

CHAPTER V

PAYMENT PROCEDURES

1. GENERAL

- a. Payment Methods. FTA makes most payments by the Automated Clearing House (ACH) method of payment, regardless of the money amount involved. The cash payments to recipients are made using various methods of payments:

- (1) Electronic Clearing House Operation (ECHO) Payment,
- (2) Requisition Payment, and
- (3) Fedwire.

Under these payment methods, FTA provides payment to recipients by electronically/check/wire to the recipient's financial institution.

Office of Management and Budget (OMB) Circulars A-102, A-110 and 31 C.F.R. Part 205, govern payment to recipients for financing operations under Federal grants and cooperative agreements, and other programs. These regulations require that payment to a recipient be limited to the minimum amounts needed and timed so as to be in accord only with the actual, immediate cash requirements of the recipient in carrying out the approved project. For further information regarding cash management procedures, refer to the FTA "ECHO System Users Manual for Grantees."

- b. Disallowed Costs. In determining the amount of Federal assistance FTA will provide, FTA will exclude:

- (1) Any project costs incurred by the recipient prior to the date of either the approved grant or the approved project budget (whichever is first), unless otherwise permitted by Federal law or regulation or unless an authorized representative of FTA states in writing to the contrary; and
- (2) Any costs attributable to goods or services received under a contract or other arrangement that is required to be, but has not been, concurred in or approved in writing by FTA.

The recipient agrees that reimbursement of any cost in accordance with indicated payment methods for an approved grant or cooperative agreement does not constitute a final FTA decision about the allowability of that cost and does not constitute a waiver of any violation by the recipient of the terms of approved grant or cooperative agreement. The recipient understands that FTA will not make a final determination about allowability until an audit of the project has been conducted. If the government determines that the recipient is not entitled to receive any part of the Federal funds requested, the government will notify the recipient stating the reasons. Project closeout will not alter the recipient's obligation to return any funds due to FTA as a

result of later refunds, corrections, or other transactions. Nor will project closeout alter FTA's right to disallow costs and recover funds on the basis of a later audit or other review. Unless prohibited by law, FTA may offset any Federal assistance funds to be made available under this project necessary to satisfy any outstanding monetary claims that FTA may have against the recipient. Exceptions pertaining to disallowed costs are set forth in FTA directives or in other written Federal guidance.

- c. Requirement to Remit Interest. The Recipient agrees that:
- (1) Any interest earned by the recipient on Federal funds must be remitted to FTA, except as provided by 31 U.S.C. Section 6503, or the Indian Self-Determination Act, 23 U.S.C. Section 450, and any regulations there under that may be issued by the U.S. Secretary of the Treasury.
 - (2) Irrespective of whether the recipient has deposited funds in an interest-bearing account, the recipient agrees to pay to FTA interest on any FTA funds that the recipient has drawn down and failed to spend for project activities. Unless waived by FTA, interest will be calculated at rates imposed by the Secretary of the Treasury beginning on the fourth business day after the funds were deposited in the recipient's bank or other financial depository. This requirement does not apply to any recipient that is a State, State Instrumentality, or Indian Tribal Government.
 - (3) Upon notice by the FTA to the recipient of specific amounts due FTA, the recipient agrees to promptly remit any excess payment of amounts or disallowed costs to FTA, including any interest due thereon.
- d. Bond Interest. To the extent permitted by FTA, bond interest is an allowable cost.
- e. De-obligation of Funds. FTA reserves the right to de-obligate unspent Federal funds prior to project closeout.
- f. Right of FTA to Terminate. The recipient agrees that, upon written notice, FTA may suspend or terminate all or part of the financial assistance provided herein if the recipient is, or has been, in violation of the terms of the approved grant or cooperative agreement, or if FTA determines that the purposes of the statute under which the project is authorized would not be adequately served by continuation of Federal financial assistance for the project. Any failure to make reasonable progress or other violation of the approved grant or cooperative agreement that significantly endangers substantial performance of the project shall be deemed to be a breach of the approved project.

In general, termination of any financial assistance under the approved project will not invalidate obligations properly incurred by the recipient and concurred in by FTA before the termination date, to the extent those obligations cannot be canceled. However, if FTA determines that the

recipient has willfully misused FTA assistance funds by failing to make adequate progress; to make reasonable use of the project real property, facilities, or equipment; or to honor the terms of the approved grant or cooperative agreement, FTA reserves the right to require the recipient to refund the entire amount of Federal funds provided therein or any lesser amount as may be determined by FTA.

