

INSTRUCTIONAL MEMORANDUMS

To Local Public Agencies



To: Counties and Cities	Date: October 19, 2023
From: Local Systems Bureau	I.M. No. 1.200
Subject: Federal Funds Management	

Contents: This Instructional Memorandum (I.M.) includes guidelines and procedures for a Local Public Agency (LPA) and Iowa DOT staff to comply with various Federal requirements relating to the management of Federal funds, including financial controls, single audit requirements, reporting, inactive obligations, project end dates, and close-out procedures. This I.M. also includes the following attachment:

[Attachment A](#) – Procedures for Estimating Project End Dates

Introduction

Title 23, United States Code (US Code), Section 106(g)(4) requires the Iowa DOT to ensure that LPAs receiving Federal funds have adequate project delivery systems and sufficient financial controls to properly manage Federal funds.

There are also extensive Federal regulations that govern how the Iowa DOT and the LPA must manage and account for Federal funds. Many of these regulations are found in 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards. The following sections of this I.M. highlight just a few aspects of these regulations and provide additional guidance for complying with their requirements. Detailed Federal guidance on this topic, along with applicable questions and answers, may be found in a memorandum from the Federal Highway Administration (FHWA) on [Project Funds Management Guide for State Grants](#).

This guidance is intended to address most Federal funds that fall under the above noted US Code and Code of Federal Regulations (CFR), including Federal formula funds passed through Iowa DOT to LPAs through statewide programs. Individual Federal grants received as a result of a national application process may require additional or very specific spending guidelines and financial controls. On individual grant projects or Congressionally Directed Spending, please consult the Notice of Funding Opportunity (NOFO) and project specific Federal grant agreement.

Financial Controls

The LPA must have sufficient financial management and internal controls. In general, this means the LPA must have the ability to:

- prepare required reports
- determine the allowable and eligible project costs in consultation with the Administering Bureau
- trace funds to a level of expenditures adequate to establish that such funds have been used in accordance with Federal requirements and the terms of the Federal-aid project agreement with the Iowa DOT
- properly store, maintain and dispose of project records
- take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings
- monitor the status of projects and request reimbursement of eligible project costs before the Project End Date (PED)
- monitor the status of project obligations and request reimbursement of Federal-aid eligible costs frequently enough to maintain the project in an active financial status as determined by the Federal Highway Administration (FHWA)
- take reasonable measures to safeguard personally identifiable and confidential information

For more detailed information, refer to 2 CFR 200.302, for financial management, and 2 CFR 200.303, for internal controls.

Single Audit Requirements

The LPA is responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and Subpart F of 2 CFR 200. This regulation stipulates that non-Federal entities expending \$750,000 or more in Federal awards in a year shall have a single or program-specific audit conducted for that year in accordance with the provision of that part. Auditee responsibilities are addressed in Subpart F of 2 CFR 200.

Each year, the Iowa DOT Finance Bureau, External Audits Section, reviews the Single Audit Reports for all LPAs that received Federal funds passed through the Iowa DOT for that fiscal year. If the LPA's Single Audit Report contains findings that relate to Federal funds received from the Iowa DOT, the Iowa DOT will investigate those findings and issue a management decision regarding the LPA's response to those findings, as stated in the Single Audit Report. A management decision is a Single Audit term, defined in 2 CFR 200.521 and clearly states whether or not the audit's finding is sustained. It includes a summary of corrective actions to be taken and may include repayment of disallowed costs or a timetable for completion of corrective actions. The Iowa DOT's management decision may require additional documentation or changes to the LPA's procedures to prevent similar future audit findings.

The process for preparing management decisions regarding LPA Single Audit findings is as follows:

1. If an LPA's audit report contains a finding that can be addressed by External Audits, External Audits will prepare the management decision. If an LPA's report contains a finding that must be addressed by the LPA, External Audits will forward the relevant information to the Administering Bureau and request that they investigate and prepare a management decision. External Audits will also identify the applicable Federal agency* to include in the subsequent correspondence.
2. When requested by External Audits, the Administering Bureau will investigate the audit finding with the LPA and prepare a draft management decision. The Administering Bureau should use the [Management Decision Shell Document](#) to help provide consistent content and format in management decisions. If needed, the Administering Bureau may request assistance from the Local Systems Bureau.
3. The Administering Bureau will forward the draft management decision, with supporting documentation attached as appropriate, for review to External Audits and the applicable Federal agency with a copy to the Local Systems Bureau.
4. External Audits and the applicable Federal agency will review the draft management decision and provide comments as appropriate.
5. The Administering Bureau will revise the management decision as needed and forward a final version to External Audits. If needed, the Administering Bureau may request assistance from the Local Systems Bureau.
6. External Audits will prepare a Desk Review Report Form and transmit both the Desk Review Report Form and the management decision to the LPA and provide copies to the FHWA Iowa Division Office Financial Manager and the LPA's independent auditor.

