

**SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
METRO RAIL PROJECT
TRANSIT SYSTEMS DEVELOPMENT**

**APPROVAL/PAYMENT PROCEDURES
FOR CONTRACT CHANGE ORDERS, INVOICES
AND PURCHASE REQUISITIONS**

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**REVISION - 1
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SCRTD
TRANSIT SYSTEMS DEVELOPMENT

Approval/Payment Procedures for
Contract Change Orders, Invoices and Purchase Requisitions

1.0 PURPOSE

Metro Rail MOS-I Project payments involve numerous technical, contractual and budgetary requirements which must be reviewed and approved before payment is made. This procedure establishes the process by which the SCRTD accomplishes approval of Metro Rail Project construction and procurement/installation contract, invoices, contract change orders, purchase requisitions and other related invoices.

2.0 SCOPE

This approval/payment procedure for invoices involving contracts and contract change orders and purchase requisitions is organized to address the Transit Systems Development Department's (TSD) required approval process of all Metro Rail Red Line MOS-I Project charges (costs) as directed by the General Manager in his memorandum of July 24, 1991, to SCRTD Executive Staff and Department Heads (see Attachment 1).

3.0 DEFINITIONS

The following definitions have been established by the SCRTD:

Acceptance:

Written documentation attesting to the act of an authorized representative of the SCRTD, by which all work, or a

specific portion thereof, under a contract has been identified as complete to the satisfaction of the SCRTD.

Administration:

The Section within the TSD Department that is responsible for administrative and secretarial tasks and maintains administrative records. See TSD Administration Policy and Procedure Manual.

Administration Policy and Procedure Manual:

The TSD Department procedural manual outlining procedures for preparing correspondence, purchase requisitions, invoice processing, travel requests, Board reports and other administrative activities.

Back-Charge:

A deduction in the contract price, established by unilateral or bilateral Change Order, for work performed by others to correct deficiencies in a contractor's work.

Change:

Any alteration in the Contract Document (plans, Specifications, Technical Provisions, and all documents made part of the contract), method or manner of performance of the work, equipment, materials, facilities, services, site, performance schedule, or other condition of an existing contract.

Change Request:

A formal proposal to initiate a change to an awarded contract involving Metro Rail baseline documents (see Metro Rail Contract Change Control Procedures), consisting of a completed Change Request Form plus supporting documentation and a Finding-of-Fact Statement. Any proposed change to the Metro Rail baseline must be documented on a Change Request.

Change Order:

A document issued to the contractor by the SCRTD which legally modifies the contract value, conditions, or documents; and directs the contractor to proceed with the change. See Metro Rail Project Contract Change Control Procedures.

Claim:

Contractor's statement of his right under the contract to adjustment; i.e., his entitlement for which he must establish not only his right to adjustment, but also the amount of the adjustment to the contract provisions. such statements can arise under several remedy provisions (General Conditions) of the contract, including the SUSPENSION OF WORK, CHANGES, DIFFERING SITE CONDITIONS, CLAIMS, and DISPUTES articles.

Contract:

The completed and executed integrated agreement entered into between the contractor and the SCRTD for the performance of the work.

Contract Administrator:

The person within the Office of Contracts, Procurement and Materiel (OCPM) responsible for coordinating and administering the bid and award of Metro Rail Projects, for monitoring contractual compliance following award, and for reviewing and signing Purchase Requisitions to assure consistency with contract terms and status, and for coordinating the resolution of contractor claims.

Contract Change Control Procedures:

The procedure manual which establishes the process by which changes to Metro Rail construction/installation and procurement contracts are managed. It defines the requirements and responsibilities for initiating, evaluating, approving, and executing changes following contract award. Procedures for processing design addenda prior to contract advertisement and contract addenda prior to award are covered in the SCRTD Change Control Procedure - Chapter 1: Design Change Control, and Chapter 2: Bid Document Change Control.

Contract Officer:

The Director of Transit Systems Development, who is the person with the authority to execute a contract, and to make related determinations and findings thereto, on behalf of the SCRTD. The Director of TSD reviews and approves Purchase Requisitions, Contract Change Orders and Invoices following review by the Contract Administrator, Program Control and Project Manager.

