

20.205

HIGHWAY PLANNING AND CONSTRUCTION

State Project/Program **STATE PLANNING AND RESEARCH (SPR)
(Rural Planning Organizations and Planning Studies)**

U. S. Department of Transportation

Federal Authorization: 23 U.S.C. 505, as amended and 23 CFR part 420

State Authorization: **N. C. Department of Transportation
Transportation Planning Division**

Agency Contact Persons – Program

Jamal Alavi, PE, CPM Director
Transportation Planning Branch
N. C. Department of Transportation
1554 Mail Service Center
Raleigh, NC 27699-1554
Phone (919) 707-0901
Fax: (919) 733-9794
jalavi@ncdot.gov

Address Confirmation Letters To

Pam Nelms
N.C. Department of Transportation
Financial Management Division
1514 Mail Service Center
Raleigh, N.C. 27699-1514
Phone: (919) 707-4245
Fax: (919) 715-8718
pknelms1@ncdot.gov

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 (State Planning and Research) and WBS Number on the Schedule Expenditures of Federal and State Awards. Grantor and/or pass-through grantor, program title and CFDA number (20.205-8) 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 amount, Federal Pass-through and local share. On NCDOT’s confirmation from the Grant Master List (GML), these moneys are shown as CFDA Number 20.205-8.

I. PROGRAM OBJECTIVES

STATE PLANNING AND RESEARCH`

NCDOT uses a portion of its federal State Planning and Research (SPR) funds to fund the Rural Planning Organizations (RPOs) and to fund planning studies based on a competitive application process.

The objectives of the RPO Program is to provide funding to Rural Transportation Planning Organizations (RPO) to: (1) assist the Department in developing comprehensive long range local transportation plans; (2) assist the Department and provide a forum for public participation in the transportation planning process; (3) assist the Department in developing and prioritizing transportation projects for the State's 5/10 year work program and the Transportation Improvement Program; and, (4) provide transportation related information to local governments and other interested organizations and persons.

II. PROGRAM PROCEDURES

Programs are administered by NCDOT. Funds are provided to RPOs through a Lead Planning Agency (LPA), which may be a city, county, or Council of Government. LPAs pay a minimum of 20% of the total program costs and approved planning activities, unless State funds are used to assist MPOs/RPOs with local match in accordance with NCGS 136-214. Funding is structured by agreements entered into between NCDOT and the LPA. The legal agreement specifies the terms and conditions of the projects.

RPOs are established in NCGS 136-211 and the duties of the RPOs are laid out in NCGS 136-212. Prior to each fiscal year, the Transportation Planning Division sends an Allocation Letter to the RPOs to inform them of their SPR funding for the fiscal year. Each RPO develops and submits an annual Planning Work Program (PWP) that reflects the funding allocation as well as a 20% local match. The PWP is reviewed and approved by NCDOT and submitted to Federal Highways Administration (FHWA) as part of the NCDOT's SPR workplan.

Some planning studies are funded with SPR funds. These studies are determined by a competitive call for planning projects. Both RPOs and Metropolitan Planning Organizations (MPOs) are eligible to apply for SPR funded planning study awards. There is an annual call for projects for the SPR funded planning projects. All awarded SPR planning projects funding should be incorporated into an RPO's PWP or an MPOs Unified Planning Work Plan (UPWP). Beginning in FY21 the award letter will indicate the amount of funding awarded and for the RPOs will indicated the total amount of SPR funding (the RPO program allocation and additional SPR planning studies funding) that should be reflected in an updated PWP.

STATE PLANNING AND RESEARCH`

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2020 Compliance Supplement; however, the State Agency may have added the Type and this is noted by “Y.” If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by “N.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2020 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

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 [2 CFR Part 200](#) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Final Rule.

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Uniform Guidance Compliance Supplement (2 CFR 200, Appendix XI) , 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.

