



NDOR's expectations for the LPA's overall accounting system include:

1. LPA's should have an accounting system framework that provides for systematic accounting and reporting of its financial transactions, in accordance with any applicable State laws, regulations and sound financial administration and accounting principles. NDOR does not require a particular "basis of accounting" (cash, accrual, modified accrual, etc.) nor does it establish which type of funds or accounts should be established and used. – If the "cash basis" is used, additional measures may be necessary to identify and keep track of: project expenses that are owed to outside parties but have not been paid and billings to NDOR that have not been reimbursed.
2. LPA's should have a system of internal controls in place to ensure that its transactions are properly reported within their accounting framework, that assets are properly safeguarded and used solely for authorized purposes and that expenditures are in compliance with applicable laws, regulations, restrictions, etc.
3. To the extent practical, there should be adequate segregation of duties. In general, no one person should be able to complete or control all aspects of an accounting transaction or process, without at some point having a different person review and/or approve the action(s) taken. If proper segregation of duties cannot be achieved, there should be compensating oversight/review procedures in place to reduce the risk of errors and misstatements.
4. If the accounting system is not capable of tracking costs by specific highway projects, or the LPA chooses not to use it in that manner, the LPA should utilize a ledger or spreadsheet system of some sort to accumulate a record of costs incurred and to organize it in a manner that will allow for comparison to budgeted/estimated amounts and show the total cost accumulated to date. A method should also be devised to track reimbursement requests submitted to NDOR.
5. LPA's should arrange for independent audits of its financial reports in accordance with State and Federal laws, regulations, etc. The audit reports, if obtained should be provided to NDOR as required by project agreement.

NDOR's expectations for project related cost documentation and transactions include:

6. Project documents should be organized and maintained in accordance with LPA Manual Chapter 3, Section 3.5 – Project File Organization.
7. All supporting project documentation should be retained by the LPA until the approved record retention requirements have been met.
8. Financial transaction documents associated with NDOR projects should be assigned a unique identifier; such as NDOR's project number, control number, agreement number, project description or a work order/job order number consistent with the framework of the accounting system. This identifier should be written, stamped or inscribed in some fashion, on all project related documents. It is especially important that the identifier be shown on all project related expense invoices from vendors, consultants, contractor's, etc., in order to provide assurances that the expenses are project related and to prevent re-use on other projects.
9. Actual costs incurred should be compared, by category (e.g. labor. Materials, etc.) to the original amounts budgeted periodically (e.g. monthly or quarterly). This cost comparison can be used to 1) monitor progress; 2) address budgetary needs when quantities increase/decrease and make modifications in a timely manner and 3) assist in identifying potential error or misuse of federal-aid funding.



NDOR's expectations for documentation of costs incurred by outside parties such as consultants, contractors, vendors, etc. include:

10. LPA's should have control procedures in place to ensure that project expenses are supported by vendor invoices which are clearly identified to the project, are valid, necessary and within the scope of the authorized work, have been properly approved by appropriate officials and are otherwise in accordance with the terms of the project agreement, contracts, etc.
11. Prior to authorization for payment, invoices from consultants, contractors and other vendors should be reviewed to ensure that the billed amounts are attributable to the project and are indicative of allowable and eligible project expenditures. The accuracy of vendor's invoice computations should be verified. Periodically, construction contractor progress estimates should be reviewed for reasonableness of percentage of project completion and comparison of billed construction units and prices to bid quantities and prices.
12. The individual(s) reviewing the vendor invoices and payment reviews and authorizing payment should document their efforts by signing and dating the reviewed documents to note that these reviews have been made.
13. Periodically, qualified LPA personnel should select a sampling of billed costs to determine if the quantities, unit prices and other rates on vendor invoices are supported by adequate accounting documentation. For example, consultants could be asked to provide copies of time sheets to support the labor hours or vehicle logs to support miles billed, or payroll reports to support the labor rates billed. Or, for construction items that are based upon delivered unit quantities, weight tickets or vendor sales invoices could be requested and reconciled to the amounts on the contractor billing.

NDOR's expectations for direct and indirect project costs incurred by LPA personnel:

14. LPA labor hours charged to the project must be supported by individual time sheet distribution reports. The time sheet reports must clearly indicate the distribution of hours to all activities on a daily basis for the entire pay period, and there must be a system in place to ensure that the reports are approved by appropriate supervisory personnel. NDOR project hours must be clearly shown with the project's unique identifier description used for all project documentation, and indicate the appropriate work phase; i.e., P.E., ROW, Utilities, Railroad, Construction or C.E.
15. Labor rates must be billed at the actual supported rates in accordance with the terms of the project agreement.
16. Labor fringe benefit items and associated employer taxes will be allowed, but the method of allocating these costs to project labor must be approved by NDOR and FHWA.
17. Vehicle and equipment use hours billed to a project must be supported by reports. The reports should account for all hours on a daily basis and project hours should be clearly shown with the project's unique identifier number/description. If possible the reports should show who used the equipment and the work phase.
18. Vehicle and equipment use reimbursement rates must be billed at actual supported rates or established rates in accordance with the terms of the project agreement.
19. Other direct expenses must be supported by appropriate cost documentation and clearly shown to be attributable to the project, and marked with the project's unique identifier.



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20. Indirect costs may be reimbursable if the LPA has developed an indirect cost allocation plan in accordance with 2 CFR 225, formerly OMB Circular A-87 – Cost Principles for State, Local and Indian Tribal Governments, and the plan has been reviewed and accepted by the FHWA or the LPA's designated federal cognizant agency.

NDOR's expectations for project cost reimbursement requests:

21. The LPA's reimbursement requests submitted to NDOR must be prepared and submitted in accordance with LPA Manual Chapter 13 – Reimbursements.
22. Special attention should be directed toward ensuring that reimbursement is not requested for costs which were incurred prior to federal and state authorization dates or after completion deadline dates.
23. There should be controls in place to ensure that reimbursement from NDOR is properly recorded and reported within the accounting system and that reimbursement amounts are reconciled to the billings submitted to NDOR.
24. All project records and documentation supporting the reimbursement requests should be readily accessible and available for review and audit inspections by NDOR, FHWA or their representatives.