for only the federal share of the costs, match expenditures won't be posted in AKSAS. Therefore, the phase billing rate/ratio in the TPBS is 100%. The following must be clearly stated on the PFD & PDA:

- that the phase billing rate/ratio in the TPBS needs to be 100%
- the type of in-kind match scenario
- the name and billing address of the third party responsible for the match (include in PDA scope)

B. Donated and external

Two additional documents (AB & AJE) are processed when using donated (real) property. Project match will be funded by using this special AR's collocation code on the project bill-back RS. In addition, the value of the property as an expenditure is posted to the phase via the AJE. These additional documents will accompany the original funding package and HQ approval.

AB, 520-55

The (extra) AB establishes expenditure and revenue authority equaling the value of the property in AR 89991. This amount reflects the value of the real property

and for this example is equal to 100% of the match share. The amount of in-kind match authority actually added to AR 89991 is the percentage of match share covered by the value of the real property.

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR
80,000.	03	24444410		37000020	75000	02	
Donated In-kind Match Auth for PJ XXXXX							
<80,000.>	03	24444410		37000020	59250	02	
Donated In-kind Match Auth for PJ XXXXX							

AJE, 430-30

An AJE posts the value of the donated match as an expenditure in the project. If there are additional phases, the match has to be distributed among them.

Fin Amt	SY	CC	PGM	LC	ACCT	FY	Type
80,000.	97	244XXXXX	57439*	30XXXX?2	73950	97	
Donated Match Expenditure PJ XXXXX							
<80,000.>	97	24444410	N/A	30999908	59706	97	
Revenue to AR 89991 Donated Match PJ XXXXX							

*The program code used on line 1 depends on the phase - - other choices are 57228, 57339 and 57839. The account codes reflected are not optional.

AB, 520-55

Since the department incurs all of the expenditures and the third party provides the match as donated property or cash, the full cost of the project is budgeted in AKSAS. This transaction does not change when the department provides part of the match.

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR
800,000.	97	244XXXXX		30XXXX?2	75000	97	
PJ XXXXX 100% external or donated match							
<800,000.>	97	244XXXXX		30XXXX?2	59250	97	
PJ XXXXX 100% external or donated match							

RS, 140-10

1. Donated:

The project is funded by both SLA federal authority and AR 89991. Financial line descriptions on the bill-back RS for the SLA/AR expenditure authority remain the same. The financial line description for the in-kind match portion contains the project and phase numbers.

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR	IEAX	Priority
720,000.	97	24140020	60809	3099990?	75440	97		3	1
Fed Share for PJ w/Donated Match									
80,000.	97	24444410	57439*	30999908	73950	97		3	1
Match Share for PJ W/Donated Match									
	97	244XXXXX	N/A	30XXXX?2	59250	97			
PDA/AR Project Revenue									

*The program code on line 2 must be the same code as is used on line 1 of the AJE above.

2. External:

The project is funded by SLA/AR federal and SLA/AR reimbursable authority (for the in-kind match share). Financial line descriptions for the SLA/AR expenditure authority are the same as a regular project. The financial line description for the in-kind match contains the project and phase numbers.

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR	IEAX	Priority
720,000.	97	24140020	60809	3099990?	75440	97		3	1
Fed SLA/AR PJ XXXXX 100% External match THIRD PARTY									
80,000.	97	24140021*	58006	30999902	73950	97		3	1
Reimb AR PJ XXXX 100% External match THIRD PARTY									
	97	244XXXXX	N/A	30XXXX?2	59250	97			
PDA/AR PROJECT REVENUE									

*Use reimbursable receive and expend legislative authority.

PFD & PDA

The following must be clearly stated on the PFD and PDA:

- the type of in-kind match scenario
- the name and billing address of the third party responsible for the match

Step 3 - HQ ASD CIP management and finance section review funding packages.

Step 3 procedures are found in the desk manual PROCEDURES FOR REVIEWING CAPITAL IMPROVEMENT PROJECT FINANCIAL FUNDING PACKAGES AND CLOSURES.

Step 4 - HQ ASD CIP management and finance section establish data in the TPBS.

