

FHWA and MoDOT Financial Program Partnering Agreement

I. GROUND RULES

MoDOT and FHWA agree to concentrate efforts in improving our work by following these ground rules: We will respect each agencies' roles and responsibilities, by valuing the opinions of others and maintaining an open mind to suggestions. In addition, we will actively participate in scheduled meetings and collaborate on issues regarding procedures and improvement projects.

- We will maintain an up-to-date "lead contact" list of the individuals at each agency responsible for overseeing various areas of the finance activities.
- We will communicate with each other using a "no surprise philosophy" by telephone, mail, email, and face-to-face conversations. Any direct communication from legislators, district offices, consultants, regulatory or resource agencies, and the general public regarding issues of mutual concern will be communicated immediately to the other agency. All formal requests and/or actions discussed will be followed-up in writing.
- We will participate in meetings, as needed, to discuss items of mutual interest and complex or controversial projects.
- Complete financial submittals to FHWA will mean appropriate forms and adequate documentation addressing all required finance area details and documents.
- FHWA and MoDOT will continually seek out opportunities to improve internal controls with the outcome of effective, efficient and streamlined processes.
- We will make timely decisions following a thorough discussion of the issue using appropriate communication methods and evaluation of data consistent with applicable laws.
- We will promote good financial practices and make current best practices our method of conducting business.
- We will recognize the timeliness and quality of our cooperative effort to deliver finance document reviews and approvals as reliable and measurable performance "output" indicators.
- FHWA and MoDOT will hold a partnering meeting at least twice a year and review this agreement on an annual basis to assess its effectiveness and make revisions as necessary.
- We will collaborate to achieve mutual objectives, goals and initiatives and ensure policies are clear and concise.
- We will ensure internal controls exist within MoDOT and FHWA to properly manage federal funds.
- MoDOT and FHWA recognize that each agency often has limited resources to process projects through the obligation/authorization phase. When a request is made for projects to be expedited, MoDOT and FHWA will communicate at the MoDOT Financial Services Administrator (Program Team)/FHWA Financial Manager level. The communication is preferred primarily by email to document approval of the request.

II. CONFLICT RESOLUTION

Historically, FHWA and MoDOT have benefited from an excellent working relationship. This Agreement intends to build upon this history by establishing a framework to further promote the existing partnership. This Agreement establishes the following procedures to resolve conflict, streamline processes and build a team spirit to achieve maximum success.

- We will confer on a regular basis. If there is a major programmatic issue, the party bringing the concern to the table shall communicate the concern in writing.
- We agree, to the maximum extent possible, that issues involving the two agencies shall be resolved at the staff level.
 - When issues arise that cannot be resolved at the staff level, we agree resolution of the issue will be sought at the MoDOT staff's manager/administrator level and FHWA Financial Specialist.
 - When resolution of the issue cannot be realized at this management level, we agree the issue will be elevated to the MoDOT Financial Services Director/Assistant Director and FHWA Financial Manager and Program Development Team Leader.
 - Issues unresolved at the second level will be elevated to the MoDOT Chief Financial Officer and FHWA Deputy Division Administrator.
 - If issues are still unresolved, they will be elevated to MoDOT Director and FHWA Division Administrator.

III. ROLES, RESPONSIBILITIES AND PERFORMANCE EVALUATION

The purpose of this Partnering Agreement is to ensure MoDOT's Finance Program is in conformance with state and federal laws and regulations while adhering to the MoDOT/FHWA Stewardship and Oversight Agreement.

- A. FHWA's Role is to ensure the Financial Program is conducted in accordance with federal laws and regulations while implementing FHWA's Performance Plan and required stewardship and oversight. FHWA will:
 - 1. Offer invitations (with appropriate notice) to MoDOT for meetings where topics of mutual interest will be discussed;
 - 2. Provide federal oversight of the Financial Program through program reviews, project reviews, spot checks and other practical methods;
 - 3. Collaborate with MoDOT on at least one program review or process improvement effort each year;
 - 4. Work with MoDOT during the development of FHWA's performance plan to ensure it aligns with any measures in the current transportation legislation.

- B. MoDOT's Role is to ensure the Financial Program is conducted in accordance with state and federal laws and regulations while implementing the Mission, Values, and Tangible Results outlined in MoDOT's Tracker. MoDOT's Financial Services section functions as a liaison between FHWA and MoDOT district offices. MoDOT will:
1. Offer invitations (with appropriate notice) to FHWA for meetings when topics of mutual interest will be discussed;
 2. Maintain a complete Financial Services project file;
 3. Discuss with FHWA any changes to financial policies affecting federal aid projects prior to implementation;
 4. Provide consistent stewardship and oversight of the federal-aid program in the finance area;
 5. Cooperate and participate in program and project spot check reviews;
 6. Confer with FHWA Division finance staff when issues, questions, and concerns arise within the Financial Program;
 7. Collaborate with FHWA on at least one program review or process improvement effort each year;
 8. Participate in FHWA risk assessment and determine if any performance action(s) are warranted. The MoDOT Tracker is used to monitor state DOT performance measures.

