

 <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 06.02.012	PAGE 1 of 5
	EFFECTIVE DATE May 10, 2010	
SUBJECT Federal Ineligibility Notification	SUPERSEDES 06.02.012	DATED June 20, 2003
CHAPTER Finance	SECTION Financial Reporting	APPROVED BY Signature on File

PURPOSE

This formalizes the policy and procedure P&P of the department on establishing a standard procedure for processing costs that are disallowed or questioned by the Federal Highway Administration (FHWA) and Federal Aviation Administration (FAA).

POLICY

It is the policy of the department to follow a standard procedure for processing expenditures that are disallowed or questioned by the Federal Highway Administration (FHWA) and Federal Aviation Administration (FAA).

PROCEDURE

Definitions

Deferred participating: Expenditures are placed on hold until they can be billed (pending ultimate determination of eligibility).

Non-participating: Expenditures are not eligible for federal participation.

Ineligibility Notifications (FHWA PR-1367) (FAA – formal letter) are submitted by FHWA and FAA to notify the State Department of Transportation and Public Facilities (DOT&PF) of ineligible or questioned costs. Ineligibility Notifications require the state to take appropriate accounting action to remove the questioned amount from billing as a participating amount.

A. Receipt of FAA or FHWA Ineligibility Notice.

A notice is received by the director of Administrative Services Division (ASD), who will forward the notice to the Accountant III Position within the CIP Management and Finance section. The Accountant III position is responsible for tracking these notices.

1. The Accountant III position will draft a memo for the director of ASD to notify the director of Statewide Design and Engineering Services (D&ES), or appropriate regional director(s) of the affected region(s) that expenditures must be adjusted.

A copy of the memo and Federal Ineligibility Notice will also be sent to the director of Program Development, the regional Project Control staff, the responsible division director, and the chief contracts officer (CCO).

2. Within 30 days of notification, any cited costs must be transferred to a deferred participating ledger code by regional Project Control staff. Expenditures not to be disputed can be transferred directly to non-participating. (See Section C.1. for more information.)
 - a. A copy of the adjusting entry(ies) must be forwarded to the ASD CIP Management and Finance section, Attention: Accountant III position.
 - b. The ASD director must be notified in writing if the expenditures cannot be moved within the 30-day time frame and why. This notice must be sent before the 30 days have been exhausted.
 3. Under signature of the ASD director, the Accountant III position will forward copies of adjusting entries to the appropriate federal agency.
- B. The director of Statewide D&ES or the regional director will submit a written explanation to confirm or rebut causes cited by the federal agency.*
1. Within 30 days, the director of Statewide D&ES or the regional director will submit to the commissioner a written explanation with the following information. Copies will be provided to the ASD director.
 - a. Confirmation or rebuttal of the causes cited for the deferred participating or non-participating determination.
 - b. Recommendations for ultimate determination on the specific items.
 - c. List of actions taken or being contemplated to remedy the cited problem.
 - d. A proposed timetable for completion and disposition with the federal agency.
 - e. A draft letter to the federal agency stating the department's position.
 2. The commissioner and ASD director must be notified in writing if the 30-day time frame cannot be met.*

* Regional responses are normally provided by Project Control/Support.

C. Determination of Department's Position

Within 15 working days after receipt of the explanation, the commissioner will submit a written departmental position to the federal agency.

A copy of this response will be provided to the ASD director, director of Program Development, the regional directors of the affected regions, and the CCO.

1. Non-Participating Expenditures

- a. If the department's position is that the expenditures are non-participating, the director of Statewide D&ES or the regional director of the affected region shall have a non-par memorandum prepared for the non-participating expenditures and submitted to the ASD director.
- b. Upon approval, the region(s) will transfer the expenditures to non-participating.
- c. The transfer from deferred participating must be made within 30 days of the department's decision to transfer expenditures to non-participating. This could also be a transfer directly from participating.

2. Participating Expenditures

- a. If the department's position is that the expenditures are participating, the department will await a response from the federal agency either concurring with the department's rationale or formally notifying the department that the expenditures are non-participating.
- b. Expenditures will remain in deferred participating, pending a federal response.
- c. Upon receipt of the federal agency response, the commissioner will notify the director of Statewide D&ES or the affected regional director(s) who will inform their Project Control staff and responsible division director(s) of action required. The ASD director must be copied with all communications.
- d. Such action must be taken within 30 days.
- e. A copy of the federal agency response will be forwarded to the ASD director and the director of Program Development.

- f. A copy of the adjusting entries will be forwarded to the headquarters CIP Management and Finance section, Accountant III position as verification that required action has taken place*.
 - g. The headquarters CIP Management and Finance section will send copies to the appropriate federal agency.
- D. Audit and Review Findings by Departmental and other audit groups involving specific project expenditures
1. When audits are issued by the Internal Review section, Legislative Audit, or independent auditors, resolution action will follow the same procedure as outlined for Federal Ineligibility Notices.
 2. Upon receipt of the Audit or Review Finding, the ASD director will notify the appropriate department heads and the federal entity(ies) by copy of the audit report received.
- E. Ineligible Expenditures on FAA Final Billing
1. Upon receipt of an FAA Ineligibility Notice, the ASD director will notify the director of D&ES or the regional director(s), Project Control section(s), regional Finance offices, and Internal Review office(s) of the affected region(s) that expenditures must be transferred to non-participating. A copy of this memo should also be sent to Statewide Aviation. The Accountant III position is responsible for drafting the memo.
 2. Within 30 days of regional receipt of the notification from the ASD director, the regional Project Control chief will ensure that any cited expenditures are moved to non-participating.

Any processing problems will be brought to the attention of Project Control staff as soon as possible. Copies of the Financial Transaction Registers (FTRs) will be forwarded to the Project Control section on the day of receipt.
 3. The regional Project Control chief must notify the director of ASD in writing if the expenditures cannot be moved and why. This must be done within the same 30-day time frame outlined in procedure step B.
 4. As soon as the adjusting entry(ies) have processed, copies of the FTRs must be forwarded to the headquarters Accountant III position, Administrative Services Division.

* Regional responses are normally provided by Project Control/Support.

AUTHORITY

2 CFR Part 225
23 CFR Sec 1.9 (a)
AS 44.17.030
AS 44.42.030

IMPLEMENTATION RESPONSIBILITY

Administrative Services director, regional and headquarters directors, Statewide Design and Engineering Services director, and Project Control chiefs

DISTRIBUTION

All department employees via the DOT&PF website