A. *Pass through*

On receipt of state and federal paperwork, load data into the TPBS.

1. Determine the phase that will reflect the third party payment expenditures.
2. Establish the logical level 70 project screen.
3. Choose the appropriate TPBS edit program and program/account lists based on approved federal level of authorization.
4. Load phase billing data:
 - Enter the appropriate FHWA APPN.
 - Input a participating billing ratio of 100%.
 - If additional phases exist, work with supervisor to determine best method.

B. *Donated and external*

On receipt of state and federal paperwork, load project and phase data into the TPBS with edit lists based on the ATP approval form. The project/phases are established in the TPBS billing section as regular federal projects, without special APPN codes, ratios, or funding levels.

Step 5 - Regional finance office reimburses or bills third party.

A. *Pass through*

A reimbursement request from the third party must state the amount of reimbursement requested (federal share), the total expenditures incurred during the subject billing period, the match share, and the rate of participation (ratio). The regional finance office verifies that the amount requested is correct, ensuring that the third party is not seeking reimbursement for match expenditures for which it is responsible. If documentation is complete and accurate, a warrant is then issued to the third party. All warrants issued for reimbursement must use one of the program codes listed and one of two account codes shown in the example below.

Warrant, 310-10

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR	TYPE	NUM	Line
220500.	97	244XXXXX	57?***	30XXXX?2	775X0**	97				
PJ XXXXX THIRD PARTY 100% in-kind match										

Program code choices: 57287, 57378, 57478, 57778, or 57878, depending on the phase.

Account code choices: 73064 - SUBRECPNT AGRMT TXBL, 73065 - SUBRECPNT AGRMT N/T, or 77436 – TRANSPORTATION.

B. *Donated and external*

With donated match, once the value of donated real property has been posted to the project, no other special handling of expenditure transactions is needed.

With external match, no special handling of expenditure transactions is needed. However, after the TPBS has billed and established the account receivables (RC), the regional finance office is responsible for obtaining audit trails and for billing the third party for reimbursement of the match. The bill to the third party is equal to the amount of the RC established by the TPBS.

The third party may opt to pay its share of the match at the start of the project. In this case, the finance office will credit /liquidate the RC with an offset entry to account code 22511 - UNEARNED INCOME where the advance payment has been posted.

Example #2: Third party provides 50% of match

Step 1 - Regional project control office establishes original project structures.

Refer to Example #1, Step 1.

Step 2 - Regional project control office establishes original project budget.

A. Pass through

The third party provides 50% of the match and the department provides the remaining match. Therefore, the project budget is \$760,000 -- \$720,000 is the federal share and \$40,000 is the department's share of the match.

AB, 520-55

Fin Amt	SY	CC	PGM	LC	ACCT	FY NMR
760,000.	97	244XXXXX	N/A	30XXXX?2	75000	97
Financial description line data is the same as regular projects.						
-760,000.	97	244XXXXX	N/A	30XXXX?2	59250	97
Financial description line data is the same as regular projects.						

RS, 140-10

Fin Amt	SY	CC	PGM	LC	ACCT	FY NMR	IEAX	Priority
720,000.	97	24140020	60809	30999900	75440	97	3	1
AR XXXXX Federal Funding								
40,000.	97	24140022	58020	30999903	75440	97	3	1
AR XXXXX 50% of GF Match Funding								
	97	24XXXXX		30XXXX?2	59250	97		

PFD & PDA

Since the department is reimbursing the third party for the federal share and 50% of the match share, the federal participating rate in the TPBS will be greater than 90%. The federal rate for this phase is calculated by dividing the total amount of federal funding by the combined total of federal funding plus the share of match provided by the department.

As an example: On a \$800,000 project funded by FHWA at 90% (\$720K) with the match split evenly between the third party (\$40K) and department (\$40K), the calculation is $\$720K / (\$720K + 40K) = 94.74\%$.

The following must be clearly stated on the PFD and PDA:

- that the phase billing rate/ratio in the TPBS needs to be 94.74%
- the type of in-kind match scenario
- the name and billing address of the third party and the percent of match it is providing

B. *Donated and external*

The following documents are prepared in nearly the same manner as those in Example #1, Step 2B for donated property. The difference is that the amount posted as donated match is less than 100 percent. The following example reflects the third party providing 50% of the match amount.