Note: In most cases, the applicable Federal agency is the FHWA, in which case correspondence should be sent to the FHWA, Iowa Division Office Financial Manager.

Reporting

Federal funds provided by the Iowa DOT to the LPA shall be reported on the appropriate Schedule of Expenditures of Federal Awards (SEFA) using the Catalog of Federal Domestic Assistance (CFDA) number and title as shown in the funding agreement between the Iowa DOT and the LPA.

If the LPA will pay initial project costs and request reimbursement from the Iowa DOT, the LPA shall report the Federal-aid project on its SEFA. For county Farm-to-Market projects that receive Federal funds, or for other projects where the Iowa DOT will pay initial project costs, the Iowa DOT will report the Federal-aid project on its SEFA. In these cases, the LPA shall not report the Federal-aid project on its SEFA.

Inactive Obligations

Background

When Federal funds are obligated for a project, they are set-aside for the specific project and specific phase of work for which FHWA authorization was requested. Once obligated, these Federal funds can be spent for no other purpose. This obligation is documented in a funding agreement between the Iowa DOT and FHWA. The agreement is generated and stored in FHWA's Fiscal Management Information System (FMIS).

An obligation becomes inactive if no Federal-aid reimbursements have been processed for 12 months or more. The Iowa DOT will request a status update and reimbursement request to be processed if no Federal-aid reimbursement have been processed for the past 6-9 months. Projects not financially active are not in compliance with Federal regulations. Federal regulations require the Iowa DOT to have procedures in place to prevent Federal-aid project obligations from becoming inactive. These procedures must also provide for periodic review and adjustment of the obligated amounts, per 23 CFR 630.106(a)(5).

Adjustments to Obligations

Requests for FHWA authorization and obligation of Federal funds shall be supported by a documented cost estimate. Federal funds obligated must be periodically reviewed and adjusted in FMIS to reflect the current estimate of project costs. The obligation may be increased or decreased to current costs, as appropriate for the situation and supported by the funding agreement. The obligation shall be adjusted whenever the current cost estimate would decrease the Federal funds obligated by \$250,000 or more. The processes used for adjusting the amount of Federal funds obligated varies depending on the type of project costs included. Each is summarized below:

Consultant Services

Obligations for Preliminary Engineering (PE), Construction Engineering (CE) and other types of consultant services shall be adjusted as described in the "Contract Administration" section of [I.M. 3.310](#), Federal-aid Participation in Consultant Services.

Right-of-way

Obligations for right-of-way acquisition and related incidental services shall be adjusted as described in the "FHWA Authorization Request" section of [I.M. 3.600](#), Right-of-Way Acquisition.

Construction

For construction contracts let through the Iowa DOT, obligations for construction cost will be adjusted as described in [I.M. 5.030](#), Iowa DOT Letting Process. For construction contracts let locally, refer to [I.M. 5.120](#), Local Letting Process - Federal-aid.

Utility, Railroad, In-Kind Contributions, and In-House Services

Obligations for utility costs shall be adjusted as described in [I.M. 3.650](#), Federal-aid Participation in Utility Relocations. Obligations for railroad costs shall be adjusted as described in [I.M. 3.680](#), Federal-aid Projects Involving Railroads. Obligations that are based on in-kind contributions shall be adjusted as described in [I.M. 3.050](#), In-Kind Contributions. Obligations that are based on in-house services shall be adjusted as described in [I.M. 3.330](#), Federal-aid Participation in In-House Services.

Other Costs

Obligations for other types of costs shall be adjusted whenever the current cost estimate differs from the estimate used for FHWA authorization by more than 25% or decreases the Federal funds obligated by \$250,000 or more. In such cases, the LPA shall provide an updated documented cost estimate to the Administering Bureau, and the Administering Bureau will send a request to adjust the previously obligated amount to the Finance Bureau. The Finance Bureau will then make a modification in FMIS. Adjustments are not final until the 3rd line of FHWA signatures have been completed in FMIS.

