

REGIONAL AND NEW STARTS PROGRAM

State Authorization: N. C. G. S. Article 2B of Chapter 136

**N. C. Department of Transportation
Integrated Mobility Division (IMD)**

Agency Contact Person - Program

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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 at the NCDOT’s Office of Inspector General (OIG) reviews all single audits, financial audits, and management letters of all “subrecipients”. We are looking at both the presentation (information as to program, pass-through, and State funding, and 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 (“Regional and New Starts Program”), DOT number (“DOT-20”) 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 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 amount, Federal Pass through, State share, and local share.

On NCDOT’s confirmation from the Grant Master List (GML), these funds are shown by DOT number “DOT-20”.

I. PROGRAM OBJECTIVES

Grants are made under the Regional and New Starts Program to provide matching funds to acquire federal grants at the local level for modernization of existing rail systems, acquisition of buses for fleet/service expansion, bus related facilities such as maintenance facilities, transfer facilities, terminals, computers, garage equipment, bus rebuilds, and passenger shelters, construction of new or extensions to fixed guide way systems, planning, environmental impact studies or other project related studies that are funded with State and local funds and for planning or environmental impact studies that are completed without Federal

Transit Administration (FTA) participation. Grants are also made under the Regional and New Starts Program to provide State funds for New Starts (rail transit fixed guideway) projects, or in pursuit of federal funding from other USDOT Federal Transit Administration funding, in lieu of and/or in advance of acquiring additional future federal grants for project completion.

II. PROGRAM PROCEDURES

The program is administered by the IMD. Local recipients are local governments and transportation authorities that must submit funding applications.

The local recipients apply to IMD for state matching funds by an application that includes the 5309 FTA grant application with purpose, scope and proposed budget for the project. Following IMD review and approval, it will make a state match funding recommendation to the North Carolina Board of Transportation (BOT) regarding approval. Upon BOT funding approval, IMD prepares the grant contract between NCDOT and the local recipient. Two copies of the grant contract are sent to the local recipient for signature and return to NCDOT. Once NCDOT signs both copies, one will be sent to the local recipient and one will remain in NCDOT files. The grant contract includes the FTA 5309 grant application with purpose and scope of the project, identifies the total grant award, states the conditions for receipt of the financial assistance, specifies the state and local shares, and the period of performance. The project grant agreement is amended as FTA issues Letters of No Prejudice for various project elements. The BOT must approve all amendments, including but not limited to, changes in project scope, period of performance, and state funding participation.

IMD also prepares and sends the local recipient an award letter, project budget and instructions/forms for invoicing and reporting. The contract may specify a number of payment methods including that invoices shall be submitted quarterly but no more frequently than monthly and quarterly advance payments. Supporting documentation is required of the subrecipient for all project expenditures and will be specified in the executed contract transmittal package. All forms and instructions are available through IMD.

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 State agency noted by "Y."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the State program for the auditee.

CC	1	2	3	4	5	6	7	8	9	10	12	13	14
Cross-cutting requirements	Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Conflict of Interest	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	Y	Y	N	N	Y	Y	Y	N	Y	N	N

1. ACTIVITIES ALLOWED OR UNALLOWED

Compliance Requirement - Funds must be expended as specified in the funding application, the award letter and the grant agreement, which incorporates the grantee’s application (scope of services) by reference. The reference may include reference to the State Full Funding Grant Agreement for the project. FTA Circular 5010.1C, Chapter 3, provides guidance on allowable cost.

Audit Objective - Determine if funds were used for eligible approved budget expenditures.

Suggested Audit Procedure

1. Ascertain that services/expenditures conform to the application that serves as the scope of services.
2. Test expenditures and related records for compliance with the program guidelines.

2. ALLOWABLE COSTS/COSTS PRINCIPLES

Compliance Requirement - Eligible uses of funds are limited to those listed in the grant contract on a project by project basis. The proposed budget gives specific categories of costs; any deviation from the budget must have an approved budget request change on file with NCDOT. The costs must be reasonable, necessary and conform to any limitation or exclusion set forth by laws, agreements or circulars. Requests for Reimbursement, including all project documentation, shall be reviewed by the IMD staff before payment is approved. Additional information may be required before payment is approved.

Audit Objective – Determine that the allowable costs are accurately and adequately documented. Determine that the unallowable costs are covered by the local recipient.

Suggested Audit Procedure

1. Test transactions for accuracy; allowability, and adequate documentation.
2. Test any unallowable transactions to make sure the local recipient covers them.
3. CASH MANAGEMENT

Compliance Requirement - Project Agreements specify that this is a cost reimbursement program. If the subrecipient receives payment of federal and state funds in advance of incurring the cost, which is an exception to the general method of payment and only in extenuating situations, the funds must be paid to the vendor within three (3) days of receipt from the department. NCDOT relies on the Federal Compliance Supplement, Part 3, Cash Management for guidance.

Audit Objective – Determine if advanced funds were paid to the vendor within three (3) days of the grantee receiving reimbursement from the Department.

