

INSTRUCTIONAL MEMORANDUMS

To Local Public Agencies



To: Counties and Cities	Date: March 2, 2021
From: Local Systems Bureau	I.M. No. 6.110
Subject: Final Review, Audit, and Close-out Procedures for Federal-aid, Federal-aid Swap, and Farm-to-Market Projects	

Contents: This Instructional Memorandum (I.M.) provides guidelines and procedures for closing-out Local Public Agency (LPA) Federal-aid, Federal-aid Swap, and Farm-to-Market (FM) projects, including field inspections, final project reviews, final audits, final reimbursements and records retention. This I.M. includes the following attachments:

[Attachment A](#) – Project Close-out Process Overview Flowchart. This attachment illustrates the entire project close-out process. It also directs the reader to the appropriate flow chart for the final review, audit, and payment of construction work, depending on the type of project.

[Attachment B](#) – Final Review and Audit Process Flowchart – Highway or Bridge Construction. This attachment illustrates the final review, audit, and payment process for traditional highway and bridge construction contracts that are let by the Iowa DOT and use the Iowa DOT Standard Specifications.

[Attachment C](#) – Final Review and Audit Process Flowchart – Non-highway Construction, DOT Specifications. This attachment illustrates the final review, audit, and payment process for non-highway type construction contracts that use the Iowa DOT Standard Specifications. These may be let at the Iowa DOT or locally*. They may include trails or landscaping / scenic improvement projects, such as those funded by the Transportation Enhancement, Federal Recreational Trails, Scenic Byways, and Safe Routes To School programs.

[Attachment D](#) – Final Review and Audit Process Flowchart – Non-highway Construction, Non-DOT Specifications. This attachment illustrates the final review, audit, and payment process for non-highway construction contracts that do not use the Iowa DOT Specifications. These may be let at the Iowa DOT or locally*. In addition to the kinds of projects listed for Attachment C above, these may include building restoration or renovation projects.

*For more information on the types of contracts that may be let locally, refer to [I.M. 5.120](#), Local Lettings – Federal-aid.

[Attachment E](#) – Pre-audit Checklist for Local Public Agency Projects ([Word](#)). This attachment includes a checklist and instructions to guide the LPA's Project Engineer through the pre-audit process and prepare for a final audit. This checklist will also be used by the Iowa DOT staff when performing the final construction contract audit.

[Attachment F](#) – Final Forms Packet Checklist ([Word](#)). This attachment includes a checklist and instructions that describe the necessary forms and documents that should accompany the Project Engineer's request for approval of final payment to the Contractor.

This I.M. is written for projects utilizing Doc Express. In the rare circumstance that a project is not required to utilize Doc Express, consult with the Administering Bureau on the preferred method for transmitting documents.

Introduction

The primary objective of this I.M. is to document the process for closing-out Federal-aid, Federal-aid Swap, and FM projects, and set expectations, for both LPA and Iowa DOT staff, concerning the amount of time required to complete this process. Timely completion of the close-out process is very important because of Federal and State laws or regulations that pertain to prompt payment to contractors and subcontractors. The flowcharts included as Attachments [A](#), [B](#), [C](#), and [D](#) of this I.M. provide an estimate of the *minimum* amount of time required to complete each step. However, depending on the circumstances of each project, more time may be required.

Another important objective of this I.M. is to outline the documentation necessary to ensure that the project was constructed in accordance with the approved plans and specifications. In order to effectively carry-out its

responsibilities to oversee the use of Federal funds and state funds, the Iowa DOT reviews some of this documentation. If such documentation is lacking, the Iowa DOT has the responsibility and the authority to deny Federal or state participation in some or all of the project costs.

Besides reviewing the construction documentation, the Iowa DOT is also responsible to ensure that the LPA is adequately staffed and equipped to undertake a Federal-aid, Federal-aid Swap, or FM project. If the Iowa DOT's reviews of an LPA's projects during the close-out process consistently indicate that the LPA is not adequately staffed or equipped, the Iowa DOT has the responsibility and the authority to withhold letting of future Federal-aid, Federal-aid Swap and FM projects until the LPA makes the necessary corrections. [Iowa Code 310.9](#) gives the Iowa DOT authority to withhold letting of future FM projects.