Actions Generating Activity

As noted above, Federal-aid projects become inactive if funds have been obligated, but no FMIS financial activity has occurred in 12 months or longer. Below is a list of actions that generate FMIS financial activity:

- Processing a payment through the Contractor Pay System (CPS). This is only applicable to select projects on the Farm-to-Market system or when Iowa DOT is the Contracting Authority.
- Requesting a reimbursement for Federal-aid funds.
- Adjustments to Federal-aid obligations as noted above.

Generating FMIS activity can become more challenging at the beginning of a project if work has yet to begin, or at the end of the project when working through project closeout activities. Below are a few action items to consider when in those circumstances:

- **Advanced Construction:** This is a tool the Iowa DOT Program Management Bureau sometimes uses when a project is initiated. It has various benefits, one of which helps Iowa DOT manage statewide Federal obligations. As such, it is worth noting for reference.
- **Mobilization Payment:** At the beginning of a project, a partial mobilization payment should be made per [Iowa DOT Standard Specification 2533](#). For non-CPS projects, this action needs to be followed by a reimbursement request to initiate FMIS activity.
- **Retainage Release:** At the end of a project, an early release of partial or full retainage may be made if deemed appropriate. See [Iowa DOT Standard Specification 1109.05 C](#) and [I.M. 6.000, Attachment D](#) for additional details related to contractor retained funds. For non-CPS projects, this needs to be followed by a reimbursement request to initiate FMIS activity.
- **Withholding Reduction on Reimbursement Projects:** Near the end of a project, a partial withholding reduction can be requested by the LPA to the Administering Bureau if, as a condition of the Federal-aid funding agreement between Iowa DOT and the LPA, a portion of the Federal share of costs have been withheld. Approval of a partial withholding reduction is at the sole discretion of the Administering Bureau. Iowa DOT Federal withholding has historically been set at up to 5% of the Federal funds available for the project. Reference the project specific funding agreement and contact the Administering Bureau for details.

Monitoring Process

The Iowa DOT is required by Federal regulations to review the status of inactive projects on a quarterly basis and report the results of this review to FHWA. The LPA should also periodically review the status of their Federal-aid projects to ensure they do not become inactive. Iowa DOT is required to maintain a quarterly, inactive obligation balance at or below 2% of total obligations. As per 23 CFR 630.106(a)(6), failure to comply may result in statewide unilateral de-obligation of Federal Funds.

If a project obligation becomes inactive, there are a very limited number of circumstances under which it will be allowed to remain in an inactive status. Therefore, the Iowa DOT employs a pro-active approach by reviewing not only projects that are currently inactive, but also projects which will become inactive by the end of the quarter.

If a project is about to become inactive, the Iowa DOT Administering Bureau will request the LPA to provide a Federal-aid reimbursement request within 30 days. It is also recommended to revise the federal obligations to current costs by increasing or decreasing, if appropriate for the situation, and supported by the funding agreement. If a reimbursement request is not submitted and the project becomes inactive, the Administering Bureau will provide another notice and require the LPA to provide documentation to support the unexpended balance of Federal funds within 30 days. Iowa DOT will compile the supplied documentation in the form of a Justification Statement.

The documentation submitted shall include all information necessary to put together a Justification Statement. Documentation items include, but may not be limited to:

1. a current total project cost estimate,
2. the reason(s) why the project inactivity is beyond the control of the LPA, and
3. the date when a reimbursement request will be processed, or if the project is essentially complete, the date the required paperwork to close the project will be provided.

If the cost estimate and other documentation is not provided within the requested 30 days, or if the LPA does not provide a reasonable justification for retaining the unexpended balance of Federal funds, the unexpended balance of Federal funds may be de-obligated. Depending on the amount of eligible project costs and the reason for the de-obligation, this may make some project costs no longer eligible for Federal reimbursement, including but not limited to any retainage or federal withholdings remaining on the project. In turn, this may prevent an LPA from receiving the full amount of Federal funds that have been programmed for the project, which will increase the net cash outlay required of the LPA.

There may be many different circumstances which constitute reasonable justification, but the common element in all of them is that they are beyond the control of the LPA.

