

## DOT CROSSCUTTING REQUIREMENTS

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

**Agency Contact Person - Program and Financial**

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See individual supplements

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.

Auditors may request documentation of monitoring visits by the State Agencies.

### I. PROGRAM OBJECTIVES

This document specifies the North Carolina Department of Transportation (NCDOT)'s compliance requirements that are applicable to more than one Federal and State grants funded through NCDOT. The applicable programs in Section B reference this **Cross-Cutting Section**. These procedures are in addition to the procedures included in Section “B” of the *North Carolina Federal/State Compliance Supplements*.

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### III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the State 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.

1	2	3	4	5	6	7	8	9	10	12	13	14
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
N	N	Y	Y	N	Y	N	Y	Y	N	N	N	N

#### C (3). Cash Management

**Compliance Requirement** - Cash management requirements for the program under audit are provided in the provisions of the contracts or grant agreements. For local governments, the North Carolina General Statute (G.S. 159 - Local Budget and Fiscal Control Act for local governments) also applies. This requires that the funds be properly budgeted before expenditures are incurred.

#### Audit Objectives

1. Determine that cash management procedures are in accordance with State statutes, and/or the provisions of contract as agreed in the grant agreement signed by the subrecipient.
2. Determine that interest income, when allowable, is correctly recorded and returned to the state agency or applied against the program expenditures as prescribed in the contract or grant agreement.

#### Suggested Audit Procedures

1. Review the contract agreement to determine whether the program is a cost reimbursement or advance payment program.
2. For advance payments, verify that funds were disbursed within a reasonable amount of time as prescribed in the grant agreement, and that the remaining costs were reimbursed following the grantee's expenditure.
3. For reimbursement payments, review reimbursement requests and trace to supporting documentation. Verify that costs for which reimbursement was requested were paid prior to the subrecipient submitting reimbursement request.
4. Verify that interest income owed to the state agency, if applicable, was either remitted

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to NCDOT or applied against amounts owed to the grantee by NCDOT.

### **D (4). Reserved/Conflict of interest**

**Compliance Requirement** – N.C.G.S. 143C-6-23 requires each non-state entity eligible to receive state funds to have a conflict-of-interest policy which addresses conflicts that may arise when members of its governing body or its managing employees are involved in the disbursement of state funds. The entity is required to have a copy of their entity's policy on file with the disbursing state agency before any funds are disbursed; this policy shall be approved by the entity's governing board and a notarized statement of the board's action shall be attached. All members of the board and management shall be familiar with and follow the policy and the legislation. The entity should have written procedures of how the conflict-of-interest policy is enforced.

**Audit Objective** - Determine whether the policy statement has been provided to NCDOT, current members of the board, and management, and that efforts are made by the subrecipient to comply with this policy.

#### **Suggested Audit Procedure**

1. Obtain a copy of the subrecipient's policy and transmittal letter to NCDOT.
2. Inquire of any conflict of interest with any public official, including board members, management, and the staff.
3. Verify the implementation and enforcement of the entity's procedures to ensure compliance with this requirement.

### **F (6). Equipment and Real Property Management**

**Compliance Requirement:** The type of equipment allowable under each program is specified in the provisions of the contract or grant agreement pertaining to the program under audit. The Department defines equipment as tangible personal property, including IT systems, with a useful life of more than two years and a capitalization threshold equal to or greater than \$5,000.

#### **Audit Objectives**

1. Determine whether the purchase of any equipment or real property acquired under the award is in accordance with NCDOT requirements as prescribed in the award agreement.
2. Determine whether the nonstate entity maintains proper records for equipment and adequately safeguards and maintains equipment.
3. Determine whether disposition of equipment or real property acquired under the award is in accordance with laws, rules, and the provisions of contracts and grant agreements, and that NCDOT was compensated for its share of equipment or property sold or converted to nonstate use.

#### **Suggested Audit Procedures**

##### **I. Equipment and real property purchase**

- a) Determine the population of equipment and real property acquisitions made with the program financial assistance and trace the purchases to property records.
- b) Verify that the purchase of equipment and real property acquired by the nonstate entity was approved by the awarding division at NCDOT, if applicable.

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### **II. Equipment inventory Management**

- a) Review the physical inventory records and determine whether any differences between physical inventory and equipment records exists and verify that differences were resolved.
- b) Select a sample of equipment transactions and test for compliance with laws, rules, and the provisions of contracts or grant agreements.
- c) Physically inspect a sample of equipment identified and verify that the equipment is appropriately safeguarded and maintained.