AB, 520-55

An extra AB document establishing expenditure and revenue authority is prepared in the same way whether the third party provides some or all of the match. Follow the example under Example #1, Step 2B, using a lesser amount.

AJE, 430-30

An AJE posting the value of the donated match as an expenditure to the project is also prepared in the same way whether the third party provides some or all of the match. Follow the example under Example #1, Step 2B, using a lesser amount.

AB, 520-55

Since the department incurs all the expenditures even though 50% of the match is provided by a third party, the full cost of the project is budgeted in AKSAS. This transaction does not change when the department provides part of the match.

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR
800,000.	97	244XXXXX		30XXXX?2	75000		97
PJ XXXXX 100% external or donated match							
<800,000.>	97	244XXXXX		30XXXX?2	59250		97
PJ XXXXX 100% external or donated match							

RS, 140-10

1. Donated:

This transaction is prepared the same way as the one under Example #1, Step 2B1, except that an additional line is added for the share of match provided by the state.

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR	IEAX	Priority
720,000.	97	24140020	60809	3099990?	75440	97		4	1
Fed Share for PJ w/Donated Match									
40,000.	97	24444410	57xxx	30999908	73950	97		4	1
Match Share for PJ W/Donated Match									
40,000.	97	24140022	58020	30999903	75440	97		4	2
PDA/AR Project Revenue									
	97	244XXXXX	N/A	30XXXX?2	59250	97			

The donated in-kind match line is always assigned priority 1.

2. External:

This transaction is prepared the same way as the one under Example #1, Step 2B2, except that the match funding is split with an additional line added for the share of match provided by the state.

Fin Amt	SY	CC	PGM	LC	ACCT	FY	NMR	IEAX	Priority
720000.	97	24140020	60809	3099990?	75440	97		4	1
Fed SLA/AR PJ XXXXX % match from THIRD PARTY									
40000.	97	24140021*	58006	30999902	73950	97		4	1
Reimb SLA/AR PJ XXXXX % match from THIRD PARTY									
40000.	97	24240022	58020	30999903	73950	97		4	2
GF SLA/AR PJ XXXXX % match from THIRD PARTY									
	97	244XXXXX		30XXXX?2	59250	97			

*Use reimbursable received and expend legislative authority.

The external match line is always assigned priority 1.

PFD & PDA

The following must be clearly stated on the PFD and PDA:

- the type of in-kind match scenario
- the name and billing address of the third party responsible for the match
- total, federal, and match amounts (department and third party)

Step 3 - HQ ASD CIP management and finance section review funding packages.

Step 3 procedures are found in the desk manual PROCEDURES FOR REVIEWING CAPITAL IMPROVEMENT PROJECT FINANCIAL FUNDING PACKAGES AND CLOSURES.

Step 4 - HQ ASD CIP management and finance section establish data in the TPBS.

Refer to Example #1, Step 4.

Step 5 - Regional finance office reimburses or bills third party.

Refer to Example #1, Step 5.

Attachment: Abbreviations

AUTHORITY

AS 44.17.030

IMPLEMENTATION RESPONSIBILITY

Appropriate finance staff, headquarters CIP management staff, and project control staff

DISTRIBUTION

All department employees via the DOT&PF website

Abbreviations

AB	Authorized budget document
ACCT	Account code
AJE	Adjustment entry document
AKSAS	Alaska Statewide Accounting System
AR	State appropriation
CC	Collocation code
CIP	Capital improvement project
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FTA	Federal Transit Administration
IEAX	Inter-entity activity cross reference line number
LC	Ledger code
LL	Logical level
NMR	Number
PSA	Project development authorization
PDA/AR	Project development authorization appropriation
PFD	Project funding document
PGM	Program code
PH	Phase
PJ	Project
RC	Account receivable
RS	Reimbursable services document
SLR/AR	State legislative authorization/ appropriation
SY	State year
TPBS	Third party billing system