Expiration of any project time period established for the project does not, by itself, constitute an expiration or termination of the approved project.

Neither the receipt by the recipient of any Federal funds for the project nor the closeout of Federal financial participation in the project shall constitute a waiver of any claim that FTA may otherwise have arising out of the approved project.

- g. Cash Depositories. In accordance with Common Rule 49 C.F.R. Section 18.21(h), recipients and sub-recipients are encouraged to use minority banks (a bank that is owned at least 50% by minority group members) to be consistent with the national goal of expanding the opportunities for minority business enterprises.

2. ELECTRONIC CLEARING HOUSE OPERATION PAYMENT METHOD.

- a. Objective. If payment is made under ECHO, by means of an ECHO Control Number (ECN), the recipient agrees to comply with the following ECHO requirements pursuant to OMB Circulars A-102, A-110, and 31 C.F.R. Part 205 and as established by the "Guidelines for Disbursements" set forth in the FTA ECHO System Users Manual for Grantees.

- b. Policy.

- (1) The recipient may initiate cash drawdowns only when actually needed for immediate disbursement required for project purposes. Accordingly, the recipient agrees to expend all Federal funds obtained under the project for project purposes no later than three business days after receipt of those funds.

Failure to expend those Federal funds within three business days of their receipt or to return the funds to FTA within a reasonable period, or an unwillingness or inability on the recipient's part to establish procedures that will minimize the time elapsing between cash advances and the disbursement shall cause FTA to revoke or temporarily suspend the recipient's ECHO Control Number and the recipient's access to the ECHO System. In addition, failure to honor these requirements may result in other remedies authorized by Federal law or regulations.

- (2) The recipient agrees to report its cash disbursements and balances in a timely manner as required by FTA, OMB Circulars A-102, A-110, and 31 C.F.R. Part 205 and as established by the "Guidelines for Disbursements" set forth in the

FTA ECHO System Users Manual for Grantees, through completion of the "Status of Federal Funds Report" when required.

- (3) The recipient agrees to provide for control and accountability for all project funds consistent with Federal requirements and procedures for use of the ECHO system.
 - (4) The recipient may not draw down funds for a project in an amount that would exceed the sum obligated by FTA, or the current available balance for that project.
 - (5) The recipient shall limit drawdowns to eligible project costs and refrain from drawing down Federal funds before they are needed for disbursement.
 - (6) The recipient agrees to all applicable requirements in accordance with paragraphs 2b(1) through (5) on its sub-recipients.
- c. Procedures to Apply for Electronic Clearing House Operation (ECHO). The following reference is a brief outline of the procedures under the ECHO method of reimbursement.
- (1) FTA determines that a recipient should be funded under the ECHO method and sends the recipient an "ECHO Systems Users Manual" which includes the applicable information and forms required to establish an ECHO Control Number (ECN). Additionally, the FTA project manager may request that you submit an estimated outlay of your drawdowns in per year in accordance with the ALI of the project. It should be noted, at the FTA project manager's discretion, would the recipient's project be approved for ECHO payment. Be sure to discuss **with the FTA project manager whether your project can be set-up for ECHO payments** before completing and submitting the appropriate forms.
 - (2) The responsible FTA office must approve all projects under the ECHO method an ECN can be authorized for the recipient organization, which also applies to existing active projects that are currently being paid via the requisition method.
 - (3) The recipient completes and returns to FTA an original Signatory Authorization and Certification letter (see Exhibit II) and a Payment Information Form (see Exhibit I).
 - (4) FTA reviews the completed forms and when approved, initiates the process to establish the recipient on the ECHO system.
 - (5) FTA furnishes the recipient a notification for establishment of an ECN and provides the password for ECHO access by certified mail.