Examples of reasonable justification include, but may not be limited to:

- Delays associated with missing paperwork, litigation, disputed claims, and other contract disputes, provided the LPA is actively attempting to resolve the issue. Examples include a contractor not agreeing to a change order, taking issue with the results of a materials audit, or not agreeing to how working days are being charged. Similarly, an LPA may be disputing a claim for extra work from the contractor. However, a project may not remain in inactive status indefinitely while a dispute is being resolved.
- Delays associated with environmental reviews and permitting. Examples include additional environmental review or documentation required to satisfy the National Environmental Policy Act (NEPA) or other environmental laws or regulations that could not have been anticipated when the project was originally authorized.
- Delays associated with right-of-way acquisition. Examples include additional time needed to negotiate with property owners, provide them with fair and just compensation, or other actions necessary to comply with the Uniform Act.
- Delays associated with changed site conditions. For example, additional utility relocations or adjustments may be required that could not have been foreseen based on the information available at the time the project construction was authorized. Another example might be flooding or other natural disasters that prevented work from occurring.

Examples that would not be considered reasonable justification include, but may not be limited to:

- Delays resulting from inadequate planning to comply with Federal or State requirements that could have been reasonably anticipated (e.g., failing to apply for a 404 permit or Iowa Department of Natural Resources Floodplain permit on a bridge project that will require work in the river or stream)
- Fiscal constraints (e.g., delays associated with lack of funding)
- Delays in billing project costs
- Delays in adjusting the project cost estimate
- Delays in advancing the project to construction
- Delays in closing out the project (e.g., LPA failing to provide the required paperwork to Iowa DOT in a timely manner, not actively attempting to obtain missing paperwork from the Contractor, or not actively attempting to resolve a contract dispute that is delaying the required paperwork)

The Justification Statement Iowa DOT provides to FHWA should clearly explain why the unexpended obligation amount on this project is proper or improper. It should be written in complete sentences with enough detail to make a determination about the validity of the unexpended obligation amount and if it supports the reason for delay. The Justification Statement must demonstrate that the obligation remains proper, and that the inactivity is beyond the Contracting Authority's control. Causes beyond their control may include delays such as litigation, unforeseen utility relocations, or unforeseen environmental concerns. This statement must be written so that an auditor or anyone else with limited knowledge about federal-aid projects or programs will be able to understand why the project is inactive and be able to agree or disagree with the validity of the unexpended obligation amount.

Summary

The most effective method for managing inactive projects is to keep them from becoming inactive in the first place. The two most important steps LPAs should take to keep their projects active are:

1. Submit reimbursement requests at least once every six months, and
2. When project construction or other activities for which Federal reimbursement will be requested are complete, submit the final paperwork and final request for reimbursement to the Administering Bureau, detailed in [I.M. 6.110](#), Project Close-out and Audits. Projects must follow 2 CFR 200.343, Project Closeout Requirements.

Project End Dates

Background

Federal regulations (2 CFR 200.309) require the Iowa DOT to establish a period of performance for the Federal-aid project when requesting FHWA authorization. With the exception of Emergency Relief (ER) projects, the beginning of the project period of performance is the effective authorization date (this is the signature date of the Division's 3rd line signature date in FMIS). This is the date after which project costs may be incurred and be eligible for reimbursement. The ending of the project period of performance is referred to as the Project End Date (PED). Projects are only eligible for reimbursement of costs for work done during the period of performance. Costs incurred after the PED are not eligible for reimbursement. These dates are documented in FMIS. The Administering Bureau will include the PED in the notification to the LPA that FHWA authorization has been obtained. The importance of a PED is that it promotes effective monitoring and closing of projects in a timely manner.

Each Federal-aid project will have only one PED. When a project is first authorized, a PED will be established that will reflect when that phase of work will be completed. As new phases of work are added to the project, the PED will be updated to reflect when the new phase of work will be completed.

Method for Estimating PED

When a project is first authorized, it is usually not possible to know with certainty when the PED should be. Therefore, the Iowa DOT has developed a method to estimate an initial estimate PED, as shown in [Attachment A](#) – Procedures for Estimating Project End Dates. If the LPA has information that may result in a more accurate PED estimation, the LPA should notify the Administering Bureau along with any request for FHWA authorization or letting. The PED shall only be established for the phase and scope of work being authorized. For example, a project being authorized for Preliminary Engineering, shall only have a PED set for the expected completion of the Preliminary Engineering phase of work, not for the completion of Construction.