The best way to make the project close-out process run smoothly and quickly is to ensure that proper documentation and records are kept during construction. Some of the documentation reviewed during the close-out process is discussed in [I.M. 6.000](#), Construction Inspection. Therefore, the information contained in [I.M. 6.000](#) should be thoroughly reviewed before beginning either construction or the project close-out process.

Besides [I.M. 6.000](#), the Iowa DOT's [Construction Manual](#) should also be consulted as a resource for construction inspection and close-out procedures. The current version of the Construction Manual is available on-line as part of the Iowa DOT's [Electronic Reference Library](#). In many places throughout this I.M., references to the Construction Manual are provided for additional explanation or information.

Note: LPA and consultant staff should be aware that the Construction Manual is written primarily for use by Iowa DOT staff. Therefore, the terminology it uses reflects the Iowa DOT's organizational structure. For example, references in the Construction Manual to the Resident Construction Engineer (RCE) should be interpreted as referring to the LPA's Project Engineer. Likewise, references to the District Construction Engineer (DCE) correspond to the Local Systems Field Engineer (LSFE), or in the case of projects administered by the Systems Planning Bureau, the appropriate Grant Program Manager or their designee. In addition, the LPA should also recognize that some of the procedures described in the Construction Manual are internal to the Iowa DOT and therefore may not be applicable for LPA administered projects. If you have any questions concerning the applicability of procedures in the Construction Manual, contact the Administering Bureau for assistance.

While not detailed extensively in this I.M., timely completion and review of other non-construction contracts that have Federal-aid, Federal-aid swap, or FM funds, such as consultant, railroad, or utility relocation contracts, are also very important to the project close-out process. When such Federal-aid, Federal-aid Swap, or FM work is complete, the LPA should forward a request for final reimbursement for that work to the Iowa DOT as soon as possible. This enables the final review or audit process, if necessary, for such contracts to begin prior to completion of the construction contract, when possible. Sometimes the final reviews or audits of consultant, railroad, or utility work can take a significant amount of time, and therefore have potential to delay close-out of the project as a whole. For more information regarding these procedures, refer to [I.M. 3.310](#), Federal-aid Participation in Consultant Costs; [I.M. 3.650](#), Federal-aid Participation in Utility Relocations; and [I.M. 3.680](#), Federal-aid Projects Involving Railroads.

The attachments referenced above provide an outline of the entire process for closing-out Federal-aid, Federal-aid Swap and FM projects. The remainder of this I.M. provides additional explanation for each major part of this process. These parts include the following:

Completion of Field Work

The project field work is considered complete when all the Contractor's items of physical work have been completed. In other words, unless some of the work is found to be defective, the Contractor will not need to come back to the project site.

Completion of field work requires some, but not all of the paperwork that will eventually be required from the Contractor. Before accepting the field work as complete, the Project Engineer should obtain the following from the Contractor, as applicable: survey books, the Contractor's Daily Traffic Control Diary, Abandoned Water Well Plugging Record ([DNR Form 542-1226](#)), corrected profilometer reports, and plant reports. In addition, any non-compliances related to field work should be resolved before accepting the field work as complete.

Inspection of Field Work

For Federal-aid and Federal-aid Swap projects, the Project Engineer shall notify the Administering Bureau when it appears the Contractor is approximately 2 weeks from substantial completion of the field work. The Project Engineer shall schedule a final inspection with the Contractor, the Administering Bureau, and themselves. The goal is to complete the final inspection within 2 weeks of substantial completion of the project, weather permitting. While every effort will be made to meet this goal, it is possible that staff availability will not allow this goal to be met for every project. In such cases, the final inspection will be scheduled as soon as possible. During the final inspection, a Final Inspection Punch List will be developed listing all items of work that have not been completed in reasonably close conformity to the contract documents. The Project Engineer shall deliver to the Contractor the Final Inspection Punch List and specify the corrective action that must be taken. A copy of the Final Inspection Punch List shall also be sent to the Administering Bureau for concurrence. Once the Project Engineer determines all of the work is satisfactorily completed, including any corrective actions, the Project Engineer shall send a copy of the final Weekly Report of Working Days ([Form 830238](#)) and documentation of completion of the Final Inspection Punch List to the Administering Bureau.

For FM projects, the process as described above is to be followed, excluding Administering Bureau involvement.