Document Control - TSD:

The Section within TSD responsible for all document record keeping, file maintenance/storage and file retrieval.

Invoice:

A request for payment indicating an itemized list of goods or services received from an outside party specifying the price and terms of sale or services.

Invoice Approval Sheet:

A TSD form (yellow) which shall be attached to all invoices or contract requests for payment and which indicates date invoice received, contract number, invoice number, voucher number, payment schedule and initials of approving Accounting, TSD and OCPM staff persons responsible for payment review and approval. (See Attachment 2.)

Office of Management and Budget (OMB):

The SCRTD Department responsible for SCRTD budget and necessary budget control, Grant and AFE numbers and approval of all SCRTD requests for expenditures.

Originator:

Any contractor or agency that prepares an invoice or non-TSD Department or TSD staff member who prepares a Purchase Requisition for payment of a contract invoice, Change Order or requested services or materials.

Program Control:

The Section within TSD responsible for Metro Rail Red Line MOS-I budgetary control, estimating and project status reports. This Section provides a list of all TSD active AFE numbers, their associated contract or work order numbers and brief statement of the work covered. Example AFE 10720, Contract A112 base contract, Yard & Shop Building, UMTA Funded. This Section reviews Purchase Requisitions and Invoices to assure correct AFE designation. Included in this review is the determination of federal funding eligibility.

Project Accountant:

The person within TSD from the SCRTD Accounting Department with the responsibility to begin review of a purchase requisition or invoice.

Project Manager:

The individual within the SCRTD's Transit Systems Development (TSD) Department assigned responsibility for overseeing a Metro Rail contract, associated contract change orders, and assigned Work Task or Invoice/Purchase Requisition. The Project Manager will initiate Purchase Requisitions and Contract Change Orders and review invoices for payment. The Project Manager will review the Purchase Requisitions and Change Orders for federal funding eligibility.

Purchase Requisition/Order (PR):

A SCRTD form that indicates a department's request for purchase of materials or services which require designation of account and AFE numbers and department authorizing approval signature. This form requires an accompanying Funding Responsibility Statement and a SCRTD Requisition Justification Form completed with sufficient information to justify the purchase and funding source. See Section 2.0, TSD Administration Policy and Procedure Manual, Revision May 1990, for information on monetary approval levels and how to fill out the PR form.

TSD - Director/MOS-I Contracting Officer:

The individual responsible for final approval of all contract change orders, invoices, and purchase requisitions involving disbursement of Metro Rail MOS-I funds.

4.0 PROCEDURE FOR PREPARING CHANGE ORDERS AND PURCHASE REQUISITIONS

Change Orders:

The Project Manager who has been assigned a Metro Rail MOS-I Project Contract shall follow as Originator the Metro Rail Contract Change Control Procedures in the preparation of a contract change order. In addition, the PM shall evaluate the appropriateness and eligibility of the funding source using the bottom portion of the blue TSD Change Order Form Rev. September 1991 with the pink Summary Record of Negotiations and white Change Technical Evaluation (see Attachment 3). For determining eligibility of using Federal (UMTA) funds for payment or reimbursement of change order costs, the PM shall use Urban Mass Transportation Project Management Guidelines for Grantees, Chapter I, Project Administration and Management, Section 14, Claims, and Chapter II, Financial Management, Section 3.b.(1), Allowable Costs (see Attachment 4). If Federal funds are eligible, the PM shall note in the comment portion the reason. If not eligible, the PM shall comment as to the reason why and contact the Program Control Supervisor or

the TSD active AFE identification number list for the appropriate local funding source AFE number.

To enable future payment of invoices charged against the change order, the PM shall prepare an accompanying purchase requisition as outlined in the TSD Administration and Policy Procedure Manual, inserting the appropriate Federal or Local funding source AFE number. The PM shall forward the change order/purchase requisition package to the TSD Administration Staff Assistant for logging/tracking and obtaining the required TSD review and approval. Approval of the Purchase Requisition and Change Order, together, obligates District funds.