STATE PLANNING AND RESEARCH`

A. ACTIVITIES ALLOWED OR UNALLOWED

Compliance Requirement – Each RPO operates under an agreement and a prospectus between the LPA and the NC Department of Transportation (NCDOT). Each RPO develops and submits an annual PWP that is reviewed and approved by NCDOT. The annual PWP includes the following activities:

1. Surveillance and data collection activities that support the development and re-evaluation of Comprehensive Transportation Plans (CTP) in their regions.
2. Maintenance of roadway and traffic system inventories.
3. Planning activities that support the implementation of the CTP.
4. Activities which assist in the compliance with applicable state and federal laws including Title VI, Civil Rights Act of 1964.

Planning activities support the Strategic Planning Office (SPOT), the Transportation Improvement Program (TIP), Project Development, Multi-modal Planning and the Statewide Transportation Planning Program. As well as public involvement activities pertaining to the development and implementation of the statewide transportation plan, CTP, and TIP.

Audit Objective – Ensure that expenditures reflect work conducted for an approved PWP task.

Suggested Audit Procedure – Ensure invoice documentation matches the approved PWP.

B. ALLOWABLE COSTS/COST PRINCIPLES

Compliance Requirement - Any charges for materials provided by the LPA or a contractor must be net of sales taxes. Local units of government including cities, counties, and Council of Governments and others chartered by the General Assembly are eligible for grants. These local units of government should be eligible for sales tax refunds under North Carolina General Statute 105-164.14 (b) or (c). If they cannot qualify, 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. Thus, NCDOT does not reimburse for sales tax.

Each RPO has to provide an annual indirect cost allocation plan each fiscal year, use the De Minimus rate, or not charge for indirect costs. If applicable, the approved indirect cost allocation plan is reflected in the PWP and quarterly invoices.

Audit Objective – Determine that the entity is eligible for the refund and that NCDOT did not reimburse any sales taxes eligible for refund and ensure indirect charges are consistent with the approved indirect cost allocation plan.

Suggested Audit Procedure - Review financial records including consultant invoices and receipts for items purchased to ascertain that no sales taxes were billed to the project. Review the indirect charges and the indirect allocation plan. Verify that

STATE PLANNING AND RESEARCH`

purchased goods were either direct or indirect expenses, and not accidentally double-reimbursed as both.

Compliance Requirement - The entity is required to itemize support for all partial and final invoices including details of labor, labor additives, equipment, materials, contract labor, indirect costs and other qualifying costs.

Audit Objective – Determine that invoices submitted were correct.

Suggested Audit Procedures - Verify that invoices submitted were for valid expenses and were accurate. Confirm that documentation exists and supports invoices submitted.

C. CASH MANAGEMENT

The Department of Transportation pays on a reimbursement basis. RPOs provide certified invoices for payment, which are required quarterly. Invoices are combined with quarterly PWP narratives and are reviewed by TPD coordinators for task eligibility. RPO finance directors, however, self-certify the eligibility and accuracy of the invoice and charges for the RPO program.

Audit Objective – Ensure that actual expenditures match the invoice expenditures that were reimbursed.

Suggested Audit Procedure – Review actual expenditures to ensure they are consistent with the invoiced cost and reimbursement. Ensure expenditures have receipts and proof of payment.

D. RESERVED

E. ELIGIBILITY

NCDOT uses a portion of its federal State Planning and Research (SPR) funds to fund the Rural Planning Organizations (RPOs) and to fund planning studies based on a competitive application process. Eligible recipients of SPR funds are RPOs and MPOs. RPOs are established in NCGS 136-211 and the duties of the RPOs are laid out in NCGS 136-212. Some planning studies are funded with SPR funds. The planning studies are determined by a competitive call for planning projects. Both RPOs and Metropolitan Planning Organizations (MPOs) are eligible to apply for SPR funded planning study awards.

No testing required.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment

Compliance Requirement – With NCDOT approval, grant funds may be used to purchase equipment that supports the Rural Planning Organization Program as defined in the RPO's prospectus and annual Planning Work Program. NCDOT has adopted the policies and procedures for equipment contained in the OMB Uniform Administrative

STATE PLANNING AND RESEARCH`

Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200.310-316). Refer to Part 3 of the Uniform Guidance Compliance Supplement (2 CFR Part 200, Appendix XI) for Suggested Audit Procedures.