Statement of Completion and Final Acceptance of Work

For Federal-aid and Federal-aid Swap projects, after the field inspections have been completed, and any required corrective actions completed, the Project Engineer shall notify the Administering Bureau in writing. This notice shall specify the corrective actions that have been taken, if any, and request the Administering Bureau's concurrence that the field work is acceptable. The Administering Bureau staff, at its discretion, may spot check these corrections. After obtaining the Administering Bureau's concurrence, the Project Engineer is to submit the appropriate completion form to the Administering Bureau. The form used to document the completion and acceptance of the work depends on the type of specifications used:

For projects using Doc Express and the Iowa DOT Standard Specifications, the Project Engineer shall upload and electronically sign the Statement of Completion and Final Acceptance of Work ([Form 830435](#)).

For all projects paid through the FM Account, [Form 830435](#) must be signed twice by the LPA. The first signature will be the Project Engineer, and the second signature will be the Person in Responsible Charge (PIRC), to represent the Board of Supervisors' acceptance of the field work. A County Board of Supervisors may authorize the County Engineer to sign either the [Form 830435](#) or [Form 640003](#) on its behalf, provided that it has passed and executed a resolution authorizing the County Engineer to do so. For more information, refer to I.M. 6.140, Resolution to allow County Engineer to Certify Completion of Work on Construction Contracts.

For Federal-aid and Federal-aid Swap projects, after the LPA has uploaded and signed [Form 830435](#), the Administering Bureau will then sign it electronically in Doc Express. For FM projects, the Administering Bureau's concurrence and signature is not required.

If the contract does not utilize Doc Express, the Project Engineer shall sign and date the Statement of Completion and Final Acceptance of Work ([Form 830435](#)) and email a copy to the Administering Bureau. For Federal-aid and Federal-aid Swap projects, the Administering Bureau will sign and date [Form 830435](#) and email a copy to the Project Engineer and retain a copy for the Administering Bureau's file. The Project Engineer shall then send a copy to the Contractor.

For projects that use other specifications, the Project Engineer shall sign and date the *top portion only* of the Certificate of Completion and Final Acceptance of Agreement Work ([Form 640003](#)), email a copy to the Administering Bureau and the Contractor, and keep the original in the LPA's file. The only purpose of this submittal is to document the date of completion of the work. It is not intended to be the LPA's approval for final payment. Approval for final payment occurs later, at which time [Form 640003](#) shall be emailed to the Administering Bureau as part of the Final Forms Packet submittal. For more information, refer to [Attachment D](#) and [Attachment F](#).

For Federal-aid and Federal-aid Swap projects, the Project Engineer should not accept the field work as complete by signing the Statement of Completion and Final Acceptance of Work ([Form 830435](#)) or Certificate of Completion and Final Acceptance of Agreement Work ([Form 640003](#)), as applicable, until

both the Project Engineer and the Administering Bureau agree the field work is complete and in reasonably close conformance with the contract documents.

The date of the Project Engineer's signature on [Form 830435](#) or [640003](#) is important, because this date marks the beginning of a 50 day count that is used to determine whether interest may be due to the Contractor. For more information, refer to [I.M. 6.130](#), Interest Payment Procedures.

Federal-aid / Federal-aid Swap / FM Pre-audit Process

Prior to requesting a review and determination of final audit/review from the Administering Bureau, the Project Engineer shall conduct a pre-audit. Within 90 days of completion of construction and/or other activities authorized by the project agreement, the Recipient shall provide the completed pre-audit checklist to the Administering Bureau and request a review and determination of final audit/review; however, if there is an anticipated delay the pre-audit could be started when the project is substantially completed. The pre-audit consists of a thorough review of the construction contract documentation, as specified in the Pre-audit Checklist ([Attachment E](#) to this I.M.). The purpose of the pre-audit is to prepare for a possible audit or review by the Administering Bureau staff. Therefore, when conducting the pre-audit, the Project Engineer shall ensure that all of the documentation associated with the construction contract is complete, correct, and well organized. If the Administering Bureau finds that the documentation is not complete, correct, or well organized, it may defer the final audit or review, if an audit or review is determined to be needed, until the Project Engineer addresses these issues.