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Purchase Requisitions:

The Project Manager, or other TSD staff member assigned as a PM for the task of preparing a purchase requisition for services or materials chargeable to the Metro Rail Project MOS-I, shall prepare as an Originator the purchase requisition as outlined in the TSD Administration and Policy and Procedure Manual. In addition, the PM shall evaluate the appropriateness and eligibility of the funding source using the TSD Funding Responsibility Statement (see Attachment 5). For determining eligibility of Federal (UMTA) funds for payment or reimbursement, the procedures outlined in the above section on Change Orders shall be followed.

Invoices:

The Project Manager, or other TSD staff member assigned as a PM for the task of evaluating and approving a Metro Rail Project MOS-I invoice, shall review the TSD purchase requisition files to determine the appropriate PR and AFE number. The PM shall then review the eligibility of the invoice for Federal or local funding as outlined in the above section on Change Orders.

Invoices from LACTC (Draw Down Requests):

If the invoice involves an LACTC drawdown request for UMTA or local participating funds on the MOS-I project, the assigned Project Manager shall evaluate the invoice to distinguish between payment of MOS-I base contract costs and contract change order costs. If backup documentation is lacking, the PM shall audit the LACTC invoice records to determine if payment of MOS-I contract change order costs are being requested in addition to base contract costs and if the change orders are eligible for Federal (UMTA) funding as outlined in the above section on Change Orders. In addition, the change orders shall be evaluated for the need to obtain UMTA review and concurrence as required under Urban Mass Transportation Project Management Guidelines for Grantees, Part I, Section 14.h, Claims over \$1,000,000 (see Attachment 4).

5.0 AUTHORITY AND RESPONSIBILITIES FOR REVIEW AND APPROVAL
OF PURCHASE REQUISITIONS AND INVOICES

Different Metro Rail Project participants and SCRTD departments have responsibility for different activities in the invoice and purchase requisition/order process. The Director of Transit Systems Development, as Contract Officer, is ultimately responsible for final approval of all obligations/disbursements of MOS-I funds.

Document Control Assistant - TSD:

The first (1) person within TSD to open and identify all incoming mail for the purpose of total TSD document control logging and preparing microfiche. This person will immediately route all Metro Rail invoices and purchase requisitions to the Staff Assistant for further handling.

[NOTE: All TSD staff shall immediately give a copy of their originating documents and any incoming TSD correspondence that they receive directly from other outside parties to the Document Control Assistant for appropriate document control action.]

Administration Staff Assistant - TSD:

The second (2) person within TSD to whom all purchase requisitions (PR) and incoming MOS-I invoices shall be given for budgetary identification (log-in/tracking) and for preparing the PR and invoice folders for routing as indicated on the PR Route Slip or Invoice Approval Sheet. The Staff Assistant will initial and date the approval sheet and handle additional outside department routing as outlined in the TSD Administration Policy and Procedure Manual.

Project Accountant:

The Project Accountant is the third (3) person to receive the PR or invoice for review or for adding necessary account information. The Project Accountant is responsible for completing the Invoice Approval Sheet and to determine or validate the PR or contract AFE number, account number, identify line item number in accounts payable system and to review data for mathematical accuracy and integrity. Any problems found upon review of the PR or invoice should be noted for the Program Manager and Program Control's attention. The Project Accountant will initial and date the approval sheet and return the package to the Staff Assistant for forwarding to the Project Manager.

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Project Manager:

The Project Manager (PM), if not an Originator, is the fourth (4) TSD staff member to receive the invoice or purchase requisition package as indicated on the Invoice Approval Sheet or as indicated on the PR route slip. The Project Manager is a TSD staff member assigned to manage a specific work task. The PM is responsible for the technical review and analysis of the invoice to determine if the invoice is appropriate for the work performed and has adequate supporting documentation. In the case of a construction contract, a corresponding Summary of Negotiations, Change Request Technical Evaluation and Change Order (CO) with identifying funding source (see Attachment 3) shall have been properly executed by the Originator according to the appropriate section of the Contract Change Control Procedures. If no CO has been executed, the Project Manager shall immediately take action to clarify the circumstances and notify the Originator and all other pertinent parties for CO action as outlined in the Contract Change Control Procedures. The invoice should not be forwarded for final approval until all pertinent documentation has been included in the invoice package. The PM will initial and date the approval sheet and return it to the Staff Assistant for forwarding to the Program Control Section.