Monitoring Process

PEDs will be reviewed on a quarterly basis, as outlined in the steps shown below:

1. The Iowa DOT Finance Bureau prepares a list of Federal-aid projects that shows their PEDs and sends this list to the various Iowa DOT Administering Bureaus.
2. The Administering Bureaus reviews this list and identifies projects for which the PED is within the next 6 months.
3. If a project has a PED within the next 6 months, the Administering Bureau contacts the LPA, provides them with the PED, and requests a status report from the LPA.
4. The LPA provides a written status report to the Administering Bureau. (An email will be considered an acceptable written format.) The report shall provide a project status update, indicate if all eligible costs will be incurred prior to the PED, and anticipated full project completion. All reimbursement requests must be submitted to the Administering Bureau for reimbursement prior to the PED. This will allow Finance to bill FHWA and close the project out in FMIS within the CFR timeline.
5. The Administering Bureau reviews the status report. If it is anticipated that not all eligible costs will be incurred prior to the PED, the LPA will be advised to send a request for an extension to the PED to the Administering Bureau, as described below. Any eligible costs incurred after a PED will not be reimbursable.

PED Extensions

The initial estimated PED may be modified or extended as necessary based on documented revisions to the project schedule or other circumstances. Examples include, change orders, contractually allowable delays, delays in award or re-advertisement, litigation delays, etc. An extension for a modification due to the project's scope, budget, or schedule is allowable. Extensions for other reasons must be the result of a delay in the project which is beyond the control of the LPA or based on changes to the project authorization in FMIS which would have an impact on the PED.

Examples of situations which are beyond the control of the LPA include, but are not limited to: litigation, major changes in design, environmental or permit issues, construction claims, unforeseen utility conflicts, differing

site conditions, significant additional work, area-wide material shortages, labor strikes, or unusually severe weather.

The process for requesting an extension to the PED will be as follows:

1. The Administering Bureau reviews the LPA's request. If acceptable, the Administering Bureau will request a modification to the PED in FMIS. If not acceptable, the Administering Bureau requests additional information and works with the LPA until the request is acceptable.
2. The Finance Bureau* will process the FMIS modification and note the modified PED in the appropriate field. The state remarks will document the justification and the PED extension authorization date. The PED extension is effective on the authorization date when the Division FHWA office signs the 3rd line of the project action in FMIS.

* FMIS modifications will be submitted by the Finance Bureau except for Systems Planning and Research projects. For these projects, either the Systems Planning Bureau or the Research and Analytics Bureau will submit the FMIS modification, as applicable.

Note: Requests for extensions to the PED should be submitted as soon as it is determined necessary, but in no case less than 8 weeks prior to the PED to allow adequate time for review, approval and processing the FMIS modification. Complex project issues may take additional review time. In the event a PED date has expired prior to approval of a PED Extension, eligible expenses incurred after the original PED and before the PED extension authorization date in FMIS will not be eligible for reimbursement. Please be aware that some projects may have expended all federal funds, but still be under construction utilizing other funding sources. The PED must encompass the entire project, therefore must extend through the full project completion. In these situations, if necessary, when work is delayed or ongoing, but the PED is approaching, a PED extension should still be requested since close-out of the project is not possible, as it is still active. The PED extension request and justification should cover anticipated full project completion.

Project Close-out Procedures

The LPA's Project Engineer shall submit the Pre-Audit Checklist and associated documentation to the Iowa DOT Administering Bureau, as per [I.M. 6.110](#), Final Review, Audit, and Close-out Procedures for Federal-aid Projects. Also, if a project includes consultant, in-house services, right-of-way acquisition, utility relocations, or railroad work for which Federal reimbursement was authorized, the LPA shall also notify the Administering Bureau within 30 days of completion of these individual authorizations.

During the close-out process, inactive obligations, Project End Dates, and the project final audit all have potential to affect the final amount of Federal reimbursement received. Each of these are discussed briefly below:

Inactive Obligations

If a project becomes inactive during the close-out process, and reasonable justification to retain the unexpended balance of Federal funds has not been documented, the Iowa DOT Administering Bureau will release all Federal funds that were withheld from previous reimbursement requests and process a Federal reimbursement based on the properly documented costs submitted to-date. After processing this reimbursement, the Administering Bureau will request any remaining unexpended balance of Federal funds to be de-obligated.

If the Administering Bureau determines a project is in a Final Project Audit, the Administering Bureau may process a one-time partial release of Federal funds withheld from previous reimbursement requests in order to allow for additional time to complete the audit, instead of de-obligating the project.