- (6) Following the effective date of the ECN, the recipient may transmit an ECHO draw down request message to FTA in order to receive funds necessary to meet immediate cash disbursement needs.
- (7) The ECHO System processes the recipient's message. If FTA notes no problems, the amount requested or a partial amount is transmitted to Treasury for payment via the Electronic Certification System (ECS).
- (8) Treasury electronically transfers the payment to the recipient's financial institution within 24 hours.
- (9) In the event a recipient receiving funds by an ECN demonstrates an unwillingness or inability to establish procedures to minimize the time elapsing between the withdrawal of funds under the ECN and the disbursement of such funds, FTA will cancel the ECN to the extent of the undisbursed balance not obligated in good faith in execution of the Federal project as authorized, and require the recipient to finance its operations with its own working capital.
- (10) FTA encourages issuance of a single consolidated ECN to cover all payments to a recipient for project programs covered by this circular. If the recipient or FTA administrative needs require more than one ECN, FTA must approve issuance of another. In no instance may one project be included on more than one ECN.

d. Recipient Organization Requirements.

- (1) Signatory Authorization and Certification. The recipient organization must submit the original Signatory Authorization and Certification Letter containing the signature of the Authorizing Official (s), signature of the head of the organization or designee, contact person and the official stamp/seal of the organization.
- (2) Payment Information. The recipient organization must complete all the information and submit the original Payment Information Form containing the organization's contact person, bank account and routing numbers, and the original signatures of the organization's authorizing official and bank representative.
- (3) Request for Payment on ECHO. The recipient organization must access the ECHO System each time funds are needed to meet current cash disbursement needs. The instructions for accessing the ECHO System are included in the FTA ECHO System Users Manual for Grantees.
- (4) Planning ECHO Withdrawals. The recipient organization must exercise sound financial judgment and planning to ensure that the requirements for maintaining minimum cash balances are met.

e. Rejection of Messages. ECHO will edit the transmitted message for errors, deficiencies, or omissions that may require the rejection of all or part of the request:

- (1) The approved grant or cooperative agreement has not been received in the accounting office, which initiates the authorization to disburse funds.
 - (2) The amount requested for a project is greater than the unexpended balance on that project. If such is the case, only the drawdown request for the project will be rejected. If the message is for one project, then the total message is rejected; but if the message contains more than one project, then only the drawdown for that project is rejected, not the total message.
 - (3) The breakdown of amounts requested for each project does not sum to the total amount claimed.
 - (4) The total amount requested is \$50,000,000 or more and at least 48 hours prior notice was not given.
 - (5) There are excessive funds in the hands of the recipient organization as determined by FTA.
 - (6) A written request has been received from FTA officials to withhold payment for a reason other than those listed above.
- f. Excessive or Premature Withdrawals. In accordance with the Common Rule at 49 C.F.R. Section 18.21, when excessive cash is being held by a recipient, FTA must request a refund of the excessive cash and, if the recipient is not a State Government or an instrumentality of the state, the interest earned on those funds must be returned at least quarterly (Verify See OMB A-87). However, FTA requires that interest on excess cash held be remitted irrespective of whether the excess funds were deposited into an interest-bearing account. Interest will be calculated at rates imposed by the Secretary of the Treasury beginning on the fourth day after the funds were deposited in the recipient's bank or other financial depository. This requirement does not apply to any recipient that is a State, State Instrumentality, or Indian Tribal Government.
- (1) Exceptions. The only exceptions to the requirement for prompt refunding are when the funds involved:
 - (a) Will be disbursed by the recipient within seven calendar days; or
 - (b) Are less than \$10,000 and will be disbursed within 30 calendar days.

These exceptions to the requirement for prompt refunding should not be construed as approval for a recipient to maintain excessive funds. They are applicable only to excessive amounts of funds that are erroneously drawn.
 - (2) Return of Funds. The return of funds is accomplished as follows:
 - (a) FTA requests the recipients to remit the excessive cash and any interest to FTA by a check made payable to the Federal Transit Administration. If a

single check is used to remit both the premature withdrawal and the interest, the amount of each must be separately identified; and

- (b) The check (s) are to be mailed to the FTA lockbox facility (see paragraph h(2) below) and be accompanied by a letter explaining the purpose of the check(s) and identifying the project number. A copy of the check and the letter should be sent to the FTA project manager at the Headquarters Office with a copy to the Office of Budget and Policy, Accounting Division, TBP-24.
- g. Repayment to FTA. FTA program managers will be alert to any information that may indicate a potential repayment. The following are possible reasons for payments becoming due to FTA:
 - (1) insufficient non-Federal funds to match Federal payments;
 - (2) the sale of project equipment; or
 - (3) excessive Federal funds in the project account.
- h. Repayment Procedure. Required repayments must be made promptly to FTA. The recipient is instructed to:
 - (1) Make the check payable to "Federal Transit Administration;"
 - (2) Mail all checks to the FTA lockbox facility at:

U. S. Department of Transportation
Federal Transit Administration
P. O. Box 360324M
Pittsburgh, PA 15251-6324
 - (3) If \$10,000 or more, the amount should be wired to FTA using Treasury's New York City Federal Reserve Bank for deposit to FTA Agency Location Code (ALC) 69080001, ABA # 021030004;
 - (4) Specify applicable project number(s) on the check;
 - (5) Provide written explanation as to purpose of payment;
 - (6) Send a copy of the check and the explanatory letter to the recipient's project manager at FTA Headquarter's office; and
 - (7) If the project is on ECHO, the amount may be repaid through a credit on the FTA drawdown message. This credit must be shown in full and not netted against any amount being claimed on the same project, unless an appropriate credit is shown for the original project, with a charge to the new project. Payments of interest must be made by check.

- i. Revocation of ECHO Control Number (ECN). An ECN will be revoked when it has been determined that the recipient has demonstrated an unwillingness or inability to establish procedures to withdraw only the amounts necessary to meet current disbursement needs and to time withdrawals as closely as possible to the actual cash disbursements.

3. **REQUEST FOR ADVANCE OR REIMBURSEMENT (SF-270)**.

- a. General. If the requisition method of payment is used, the recipient agrees to:
 - (1) Complete and submit "Payment Information Form - ACH Payment System" to FTA's Accounting Division. Under ECHO Control Number (ECN) insert: Not Applicable (N/A).
 - (2) Complete and submit Standard Form 270, "Request for Advance or Reimbursement," to the designated FTA office. No other document need accompany this form. An original and one copy should be sent to FTA.

Upon receipt of a payment request, FTA will authorize payment by ACH deposit if the recipient is complying with its obligations under the approved grant or cooperative agreement; has satisfied FTA that it needs the requested Federal funds during the requisition period; and is making adequate progress toward the timely completion of the project. If all these circumstances are present, FTA may reimburse apparent allowable costs incurred (or to be incurred during the requisition period) by the recipient up to the maximum amount of Federal funds payable through the fiscal year in which the requisition is submitted, as stated in the project budget.

- b. Instructions. Instructions for completing an SF-270 are printed on its reverse side. In addition, the following instructions should assist recipients in completing this form.
 - (1) Only the total column on this form should be completed, unless the project involves more than one funding ratio. In such instances, the other columns are also to be used.

In addition, recipients may elect to round all figures to the nearest dollar; i.e., amounts of \$.50 or over would be rounded to the higher dollar. For example: If the non-Federal share is computed to be \$2,572.70, the amount reported would be \$2,573.
 - (2) Block #5--All requisitions should be numbered consecutively beginning with #1 as the first requisition.
 - (3) Block #8--The first requisition covers the date of the project approval letter through the end of the period for which reimbursement is requested. When a requisition requests reimbursement only, the "ending" date will be the same date on which outlays are reported on line 11a of this form. If the reimbursement

and/or an advance is being requested, the 'ending' date should reflect the period through which the advance funds are needed.

All requisition report periods should run consecutively. For example, if a requisition is submitted for the period 1/1/02 to 3/31/02, the next requisition will begin 4/1/02.

- (4) Block #9--The name of the recipient should be exactly as indicated on the grant or cooperative agreement.
- (5) Block #11--Line A--The "as of" date should be the date for which the recipient has actual costs recorded. This date should be the same as the "to" date, Block #8, unless the recipient is requesting an advance.

Line B--Represents the amount applicable to program income that was required to be used for the project or program by terms of the grant or cooperative agreement, or other agreement.

Line D--Represents the estimated expenditures for the advance period, both FTA share and the local share.

Line F--Non-Federal share of line E, depending on the funding ratio for a particular project. If anything other than those percentages, the reason should be specified.

Line G--Federal share of line E, depending on the funding ratio for a particular project.

Line H--Total of previous requisition(s) submitted. This line should not represent actual checks received because the recipient may have submitted a requisition that is in the process of being paid. On Requisition #1, this line should be "zero".

Note that recipients should only complete the "total" column of Block #11, unless the project award letter or grant or cooperative agreement specified that there is more than one funding source supporting the project. In such cases, separate columns should be utilized for each funding source.

- c. Review of the SF-270. Each SF-270 for funds will be reviewed in light of the periodic progress reports and financial reports required for each project.