Suggested Audit Procedure – Examine documentation of transactions related to an advance to ensure it was approved by the Department and properly disbursed to the vendor.

4. CONFLICT OF INTEREST

G.S. 14-234 includes a general prohibition against any public official having a personal interest in any contract to which he/she is a party in his/her official capacity. Any other statute or agency policy that applies should be tested as part of this compliance requirement.

Audit Objective – Determine that public officials have avoided a conflict of interest.

Suggested Audit Procedure – Review a sample of conflict of interest statements from public officials involved in the contract.

Please refer to the DOT Cross-Cutting Supplement for additional testing procedures

5. ELIGIBILITY

Compliance Requirement - There are three categories of eligible subrecipients of these program funds:

- a. Private non-profit organizations;
- b. State or local governmental authority; and

c. Operators of public transportation services, including private operators of public transportation services.

MDS staff reviews application documents to determine the type of entity an applicant is classified as during the application process. Applicants are required to submit proof of a current DUNS registration number. In reviewing the DUNS Registration Summary, the Business Type is listed under the Entity Registration Summary. If it is determined the applicant does not meet the requirement above as being classified as one of the three (3) types, the applicant is ineligible to apply for grant funding.

No testing is needed.

6. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment is not an expense eligible for reimbursement in this funding program. Equipment is not an option for applicants to select when building the budget in EBS.

No testing is needed.

7. MATCHING, LEVEL OF EFFORT, EARMARKING

Matching

Compliance Requirement – The grant contract, the proposed budget and the award letter will state the State share and the local share. The State participation cannot exceed the amount stated in the grant contract, grant award letter and approved project budget. The local share may increase for unallowable costs or costs exceeding project budget that must be absorbed at the local level.

Audit Objective - Determine that any excess funds came from the local share and not the Federal or State share.

Suggested Audit Procedures

1. Examine the approved project budget and any subsequent budget revisions and amendments.
2. Ascertain the total project costs. Review financial records and determine the amount which can be claimed as the Federal and State share. Ascertain that if total project costs were exceeded, the local share increased and covered the costs.

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

Earmarking – No testing is required at the local level.

8. PERIOD OF PERFORMANCE

Compliance Requirement - The eligible project costs are to be completed within the timeframe specified in the agreement unless a written authorization was requested and received from NCDOT prior to the end of the period of performance identifying the new contract end date.

Audit Objective – Determine whether funds were obligated and expended in accordance with the time frame specified in the agreement or in accordance with a period of performance approval letter if the project exceeded the initial contract period.

Suggested Audit Procedure - Test transactions recorded during the period of availability and verify that expenditures occurred within the period of availability. Test adjustments (i.e. manual journal entries) and verify that adjustments were for transactions during the period of availability. Test transactions charged to the program after the end of the period of availability to verify that the underlying obligation occurred within the period of availability.

9. PROCUREMENT AND SUSPENSION AND DEBARMENT

Compliance Requirement – N.C.G.S. 143-129 requires the solicitation of bids on construction or repair work requiring expenditure of public money in an amount equal to or more than five hundred thousand dollars (\$500,000) or purchases of apparatus, supplies, material, or equipment in an amount equal to or more than ninety thousand dollars (\$90,000). N.C.G.S. 143-131 states that all contracts for construction or repair work or for the purchase of apparatus, supplies, materials, or equipment, involving the expenditure of public money in the amount of thirty thousand dollars (\$30,000) or more, but less than the limits prescribed in G.S. 143-129, shall be made after informal bids have been secured. Bid tabulation and governing agency resolution recommending award is required for contract award to the lowest responsible bidder.

Audit Objective – Determine if bids, formal or informal, were required and if required were received.

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

10. PROGRAM INCOME

IMD does not pass this requirement to its subrecipients. No testing is required

11. RESERVED

12. REPORTING

1. **Compliance Requirement** - Invoices are submitted at time of reimbursement request once the service has been delivered or work completed for reimbursement as set forth in the grant contract. Quarterly advance payments will require both an estimate of the upcoming quarter's costs and an accounting of the previous completed quarter's actual costs versus the estimated costs payments for that quarter.

Audit Objective –Determine that the invoices submitted were accurate and supported by adequate documentation.

Suggested Audit Procedure

1. Test transactions to ascertain that information submitted on the reports are accurate and supported by adequate documentation (including invoices where necessary).
2. Trace amounts reflected in invoice and progress report to underlying accounting records.
3. Ascertain the amount of funds, if any, received in advance of incurring the cost and trace to underlying accounting records.
- 4.

13. SUBRECIPIENT MONITORING

NCDOT passes this oversight requirement to its subrecipients, when they choose to pass the funds down further to another subrecipient. Oversight requirements include periodic program and financial reporting, on-site visits, attendance at required trainings and periodic compliance reviews. If subrecipients pass grant funds to a third party, the IMD subrecipient is required to complete all required grant reports to the extent that it may involve collecting data from the third party.

No testing is needed.

14. SPECIAL TESTS AND PROVISIONS

No testing is needed.