Project End Date

Federal regulations (2 CFR 200.344 and 200.345) require all eligible incurred costs to be reimbursed within either 90 days or 120 days after the PED and project actions closed in FMIS. Please reach out to the Administering Bureau if you have questions.

- Projects with FMIS authorization or modifications **after November 12, 2020** fall under the **120 day rule** due to 2 CFR 200 updates.

- Projects authorized and modified **before November 12, 2020** fall under the **90 day rule**.

Costs incurred after the PED are not eligible for reimbursement. The PED includes time for the LPA to prepare and submit all required reimbursements and paperwork after construction has concluded. Therefore, to ensure adequate time for processing, the LPA must submit their final reimbursement request, including all the required paperwork, before the PED to ensure time for processing within the formal 90-day or 120-day billing window. A project close action should be initiated by the Finance Bureau in FMIS within 90 days or 120 days of the PED. FHWA then has up to one year beyond the PED to approve the final project close action. FHWA may exercise unilateral authority to close projects in FMIS if the Iowa DOT or the LPA fails to comply with these requirements.

Project Re-Open

There may be situations where a project may need to be re-opened after it has closed in FMIS. These are handled on a case-by-case basis, as each situation may be different. Project agreements may be reopened to increase the obligation amount and provide for subsequent reimbursement if additional eligible costs are identified during an audit process, as a result of an appeal of a contractor claim, litigation, etc. The costs must have been incurred during the period of performance, or in the case of litigation and claims, directly related to costs incurred during the period of performance. The project may also be reopened if ineligible costs are identified during the audit process for which funds must be credited back to FHWA. The record retention period restarts if the project must be reopened for such purposes which adjust the final voucher. Records may be required to be retained for longer periods for other purposes. Project re-open requests are submitted to the FHWA Division Finance Manager and should include a recap of the situation (credit or debit discovered during audit, litigation claim, etc.), supporting documentation, why the costs were missed during final voucher close processes (if applicable to the situation), etc. Upon concurrence of the project re-open action, the DOT processes a project-re-open action in FMIS for the Division office's final approval.

Project Closeout Extensions in FMIS

When requests for cost reimbursements or closing projects in FMIS cannot be completed within the allowed 90 or 120-day window beyond the PED, Iowa DOT Finance can only process a closeout extension as noted below. Federal regulations vary based on the most recent FMIS authorization or modification date. These processes take time to review, submit, and get all necessary signatures so any requests along with justification should be submitted to the Administering Bureau no later than 30 days prior to the below deadlines. The Administering Bureau will review before sending to Finance to ensure adequate justification. Any costs incurred after the PED remain ineligible for reimbursement.

- Projects with FMIS authorization or modifications prior to November 12, 2020:
 - When requests for cost reimbursements or closing projects in FMIS cannot be completed within the allowed **90-day** window beyond the PED, a project closeout extension can be submitted by Iowa DOT Finance to extend the closeout up to 1 year after the PED. For projects with remaining cost reimbursements, the LPA must justify why it was beyond their control to process the billing within **90 days** after the PED. All project closeout extensions must be approved in FMIS prior to the 90-day window closing.
- Projects with FMIS authorization or modifications after November 12, 2020:
 - When requests for cost reimbursements or closing projects in FMIS cannot be completed within the allowed **120-day** window beyond the PED, a project closeout extension can be submitted by Iowa DOT Finance to extend the closeout up to 1 year after the PED. For projects with remaining cost reimbursements, the LPA must justify why it was beyond their control to process the billing within **120 days** after the PED. All project closeout extensions must be approved in FMIS prior to the 120-day window closing.

Project Final Audits

If a project's final audit later determines some of the previously reimbursed costs to be ineligible, the Administering Bureau will request the Iowa DOT Finance Bureau to prepare a billing to the LPA to recover the over-reimbursed amount and process a corresponding credit billing to FHWA. If the LPA fails to repay the over-reimbursed amount within 60 days of the Iowa DOT's billing, the Iowa DOT may garnish the LPA's Road

Use Tax distributions to recover the over-reimbursed amount. Afterwards, the Iowa DOT will close the project.

If a project's final audit determines the LPA is eligible for additional Federal reimbursement, the Administering Bureau will notify the LPA it has 30 days to submit an additional reimbursement request. After 30 days, if an additional request for reimbursement is received, the Administering Bureau will request the Finance Bureau to adjust the project authorization accordingly to reflect the final estimate of project costs. After the project authorization is adjusted, the final reimbursement will be processed, and the project will be closed.