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Program Control Supervisor - TSD:

The Program Control Supervisor is the fifth (5) TSD staff member to receive the invoice or purchase requisition package on the Invoice Approval Sheet or PR route slip. The Program Control Supervisor is responsible for budgetary and funding source review and analysis of the invoice or purchase requisition. The Section's Senior Program Control Analyst is responsible for identifying the adequacy of budget funds (Federal or local AFE) and the funding source and complete the Funding Responsibility Statement (see Attachment 5) that shall be attached to all PR's without change orders and evaluate the Funding Source identified on the SCRTD Change Order statement. The Program Control Supervisor will initial the Invoice Approval Sheet and return it to the Staff Assistant for forwarding to the Office of Contracts, Procurement and Materiel for review, analysis and approval. If an invoice or purchase requisition is not properly funded the invoice will be returned to the Project Manager or to the Office of Management and Budget (OMB) with an explanation for further handling with the invoice/purchase requisition originator. If a contract Change Order is not properly completed, it will be returned to the PM for correction.

Office of Contracts, Procurement and Materiel:

The assigned OCPM staff person will be the sixth (6) person to review, analysis and approve the invoice/purchase requisition as indicated on the Invoice Approval Sheet. If approval is given (initialed and dated), the invoice/purchase requisition package will be returned to the Director - TSD. If approval cannot be given because of contractual non-compliance, the OCPM will return the invoice/purchase requisition package to the Project Manager - TSD for action correcting the deficiency.

Director - TSD:

The Director - TSD is the seventh (7) person to review the invoice or PR package. If the Director is satisfied with the analysis presented for contractual and budgetary compliance, the Director will sign (initial and date) for return to the Staff Assistant for forwarding to the appropriate Executive Staff for approval or to the SCRTD Accounting Department for payment. If the invoice or purchase requisition package is not satisfactory or requires additional clarification, it will be returned to the staff person that can provide the additional information or to take the action directed. (See Attachment 6 Flow Chart.)

6.0 INVOICE/PURCHASE REQUISITION ORIGINATION

The following procedures are established for:

TSD Originated Purchase Requisitions:

All purchase requisitions originating within TSD shall follow the procedures outlined in Section 5 except Step #4 to the OCPM. Consequently, after approval by the Director - TSD, the purchase requisition will be sent to OMB for their concurrence and forwarding to OCPM for purchase action.

Non-TSD Originated Purchase Requisitions:

All SCRTD Departments outside of TSD are to obtain TSD concurrence for their Metro Rail MOS-I expenditures per A. Pegg memorandum of July 24, 1991. If the originating department does not first obtain TSD review and concurrence (TSD to follow Sections 4 and 5 requirements), the purchase requisition will be forwarded to TSD by OMB for review and concurrence. Since all purchase requisitions, according to SCRTD procedures, require OMB review and approval, OMB will require TSD concurrence on Metro Rail Red Line MOS-I project costs, both labor and material. TSD shall review and analyze the OMB furnished purchase requisitions according to Section 5 except for the action required by OCPM. Upon review completion, the approved purchase requisition will be returned to OMB. If not approved, it will be returned to OMB with an adequate explanation.

Accounting Department Furnished Invoices:

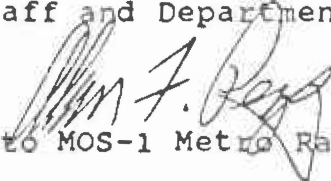
Invoices sent to TSD by the SCRTD Accounting Department will require review and analysis according to Section 4 and 5 except for sending LACTC/RCC drawdown requests to OCPM for concurrence. However, the Program Control Supervisor, who in this instance is the Project Manager, will prepare a cover memorandum to the SCRTD Controller explaining the approval circumstances and any exceptions to the drawdown request. Emphasis will be placed on the proper AFE usage (Federal or local) for requesting reimbursement from the proper funding source.