### **III. Equipment Disposition**

- a) Inquire of any disposition of equipment by the nonstate entity and determine the amount of equipment disposition during the audit period.
- b) Verify that disposition approval was received from the awarding division at NCDOT, if required.
- c) Verify that the nonstate entity disposed of equipment or real property acquired with financial assistance in accordance with laws, rules, and provisions of contracts or grant agreements pertaining to the program.
- d) Perform procedures to verify that the dispositions were reflected in the property records and properly classified between State and nonstate equipment acquisitions.

#### **H (8). Period of Performance Compliance Requirements**

**Compliance Requirement** - This requirement specifies the time period during which the nonstate entity may use the financial assistance awarded by NCDOT. The period of performance is specified in the provisions of the contract/grant agreement for the program under audit.

**Audit Objective** - Determine whether the grantee obligated State funds within the period of availability and that the obligations were liquidated within the required time period.

#### **Suggested Audit Procedures**

1. Review the contract and/or grant documents for information, including the laws and rules pertaining to the project then determine and document the period of performance for the specific award under audit.
2. Test a sample of transactions that were charged to the project award and verify that the underlying obligations occurred within the period of performance.
3. For awards with performance period beginning dates during the audit period, test transactions for costs recorded during the beginning of the period of performance and verify that the costs were not incurred prior to the start of the period of performance unless authorized by the Federal awarding agency or the pass-through entity.
4. For awards with performance period ending dates during the audit period, test transactions for costs recorded during the latter part and after the period of performance and verify that the costs had been incurred within the period of performance.

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5. For awards with performance period ending dates during the audit period, test transactions for award costs for which the obligation had not been liquidated (payment made) as of the end of the period of performance and verify that the liquidation occurred within the allowed time period.
6. Test adjustments (e.g., manual journal entries) for award costs and verify that these adjustments were for transactions that occurred during the period of performance.
7. Test transactions for costs recorded during the latter part and after the period of performance and verify costs were incurred within the period of performance. If transactions were incurred outside the period of performance, determine if a performance extension was executed between the grantee and the NCDOT Division responsible for the program.

### **I (9). Procurement, Suspension, and Debarment**

#### **1. Procurement**

**Compliance Requirement** – Obligations must be incurred in accordance with state purchasing requirements (G.S. 143-48 through 143-64.5). Please review the grant agreement and the NC General Assembly’s website for additional information.

Procurements for contractual services shall be conducted in accordance with North Carolina General Statute 143, Article 8. North Carolina General Statute [143-129](#) contains the key competitive bidding requirements. Expenditures for service requiring the 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 NCDOT. A bid tabulation and governing agency resolution recommending award is required for contract award to lowest responsible bidder ([G.S. 143-129](#)). Prior to entering into a contractual agreement for services, the grantee must obtain approval from NCDOT. Please review the grant agreement and the NC General Assembly’s website for additional information.

**Audit Objective** – Determine whether procurements for supplies, materials, equipment, and contractual services were conducted in accordance with N.C. General Statute 143, Article 8.

#### **Suggested Audit Procedure** –

- a) Review the grant agreement for additional procurement requirements, including the procurement of goods with State funds.
- b) Obtain a copy of the nonstate entity’s policies and procedures and verify that the procedures for procurement comply with the applicable State Statute.
- c) Select a sample of procurements purchases and verify compliance with the requirements.
- d) Examine procurements and verify that the entity obtained written approval from the appropriate division at NCDOT and adhered to the competitive bidding requirement outlined in the North Carolina General Statutes.
- e) Verify that bid opening, publication, and contract award are sufficiently documented for each contract.

### 2. Debarment

**Compliance Requirement** – Grantees are prohibited from awarding contracts or grant agreements to entities debarred by any government agency, Federal or State. The entity’s agents or contractors shall not be debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in transactions by any Federal or State department or agency.

**Audit Objective** – Determine that grantees have not entered into contracts or grant agreements with entities that are debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in transactions by any Federal or State department agency.

#### **Suggested Audit Procedure** –

1. Examine the grantee’s procurements and subawards and ascertain that entities and/or contractors/vendors that received payments from the grantee are not included on the NC Debarred Vendor List provided by the NC Department of Administration.
2. Performing a SAM registration search to verify that each entity has a valid DUNS number and was not debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in Federal transactions.
3. Verify that the required suspension and debarment certifications were received by the grantee for covered contracts.
4. Review the signed agreement between the grantee and the subrecipient or contractor, and verify that the contract provisions include language that prohibits a subrecipient from procuring goods or services from a company, firm, or organization that has been suspended or debarred by the State of North Carolina or the Federal Government.