The following activities require coordination between MoDOT and FHWA to attain reviews/approvals within the agreed timeframes. In this agreement, all reference to days denotes business days (unless otherwise stated). MoDOT and FHWA agree to work as true partners to ensure the success of the Finance Program.

Activity	Authority	Frequency	Performance Measure	MoDOT Actions	FHWA Actions
Appropriations, Allotments, Obligations	31 USC 1341(a)(1)(A) & (B); 31 USC 1517(a); 23 USC 118(b); 23 USC 121	Quarterly	Obligation of all available federal aid funds by the program deadline. Percent of local program funds obligated reported through Tracker.	MoDOT will monitor appropriations, allotments, and obligations to ensure that all funding is used efficiently and in accordance with state and federal laws and regulations within each quarter and use all Obligation Authority (OA) by the end of the year. This will be completed while implementing MoDOT's Tangible Results priorities and goals.	FHWA will communicate funding notices to MoDOT, within 1 – 2 working days.
August Redistribution	Annual FHWA Notice	Annually	MoDOT will report to FHWA its request for August redistribution by the requested due date each year.	MoDOT will prepare reports to document the unneeded balances of fiscal year obligation limitation subject to lapse annually, by the established due date.	FHWA will review MoDOT's plan and submit to OCFO for processing by the established due date.

Activity	Authority	Frequency	Performance Measure	MoDOT Actions	FHWA Actions
Authorize Current Bill (CB)(Note: this action cannot be assumed by State)	23 CFR 140; 23 CFR 635.122, Updated Actions Needed to Reduce Improper Payments Memo, June 22, 2020	Weekly or as scheduled by MoDOT	<p>MoDOT will submit the bill by 1:00pm a day prior to the payment date.</p> <p>FHWA will approve the bill no later than 10:30 a.m. central time on the requested payment date.</p> <p>% of CB credits switching costs on same project.</p> <p># of CB credits for charges to wrong project.</p> <p>\$ and # of CB credits processed (<\$10,000 and =>\$10,000)</p>	<p>MoDOT will charge costs related to federal projects and programs in accordance with state and federal laws and regulations. MoDOT will accumulate eligible costs and request reimbursement from FHWA on a weekly basis, provide FHWA a detailed description of what caused credits totaling \$10,000 or greater and verification that cost billed more than 90/120 days after the end date have an approved extension of time in FMIS to liquidate and submit the final voucher per 2 CFR 200.344. The Current Bill End Date Tracker report is utilized to ensure payments are only requested for cost incurred within the period of performance and submitted through the Current Bill within the 90/120 days after the end date as prescribed by 2 CFR 200.344.</p>	<p>FHWA will process payments to MoDOT on a weekly basis or as scheduled in accordance with federal laws and regulations while implementing FHWA's Performance Plan and required stewardship and oversight.</p>
Earmark/Discretionary Funds	31 USC 1341(a)(1)(A) & (B); 31 USC 1517(a); 23 USC 118(b); 23 USC 121	Semi-annually or as requested	<p>MoDOT will report to FHWA as requested the analysis of Earmark/Discretionary funds & associated projects by the due date.</p>	<p>MoDOT will monitor earmarks and discretionary funds to ensure that all funding is used efficiently and on eligible projects</p>	<p>FHWA will review earmark reports to monitor status of repurposed earmark funding and coordinate with MoDOT to ensure funds are fully utilized.</p>

Activity	Authority	Frequency	Performance Measure	MoDOT Actions	FHWA Actions
Inactive Projects	23 CFR 630.106(a); FHWA memorandums dated May 12, 2017	Quarterly	% of inactive obligations to MO's annual apportionment. % authorizations with expenditures within 270 days. % of inactive projects with \$0 expended	<p>MoDOT will proactively monitor active and inactive projects, report project status by established deadlines and adjust the federal funds to the current best estimate of cost.</p> <p>MoDOT will provide complete justifications for inactive projects in the SharePoint inactive report 45 calendar days prior to quarter end.</p> <p>MoDOT will provide responses to FHWA request for additional information within 5 days.</p> <p>If a project obligation is deemed improper, MoDOT will submit the final voucher, project adjustment, withdrawal, etc. at least 10 days prior to quarter end.</p>	<p>FHWA will have 10 days to review the report and concur or request additional information.</p> <p>FHWA will approve FMIS approval action for all funding adjustments sent at least 10 days prior to quarter end.</p>
Innovative Finance	TIFIA - 23 USC 601-609, GARVEEs - 23 USC 122; GARVEE Guidance 3/14, SIB - NHS Act Section 308; 23 USC 610; SIB Guidance 3/14	As needed		<p>MoDOT will consider new and innovative financial solutions offered by FHWA.</p> <p>MoDOT will work with FHWA to continuously search for possible sources to identify new highway financing tools</p> <p>MoDOT will submit annual updates for SIB, GARVEE and Toll Credit Reporting by the established deadline.</p>	<p>FHWA will advise MoDOT of new innovative financial tools to advance and complete transportation projects.</p> <p>FHWA will review the annual updates for SIB, GARVEE and Toll Credit Reporting and submit to DA for approval to meet established deadlines.</p>
Indirect Cost Allocation (ICAPs)	2 CFR 200 Subpart E, FHWA memo 9/4/15	Annually	MoDOT will submit additive rate updates by May 15 each year.	MoDOT will submit additive rate updates annually to FHWA for review and approval.	FHWA will review and approve prior to June 30 each year when rates package is submitted timely.

