

20.205

HIGHWAY PLANNING AND CONSTRUCTION**RAILROAD STATION IMPROVEMENT PROGRAM**

State Project/Program: **SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT
TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS
(SAFETEA-LU)**

U. S. Department of Transportation

Federal Authorization: 23 U.S.C. 401 et seq., as amended, 23 CFR and 49 CFR

State Authorization: N. C. G. S. 136-44.36

**N. C. Department of Transportation
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The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

The Single Audit Compliance Unit of the External Audit Branch reviews all single audits, financial audits, and management letters of all “grantees”. We are looking at both the presentation (information as to program, pass-through and state funding, NCDOT identification numbers) and the dollar amounts presented versus our records. Any reports not received will be requested.

Grants must be properly identified by program name, CFDA number (20.205-3) and WBS number on the Schedule of Expenditures of Federal and State Awards. This information is available from the agreement with NCDOT; program name is in the second/third paragraph while the WBS number is on the upper right hand corner of the first page. Grantor and/or pass-through grantor and program title should also be included. Please do not combine like projects into one dollar amount since we would need to call you for the breakdown; please report award amounts, Federal Pass-through, State share and local share. On NCDOT’s confirmation from the Grant Master List (GML), these moneys are shown by CFDA number 20.205-3.

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I. PROGRAM OBJECTIVES

Grants are made under other special purposes for the Railroad Station Improvement Program to provide assistance in the rehabilitation of historic transportation facilities. Federal funds are provided through the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Enhancement Program funds, which are matched by the state and the municipality receiving the grant. Some Railroad Station Improvement Program projects may be funded with State funds (NC Moving Ahead Rail Reserve funds) in addition to Federal funds. The project expenditures using these State funds should follow the same guidelines as the Federal fund expenditures.

II. PROGRAM PROCEDURES

The state has determined that federal Enhancement funds may be expended on approved railroad stations and transportation facilities. Applications for funding for improvements to other facilities are received annually and evaluated by the Department of Transportation. The Department of Transportation determines the elements of each project that will be eligible for Enhancement funds, and these elements are identified in the grant agreement. Municipalities procure architectural, engineering and construction services, incur costs, and are reimbursed for ninety percent of eligible costs. All eligible costs are on a reimbursement basis only.

III. COMPLIANCE REQUIREMENT

The federal granting agency has issued a compliance supplement that should be used in conjunction to this compliance supplement issued by the State Agency. Please refer to OMB Circular A-133 Compliance Supplement (Sect. A of the State Compliance supplement).

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to OMB A-133 Compliance Supplement, Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements. The OMB A-133 Compliance Supplement may be found at www.whitehouse.gov/omb/circulars/index.html.

A. ACTIVITIES ALLOWED OR UNALLOWED

Activities are defined in the agreement between NCDOT and the grantee.

B. ALLOWABLE COSTS/COST PRINCIPLES

- 1. Compliance Requirement** – Costs must be net of all applicable credits, *e. g.*, volume or cash discounts, insurance recoveries, refunds, rebates trade-ins, and scrap sales (Also see N, Special Tests and Provisions.). Expenditures for construction or repair work requiring an estimated expenditure equal to or more than five hundred thousand dollars (\$500,000); or a single class of supplies, materials, or equipment estimated in an amount equal to or more than ninety thousand dollars (\$90,000) must be contracted for only after a formal low bid process and approval by the Department of Transportation. (N.C.G.S. 143-129).

Audit Objective - Determine if project is subject to N.C.G.S. 143-129. If so, determine if proper procedures were followed.

Suggested Audit Procedure

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1. Ascertain whether or not purchases exceeded the above limits for construction and repairs or supplies, material and equipment.
2. Verify that the bid process was followed and low bidder was approved by NCDOT.
2. **Compliance Requirement** - In-house equipment used by municipalities can be billed at rates only on documented historical cost records. If the municipality does not have historical cost records to support rates, rates must be approved by the Department of Transportation. (NCDOT approves rates using General Managers' Association of Chicago, U.S. Corps of Engineers, or Blue Book rental rates.)

Audit Objective - Determine if grantee used the appropriate equipment rates.

Suggested Audit Procedure – Ascertain that municipality has used the equipment rental rate (for in-house equipment) based upon historical cost records or state-approved rates.

3. **Compliance Requirement** - Local units of government including cities, counties, and airport authorities chartered by the General Assembly are eligible for grants. These local units of government should be eligible for sales tax refunds under N.C.G.S. 105-164.14 (b) or (c). If they are not qualified, then these local units of government should take the steps necessary to become eligible. Sales tax paid which may be requested from the NC Department of Revenue as a refund is an ineligible charge.

Audit Objective - Determine that the authority is eligible for the refund and that NCDOT did not reimburse any sales taxes eligible for refund.

Suggested Audit Procedure - Review financial records including contractors' sales tax affidavits and ascertain that no sales taxes were billed to the project.

C. CASH MANAGEMENT

The Department of Transportation pays on a reimbursement basis. No testing is required.

D. DAVIS-BACON ACT

If a project is a transportation facility and is eligible for transportation enhancement funds based solely on function, then Davis-Bacon does not apply unless the project is physically located within the existing right-of-way of a Federal-aid highway. No testing is required.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Compliance Requirement – NCDOT has adopted the policies and procedures for equipment and real property contained in OMB Circular A-110 or 49 CFR Part 18.32. This information can be found at www.whitehouse.gov/omb/circulars/ and www.gpoaccess.gov/cfr/index.html respectively.

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G. MATCHING, LEVEL OF EFFORT, EARMARKING

Matching

Compliance Requirement - The State (including federal and state funds) reimbursement cannot exceed the amount stated in the program agreement, program award letter and approved project budget. The remaining share must come from other public sources, not other federal highway administration dollars.

Level of Effort – No testing is required at the local level.

Earmarking – No testing is required at the local level.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Solicitation of Bids

Compliance Requirement – Expenditures for construction or repair work requiring the estimated expenditure equal to or more than three hundred thousand dollars (\$300,000); or a single class of supplies, materials, or equipment estimated in an amount equal to or more than ninety thousand dollars (\$90,000) must be contracted for only after a formal low bid process and approval by NCDOT. (N.C. General Statute 143-129). Bid tabulation and governing agency resolution recommending award is required for contract award to lowest responsible bidder.

Audit Objective - Determine if construction or purchase is subject to the bid process.

Suggested Audit Procedure - Verify that municipality has properly solicited bids and that the contract was awarded to the lowest qualified.

J. PROGRAM INCOME

NCDOT does not pass this requirement down to the local level. No testing is required.

K. REAL PROPERTY ACQUISITION/RELOCATION ASSISTANCE

NCDOT does not pass this requirement down to the local level. No testing is required.

L. REPORTING

No testing required at the local level.

M. SUBRECIPIENT MONITORING

Subrecipient monitoring is done through on-site inspection, progress and financial reports. A NCDOT engineer is assigned to review work in progress and approve invoices before they are sent in requesting reimbursement. Funds are not subgranted. This is not applicable at the local level. No testing is required.