As part of the pre-audit process, the Project Engineer shall also prepare the proposed final quantities, including all applicable price adjustments, such as incentives / disincentives, liquidated damages, or adjustments due to non-compliance with the contract documents. Additional guidance for each of these items is provided in [I.M. 6.000](#), Construction Inspection, and the Construction Manual sections referenced by the Pre-audit Checklist ([Attachment E](#) to this I.M.).

When the pre-audit is complete, the Project Engineer shall upload the Pre-audit Checklist ([Attachment E](#) to this I.M.) and Materials I.M. 101 sheets to Doc Express. The applicability of the materials audit process is discussed in the Final Audits section below.

Semi-final Voucher or Semi-final Pay Estimate

After the pre-audit is complete, the Project Engineer shall upload the proposed final quantities, including any price adjustments, to Doc Express for the Contractor's review and signature. For contracts that are paid by the Iowa DOT through the FM Account, this submittal consists of the semi-final voucher, which is documented using the Construction Contract Progress Voucher (also known as a "309 Voucher") form produced by the Iowa DOT Finance Bureau, or if Field Manager or Appia software is used, a similar computer generated form. For contracts where the LPA makes payment to the Contractor directly, this submittal consists of a semi-final pay estimate, which may be documented using either the Final Estimate of Road or Bridge Work on Non-State Roads / Streets ([Form 181235](#)) or an equivalent form.

The upload of the semi-final voucher or semi-final pay estimate to the Contractor should be made at the same time the Pre-Audit Checklist ([Attachment E](#) to this I.M.) and Materials I.M. 101 sheets are uploaded. When these documents are uploaded, the Project Engineer should make it clear to the Contractor that the proposed final quantities are subject to change by an Iowa DOT audit.

Also as part of the semi-final voucher or semi-final pay estimate submittal, the Project Engineer shall provide the Contractor with a complete list of any missing documentation that will be required in order to receive final payment, as determined by the Project Engineer's Pre-audit.

If any quantities or price adjustments are in dispute, the Project Engineer and the Contractor shall negotiate a mutually acceptable resolution. If the parties are unable to reach an agreement, the Project Engineer or the Contractor may contact the Administering Bureau for assistance. If requested, the Administering Bureau will attempt to mediate an acceptable solution to both parties.

After the Project Engineer and the Contractor have reached agreement on the semi-final voucher or semi-final pay estimate, the Project Engineer shall approve the semi-final voucher or semi-final pay estimate and the Contractor should be paid in full, less any retainage withheld.

If informal discussions between the Project Engineer, the Contractor, and if requested, the Administering Bureau, are unable to reach an agreement on any quantities or price adjustments, the Project Engineer shall approve the semi-final voucher or semi-final pay estimate, less any retainage and pay adjustments for items that are being disputed. The Project Engineer shall document the reason for the items that are being disputed and what actions were taken to resolve the dispute.

Final Audits for Federal-aid and Final Reviews for Federal-aid Swap and FM Projects

The Administering Bureau, at its discretion, may audit any construction contract let through the Iowa DOT. Some Administering Bureaus have elected to audit all Federal-aid contracts; others have elected to select Federal-aid contracts using a systems approach which is described below. Federal-aid Swap and FM projects will be reviewed at a minimum rate of one project every three years, per LPA, or more frequently if deemed necessary by the Local Systems Bureau or the Administering Bureau. If an LPA has a new Engineer that will be providing project certification, the first DOT let project administered by the new Engineer will be selected for review by the Administering Bureau. If a project is selected for audit or review, the construction audit or review will be conducted electronically to the extent possible, and possibly at the Contracting Authority's Office, as shown in the contract documents, or at a mutually agreed to alternate location.

Using the systems approach, from among those contracts that have been completed at the time projects are selected for audit, the Administering Bureau will select at least one contract for each LPA. If the LPA only has one contract, that contract will be selected. If the LPA has more than one contract, the contract will be selected at random. If the audit of the selected contract does not reveal any significant problems, the Administering Bureau may waive the final audits for the LPA's other contracts let during that Federal fiscal year.

If a project is not selected for an audit or review, the Administering Bureau will notify the Project Engineer that a final audit/review will not be conducted, and upload a completed Pre-audit Checklist to Doc Express.