Activity	Authority	Frequency	Performance Measure	MoDOT Actions	FHWA Actions
Obligate funds/approve Federal-aid Agreements (project authorization) (Note: this action cannot be assumed by State)	23 CFR 630, Subpart A	As needed	FMIS transactions will be processed timely and accurately. FHWA will approve or return 90% of FMIS actions within 10 days consistent with new Project Authorization Process. FHWA will approve or return project returns within 5 days. # of conditional approvals and related areas # of expedited project approval requests	All Federal-aid Agreements submitted by MoDOT to FHWA will be fully funded and have the appropriate program approvals (e.g. PS&E, ROW, force account, NEPA). MoDOT will evaluate projects authorized but not awarded within 6 months to determine if the authorization should be withdrawn or the cost estimate and period of performance end date should be adjusted.	FHWA will review and approve Federal-Aid Agreements within the established timeframes.
Oversight, FIRE Program	FHWA Order 4560.1C (Or as superseded)	As needed		MoDOT will be responsible for administering the federal-aid program for the state and will use a risk-based approach to implementing adequate controls to ensure compliance with federal laws and regulations. MoDOT will ensure staff access to FMIS/Current Bill is monitored for authorized use only.	FHWA will provide oversight as it relates to Financial Review and Evaluation (FIRE) Program through risk assessments and related process reviews, spot checks or other practiced methods. FHWA will monitor FMIS access monthly and Current Bill access quarterly to manage system security.
PE/ROW Payback	23 CFR 630.112(c)(1) & (2), FHWA Order 5020.1A	Annually	MoDOT will report to FHWA the list of PE & ROW payback projects including any requests for extension by March 31 each year.	MoDOT will review PE/ROW projects for potential repayment if they have not gone to ROW or construction in 10 or 20 years, respectively. An extension may be requested for projects not meeting the timeframes.	FHWA will develop the PE/ROW Report and submit it to MoDOT by January 31 FHWA will assess MoDOT's PE/ROW payback response for completeness and approve properly submitted time extensions within 10 days.

Activity	Authority	Frequency	Performance Measure	MoDOT Actions	FHWA Actions
Project Closure	49 CFR Part 18; 2 CFR 200.344	Monthly	FHWA will approve or return 90% of final vouchers within 30 calendar days. % of projects with an Unexpended Balance of <=10% and No Expenditures in >=15 months # of open projects after 12 months of reaching 95% expenditure of obligations (with no end date) % of funds deobligated at final voucher (fv) to apportionment Average \$ released at fv	MoDOT will submit projects for closure within 120 days (90 days for projects authorized prior to 11/12/20) after the period of performance end date. The timelines for conversion of funds and subsequent closure will be based on sound financial management practices.	FHWA will review and approve project closures within the established timeframe.
Transfer of Funds between programs or to other FHWA offices or agencies as requested by State	23 USC 126, FHWA Order 4551.1	As needed	FHWA will approve or return the transfer within 10 days	MoDOT will submit requests for transfer. Staff will monitor transfers for timely processing.	FHWA approves and processes the funding transfers between programs, to other States, to other agencies, and to FHWA HQ, Federal Lands, or Research offices. Staff will monitor transfers for timely processing.

IV. PROGRAM RISK ASSESSMENT

The objective of FHWA's risk management process is to establish a consistent approach to identify and prioritize program area risks. Applying the principles of risk makes it possible to identify threats and opportunities; assess and prioritize those threats and opportunities; and determine and prioritize strategies so that we can decide how to address future issues affecting the Federal-aid Highway Programs.

MoDOT Financial Services Staff and FHWA agree to coordinate yearly meetings to identify Finance Program risk areas for the next performance year.

The Finance Risk Assessment process identified the following top three risks for PY22 (performance year) which will be monitored and addressed collaboratively:

- Improper Payments
- Project Monitoring
- Training

V. COMMUNICATION WITH MANAGEMENT

MoDOT and FHWA will keep management informed of our activities and how our agreement to partner is working by communicating important or controversial issues to management immediately. We will use the "no surprise philosophy" by providing management with updates as needed.



Todd Grosvenor
Financial Services Director
Missouri Department of Transportation
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Sandra Moeller
Financial Manager
Federal Highway Administration – Missouri Division
Date: 3/29/2022