Audit Objective – Ensure that equipment management and procurement comply with federal regulations and are consistent with PWP.

Suggested Audit Procedure – Review equipment procurement and maintenance expenditures and check against federal regulations and approved PWP.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

1. Matching

Compliance Requirement – State Planning and Research (RPO) Program funds require the LPA to pay a minimum of 20% local match from resources other than Federal or State funds, unless supplemented by State funds in accordance with NCGS 136-214.

Audit Objective – Ensure a minimum of 20% of planning funds expended were local funds.

Suggested Audit Procedure – Review documentation to ensure a minimum 20% of the PWP costs were funded with local funds. Each quarterly invoice will breakout the SPR funds and the local match. Where applicable, state funds may be used to supplement local match in accordance with NCGS 136-214.

2. Level of Effort

Not Applicable

3. Earmarking

Not Applicable

H. PERIOD OF PERFORMANCE

Compliance Requirement - The eligible project costs are to be completed within the specified time frame, which is the State Fiscal Year. Funds used for staff time and related expenses may not be carried over from one year to the next. Funds used for consultant services may extend beyond the fiscal year awarded.

Audit Objective – Determine if costs were expended within the specified time frame according to the agreement or award letter.

Suggested Audit Procedure – Verify that project expenses occurred within the period of performance specified in the project agreement.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

STATE PLANNING AND RESEARCH`

Procurement

Compliance Requirement – RPOs that intend to enter into consultant contracts must obtain prior approval from NCDOT. Requirements for procuring services from private engineering firms (PEF) can be found in the NCDOT procurement procedure for RPOs (and MPOs) obtain PEF consulting services - [Procurement of Consultant Services by MPO](#).

PEF procurement of services are also governed by N.C. General Statutes 136-28.1(f), 143-64.31, 143-64.32, 143-64.33 (www.ncga.state.nc.us/gascripts/Statutes/Statutes.asp).

Audit Objective – Determine that the entity complied with PEF procurement procedures and received written approval by NCDOT before execution of a consultant contract. Ensure PEF is not suspended or disbarred. Ensure PEF is prequalified in work codes advertised in the entity's RFP.

Suggested Audit Procedure - Ascertain whether or not the entity received written approval by NCDOT before execution of a consultant contract. Ensure PEF is not suspended or disbarred. Ensure OIG has reviewed cost proposal by documentation of review letter.

Compliance Requirement – RPOs that intend to procure goods and services (other than PEF consulting services) must follow the NCDOT procurement procedures and federal procurement regulations.

Audit Objective – Determine that the entity complied with procurement procedures and federal procurement regulations.

Suggested Audit Procedure – Review procurement documentation to ensure eligibility and that the procurement followed NCDOT procurement procedures and federal procurement regulations.

J. PROGRAM INCOME

Not Applicable

K. RESERVED

L. REPORTING

1. **Compliance Requirement** - The following reports must be submitted in accordance with the most recent version of the RPO Manual:
 1. Expenditure Reports are submitted quarterly.
 2. Certified invoice for payment are submitted quarterly.
 3. Annual Section RPO Performance Report.

STATE PLANNING AND RESEARCH`

Current and future reimbursement is dependent on submitting the requisite documentation in a timely manner.

Audit Objective – Determine whether required reports include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Suggested Audit Procedure – Ascertain that reports were accurately prepared and documentation supports the reports. Ascertain that reports were completed and submitted timely.

M. SUBRECIPIENT MONITORING

State Planning and Research RPO Program Funds: The NC Department of Transportation passes this requirement down to the Local Level for all RPOs who pass funds through to sub recipients. The list of RPOs that pass funds through to sub recipients can change each year, but sub recipients are limited to the individual members of the respective RPOs. Testing is required for any LPA that passes funds through to sub recipients. Refer to Part 3 of the Uniform Guidance Compliance Supplement (2 CFR Part 200, Appendix XI) for Sub recipient Monitoring suggested audit procedures.

N. SPECIAL TESTS AND PROVISIONS

Not Applicable