The audit or review of LPA projects can be done at more frequent intervals at the request of the LPA to the Local Systems Bureau, Urban Engineer or Secondary Roads Engineer, depending on the roadway system affected by the project. Upon request, the Local Systems Bureau will determine the availability of staff to perform the audit or review and make a determination based on the availability of staff.

If a contract is Federal-aid and is selected for a final audit, the materials and construction audits will proceed as follows:

Materials Audit Process (highway and bridge projects only)

A materials audit will be performed by District Materials staff only for Federal-aid highway or bridge projects, and projects located on the Primary Highway System, which have been selected for audit by the Administering Bureau using the systems approach. Materials audits will not be performed for non-highway projects, such as those funded by the Transportation Alternatives Program, Transportation Enhancement, Federal Recreational Trails, Scenic Byways, and Safe Routes to School programs.

For projects selected for audit, after upload of the materials review forms and associated documentation, the District Materials staff will perform a materials audit in accordance with procedures outlined in Materials I.M. [101](#) and [103](#). After their audit is complete, District Materials staff will notify the Project Engineer of any deficiencies in the materials testing, certification, or other required documentation and specify the corrective action that must be taken. If needed, the District Materials staff will provide a copy of this request to the Administering Bureau. The District Materials Engineer will only sign the Materials I.M. 101 on Federal-aid projects selected for audit, once documentation is deemed acceptable.

After the requested corrective actions have been taken and / or documentation has been obtained, the Project Engineer shall forward this information to the District Materials staff.

For Federal-aid Swap and FM projects, the material review sheets shall be filled out and uploaded to Doc Express. The Administering Bureau will review them for completeness as part of the final review of Federal-aid Swap and FM projects, if the project is selected for review. Material review sheets can be found on the Construction and Materials Bureau website http://www.iowadot.gov/Construction_Materials/materialsforms/auditforms.xlsx. The District Materials Engineer will not sign the review sheets for Federal-aid Swap or FM projects, but will be available for consultation on materials related documentation efforts.

Construction Audit Process

After substantial completion of the project, the Project Engineer shall upload the Pre-audit Checklist (see [Attachment E](#) to this I.M.) to Doc Express. The Administering Bureau will review the Pre-audit Checklist and determine if the project will be audited/reviewed.

For projects selected for audit/review, the Administering Bureau will examine samples of the supporting documentation in Doc Express in order to verify that the item was completed as indicated on the Pre-audit Checklist. Those items for which supporting documentation was reviewed will be noted as such on the Pre-audit Checklist by the Administering Bureau staff. Any deficiencies identified by their review will be recorded on the Audit of Final Pay Estimate ([Form 830301](#)). The Administering Bureau staff will upload a partially completed [Form 830301](#) to Doc Express.

After the requested corrections have been completed, the Project Engineer shall indicate the date corrective actions were taken, and sign and date [Form 830301](#).

Preparation of the Final Voucher or Final Pay Estimate

After the materials and construction audits are complete, or upon notice by the Administering Bureau that a final audit will not be conducted, the Project Engineer may begin preparing the final voucher or final pay estimate. The final voucher or final pay estimate shall incorporate the corrections to final quantities or price adjustments, if required by the final materials or construction audits.

Note: For counties using the Field Manager software on contracts paid through the FM Account, any changes to quantities required by the final audits will require re-issuing a semi-final voucher before preparing a final voucher. This is because the final voucher is only used to release retainage; it cannot process changes in quantities.

The Project Engineer shall upload the final voucher or final pay estimate to Doc Express and request the Contractor's approval of the final quantities, including any price adjustments that may apply. If acceptable, the Contractor signs the final voucher or final pay estimate in Doc Express. The Contractor shall also upload all required paperwork for final payment, if not already provided. This submittal is referred to as the Day Zero date, which marks the beginning of a 31 day count used to determine when interest may begin to accrue. For more information, refer to [I.M. 6.130](#), Interest Payment Procedures. If all required paperwork is not provided, the Project Engineer shall promptly inform the Contractor which items are still needed and that final payment will not be processed until those items are uploaded.

Submittal of Final Forms Packet

For Federal-aid, Federal-aid Swap and FM projects, after the Contractor has signed the final voucher or final pay estimate and provided all the required paperwork, the Project Engineer shall **upload the Final Forms Packet to Doc Express**. The Final Forms Packet includes the final voucher or final pay estimate and all other required documentation for final payment. Use [Attachment F](#) to this I.M., Final Forms Packet Checklist, as a complete list of required forms and documentation.