September 23, 1991



Alan F. Pegg
General Manager

July 24, 1991

To: Executive Staff and Department Heads
From: Alan F. Pegg 
Subject: AFE Charges to MOS-1 Metro Rail Red Line Project

Effective immediately, all charges to the MOS-1 Metro Rail Red Line Project must be forwarded for approval to Albert Perdon, Transit Systems Development.

Under the UMTA grant agreements and applicable requirements, SCRTD, as Grantee of the MOS-1 Project, is responsible for the project management oversight and maintenance of financial and accounting records for this Project.

In order to effectively comply with federal requirements, stronger internal and budgetary controls are necessary. I am asking for your full cooperation in satisfying this request.

INVOICE APPROVAL SHEET

DATE INVOICE RECEIVED ___/___/___

CONTRACT # _____

DESCRIPTION _____

INVOICE # _____

VOUCHER # _____

	INITIAL	DATE	
ADMINISTRATION	_____	_____	STAFF ASSISTANT
ACCOUNT DISTRIBUTION	_____	_____	PROJECT ACCOUNTANT
TECHNICAL REVIEW	_____	_____	PROJECT MANAGER
BUDGET REVIEW	_____	_____	PROGRAM CONTROL
CONTRACTUAL COMPLIANCE	_____	_____	CONTRACT ADMIN. OCPM
AUTHORIZATION FOR PAYMENT	_____	_____	DIRECTOR, TSD

PAYMENT SCHEDULE

ACCT. NO.	AFE	INVOICE AMOUNT	LINE #
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
	TOTAL	\$ _____	

COMMENTS:

PO Line Report attached

Retention Analysis attached



METRO SYSTEM

**CHANGE ORDER
CONTRACT VALUE
STATEMENT**

CONFIDENTIAL

CO#:

CN#:

RFC#:

NPC#:

CONTRACT #/TITLE:

CONTRACTOR:

CHANGE TITLE:

CONTRACT COST STATUS

CONTRACT VALUE		AUTHORIZED-FOR-EXPENDITURE	
1. CONTRACT AWARD VALUE	0	A. RTD EXPENDED AS OF 08/01/90	0
2. EXECUTED CHANGE ORDERS AS OF (LISTING ATTACHED)	0	B. LACTC APPROVED AFE AS OF	0
3. CONTRACT VALUE (CURRENT)	0	C. CURRENT TOTAL AUTHORIZATION	0
4. COST-PLUS CHANGE NOTICES AS OF: (LISTING ATTACHED)	0		
5. CONTRACT VALUE (OBLIGATED)	0		
6. VALUE OF THIS CHANGE:	0		
7. REVISED CONTRACT VALUE (OBLIGATED):	0	D. REVISED CONTRACT VALUE (OBLIGATED)	0
8. OTHER PENDING CHANGES (LISTING ATTACHED)	0	F. REMAINING AFE (C-D):	0
9. TOTAL ESTIMATED CONTRACT VALUE	0	COMMENT: (IF THE REMAINING AFE IS NEGATIVE OR LESS THAN PENDING CHANGE VALUES AN AFE INCREASE IS INDICATED)	
10. RISK: (CLAIMS/TRENDS/RISK FACTOR)	0		
11. CONTRACT FORECAST VALUE	0		

CONTRACT DURATION CHANGE

1. ORIGINAL CONTRACT COMPLETION DATE:
2. EXECUTED CONTRACT DURATION EXTENSIONS:
3. CURRENT CONTRACT COMPLETION DATE:
4. TIME EXTENSION FOR THIS CHANGE:
5. REVISED CONTRACT COMPLETION DATE:

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SUBMITTED BY CM PROGRAM CONTROL:

DATE:

FUNDING RESPONSIBILITY STATEMENT

ELIGIBLE FOR UMTA PARTICIPATION

ELIGIBLE FOR STATE PARTICIPATION

ELIGIBLE FOR LOCAL PARTICIPATION

COMMENTS:

SUBMITTED BY TSD PROGRAM CONTROL

DATE:

FOLLOW UP ACTION REQUIRED:

ASSIGNED TO:

NEED DATE:

Note: CO - Change Order
 CN - Change Notice
 RFC - Request For Change
 NPC - Notice of Potential Claim



METRO RAIL PROJECT

CHANGE TECHNICAL EVALUATION

DATE:

CR NUMBER:

FROM: YSD CHANGE CONTROL CENTER

TITLE:

TO: — Assistant General Manager
 — Dir.,
 — , Rail.
 — , Program Control
 — Contracting Officer, OCPM

— Project Engineer, Design
 — Project Engineer,
 — Construction Manager, POCB
 — Facilities Design Manager, MRTC
 — Systems Design Manager, MRTC
 — Project Director, BAI
 — SCRTO Legal
 — Dir., Real Estate

PLEASE REVIEW THE ATTACHED CHANGE REQUEST AND RETURN TO THE CCC BY:

FOR CCC NTG:

 1. COST IMPACT TO: Construction Procurement Design Testing ROW Insurance Other: _____

CONTRACTOR	POCB	MRTC	DISTRICT	DIA	BAI	OTHER	TOTAL COST

Detail cost breakdown attached: Yes No (explain):

Program Control

 2. SCHEDULE IMPACT: YES (see below) NO EFFECT CRITICAL PATH AFFECTED (explain):

CONTRACT DURATION: — SLIP — GAIN _____ DAYS
 MILESTONES : — SLIP — GAIN _____ DAYS
 TEST/START UP : — SLIP — GAIN _____ DAYS

Program Control

 3. TECHNICAL EVALUATION AND COMMENTS: CONCUR DISAGREE (Reasons required - use attachments as necessary)

REVIEWED BY:

Print Name

Signature

Organization

Date

4. RESPONSE TO COMMENTS:

 CONCUR DISAGREE (Reasons required)RESOLVED: Yes No

RESPONSES BY:

Project Engineer/Originator

Signature

Organization

Date



METRO RAIL PROJECT

SUMMARY RECORD OF NEGOTIATIONS

DATE: _____

CHANGE TITLE _____

CONTRACT NAME _____

CHANGE NOTICE NO. _____ CONTRACT NO. _____

ATTENDEES:

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(use additional pages as necessary)

Contracting Officer's Representative, SCRTD

Resident Engineer, Consultant

Project Engineer, SCRTD

Project Manager, Contractor

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

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liquidated damages provision, any liquidated damages recovered must be credited to the project unless UMIA 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 UMIA 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 UMIA 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 UMIA concurrence in the compromise or settlement of the claim, in the event that UMIA review and concurrence become necessary. Although UMIA does not become involved in the negotiation of a claim and normally does not question individual elements of a claim settlement, UMIA 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 UMIA participation. For example, UMIA 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

Vertical line denotes change.

- (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,



SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
TRANSIT SYSTEMS DEVELOPMENT
METRO RED LINE MOS-I

FUNDING RESPONSIBILITY STATEMENT		
ELIGIBLE FOR UMTA PARTICIPATION		AFE No:
ELIGIBLE FOR STATE PARTICIPATION		Contract No.:
ELIGIBLE FOR LOCAL PARTICIPATION		Purchase Order No.:
SUBMITTED BY TSD PROGRAM CONTROL:		DATE:
FOLLOW UP ACTION REQUIRED:	ASSIGNED TO:	NEED DATE:
REASON FOR SELECTION OF FUNDING SOURCE:		
OTHER COMMENTS:		

Complete this form for and attach to all SCRTD Metro Red Line, MOS-I contract and purchase order requests for services and/or equipment.

Signature

Date

**FLOW CHART
APPROVAL PAYMENT PROCEDURE**