The Final Forms Packet will be reviewed by the Administering Bureau within 30 days to ensure all applicable forms and documentation have been included. If any forms or documentation are missing, the Administering Bureau will promptly notify the Project Engineer and specify the items that are not complete. Once acceptable, the Administering Bureau routes the appropriate forms and documentation as needed. For Federal-aid and Federal-aid Swap projects let under the Iowa DOT Specifications, the Iowa DOT documents approval for final payment by signing the Final Payment ([Form 830436](#)). For FM projects, the Iowa DOT does not sign the Final Payment ([Form 830436](#)). For contracts let under other specifications, the Iowa DOT documents approval for final payment by signing the bottom part of [Form 640003](#).

Final Payment to the Contractor

After the Administering Bureau has approved the Final Forms Packet, final payment to the Contractor will be processed as follows:

For contracts that are paid by the LPA, the Administering Bureau notifies the Project Engineer that final payment may be processed by signing the [Form 830436](#) or [Form 640003](#) in Doc Express, as appropriate. Upon receipt,

the LPA makes final payment to the Contractor in accordance with the approved final pay estimate, including release of all retainage that is due.

For contracts paid through the FM Account, the Administering Bureau signs [Form 830436](#) in Doc Express and sends the Final Forms Packet to the Finance Bureau. Upon receipt, the Finance Bureau processes the final payment to the Contractor, including a release of all retainage that is due.

Final Federal-aid or Federal-aid Swap Reimbursement

For contracts paid by the LPA, the LPA may request final Federal-aid, Federal-aid Swap, or other reimbursements of project costs after all payments have been made, including the construction contract and any other project costs for which Federal-aid, Federal-aid Swap, or other reimbursement will be requested. This request shall be made by uploading the [Claim Reimbursement Form](#) to Doc Express, if applicable, and shall include copies of all warrants and pay estimates for which reimbursement has not yet been requested. The Administering Bureau will review the LPA's final reimbursement request, and if acceptable, will forward to the Finance Bureau for processing, along with the Final Forms Packet.

For contracts paid by the FM Account, the Finance Bureau will process the Federal-aid or Federal-aid Swap reimbursement of participating contract costs. Federal-aid or Federal-aid Swap reimbursements will be deposited in the fund from which payments were originally made (e.g., the county's Farm-to-Market account for projects on the Farm-to-Market System). If there are any other reimbursable project costs that were not paid through the FM Account, the LPA shall request final reimbursement for these costs as described in the paragraph above.

Upon receipt of the final reimbursement request from the Administering Bureau, the Finance Bureau will issue a warrant to the LPA for the final reimbursement that is due. If the final audits or reviews reveal that the LPA has been overpaid, the LPA shall reimburse the Iowa DOT accordingly.

Project Close-out and Records Retention

Federal-aid Projects

After processing the final Federal-aid reimbursement to the LPA, the Finance Bureau will prepare a final amendment / modification (amend / mod) to the project authorization in the Federal Highway Administration's Fiscal Management Information System (FMIS). The final amend / mod is sent to FHWA electronically for its review and approval.

Once approved by FHWA, the Finance Bureau distributes the final FMIS amend / mod document to the Administering Bureau, Program Management Bureau, District Planner, and the Local Systems Bureau. Once received, the Administering Bureau uploads a copy to Doc Express. Finally, the District Planner forwards to the appropriate Metropolitan Planning Organization (MPO) or Regional Planning Affiliation (RPA).

Upon receipt of the final amend / mod, the LPA shall retain its project records for not less than 3 years from the date of FHWA's signature on the final FMIS amend / mod document. These records shall be available for inspection by authorized Iowa DOT or FHWA personnel at any time during the retention period.

Non-Federal-aid Projects

The LPA shall retain project records for at least 3 years from the date of the Department's signature of the Final Payment Form ([Form 830436](#)) or the bottom part of the Certificate of Completion and Final Acceptance of Agreement Work ([Form 640003](#)). In the case of the Administering Bureau not signing [Form 830436](#), the LPA shall retain project records for at least 3 years from the date of the last signature on [Form 830436](#). These records shall be available for inspection by authorized Iowa DOT personnel at any time during the retention period.