NC MOVING AHEAD

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<tr>
<th>State Authorization:</th>
<th>N. C. G. S. Article 2B of Chapter 136</th>
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<td>N. C. Department of Transportation</td>
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<td>Public Transportation Division (PTD)</td>
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### 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 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 (“NC Moving Ahead”), DOT number (“DOT-22”), and WBS number on the Schedule of Financial Assistance. 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. For Public Transportation Programs that disburse funds on an annual basis, the WBS number and program name are in the comments section of the warrant. Grantor and/or pass-through grantor, program title and CFDA number (if appropriate) 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 moneys are shown as DOT number “DOT-22.”
I. PROGRAM OBJECTIVES

The NC Moving Ahead is intended to advance transportation projects across the state. The program provides for improvements to highways, public transportation, rail, bicycle and pedestrian and ferry facilities.

II. PROGRAM PROCEDURES

Local recipients for NC Moving Ahead funds for the Public Transportation Division were identified from several sources, including the State Transportation Improvement Program (STIP) list of unfunded transit projects. The recommended project list was approved by the NC Board of Transportation and reviewed by Joint Transportation Oversight Committee of the General Assembly. Following review, selected projects were notified. A grant agreement between the department and the recipient is prepared and executed. The recipient can request advance payment for major construction costs; however, the grantees are typically reimbursed to the recipient once they have issued payment.

III. COMPLIANCE REQUIREMENTS

1. ACTIVITIES ALLOWED OR UNALLOWED

1. **Compliance Requirement** - Funds must be expended in a manner consistent with the project application, budget and agreement.

   **Audit Objective** – Determine if funds were expended properly.

   **Suggested Audit Procedure**

   1. Ascertain that expenditures conform to the project budget.

   2. Test expenditures and related records for compliance with the project budget.

2. **Compliance Requirement** - Vehicles and equipment acquired under the NC Moving Ahead Program may be used by:

   - public transportation organization,

   - operators under lease or other contractual agreement to provide only the services identified in the grant application or

   - with the **prior** written approval of the Department of Transportation, vehicles and equipment may be used for other purposes provided that these other uses are consistent with uses outlined in the Community Transportation Services Plan (the grantee has a copy) and do not interfere with the primary purpose of service provision to the general public.

   - Vehicles and equipment acquired under the NC Moving Ahead must be used for the purposes identified in the Federal Transit Administration Section 5307 and Section 5311 Program Circulars.
3. CASH MANAGEMENT

Funds Advanced

Compliance Requirement – While project agreements specify that this is a cost reimbursement program, the subrecipient may receive funds in advance of incurring the cost for the purpose of paying vendors. If this occurs, the funds must be paid to the vendor within three (3) days of receipt from the department.

Audit Objective – Determine if funds were advanced or paid on a reimbursement basis.

Suggested Audit Procedure - Ascertain that funds received in advance of incurring the cost were disbursed within three (3) days of receipt from NCDOT.

Proceeds from the disposition of vehicles and equipment

Compliance Requirement – Proceeds retained from the disposition of vehicles and related equipment as established by the Department of Transportation, as applicable, must be used for transportation purposes. The funds cannot go to the general fund; a separate account is required.

Audit Objective – Determine if the proceeds from the disposition of vehicles and equipment were deposited to the correct account. Determine where the proceeds were used and if the proceeds were used correctly.

Suggested Audit Procedure - Ascertain that proceeds were used for appropriate purposes.

4. CONFLICT OF INTEREST POLICY

Compliance Requirement – N.C.G.S. 143C-6-23 requires each nonprofit 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 if the policy statement has been provided to the disbursing state agency, to current members of the board and management and efforts are made to follow the policy.

Suggested Audit Procedure

1. Obtain a copy of the policy and transmittal letter to the agencies disbursing state funds to the nonprofit entity.

2. Verify the existence and enforcement of the entity’s procedures.
6. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Vehicle Maintenance

**Compliance Requirement** - Under the agreement between NCDOT and the local grantee, the section on equipment requires that maintenance records be established for each vehicle acquired with state funds. The maintenance program must meet the minimum maintenance requirements established by the vehicle manufacturer. For facility projects, the grantee must maintain the facility and be subject to annual inspections by the department or its designee.

**Audit Objective** – Determine that the maintenance records were established as required by the agreement and that the agency has met the manufacturer’s minimum maintenance requirements.

**Suggested Audit Procedure** - Inspect and test the maintenance records to determine if the recipient has a maintenance program and that it meets the minimum maintenance requirements as established by the vehicle manufacturer.

Procedures for disposition of vehicles and equipment

**Compliance Requirement** – Disposition of vehicles, related equipment and facilities must be in accordance with procedures established by the NCDOT.

**Audit Objective** – Determine if any vehicles and equipment or facility have been disposed of and if it was according to procedure.

**Suggested Audit Procedure**

1. Interview responsible officials and review disposition records and determine whether there were any disposals of vehicles or related transit equipment.

2. Obtain current market values at date of disposal if the equipment was disposed of locally and determine if the agency received an appropriate amount.

Lease Agreements for Vehicles

**Compliance Requirement** – The grant recipient must enter into a lease agreement for vehicles that are not operated by the recipient. The sample lease agreement is provided by NCDOT – Public Transportation Division and incorporates the required federal and state provisions. A copy of each lease agreement is forwarded to NCDOT. A copy of current lease agreements must be on file with NCDOT.

**Audit Objective** – Determine who operates the vehicles and that this is covered by the lease agreement.

**Suggested Audit Procedure** - Determine if any vehicles are operated by other entities. If so, check the agreement for required clause/provisions and a current period of performance.
7. MATCHING, LEVEL OF EFFORT, EARMARKING

Local Match

Compliance Requirement - The grantee must pay the amount/percentage as specified in the State/Local project agreement or award letter, plus all sales/highway use tax and the cost of options that the Department does not participate in funding. There is a 10% (ten percent) local match requirement. Any costs in excess of the approved project budget are the responsibility of the grantee.

Audit Objective – Determine the amounts or percentages or matching funds provided were allowable and applied correctly.

Suggested Audit Procedure

1. Compare the total reported project cost with the expenditure category to determine the allowability and unacceptability of claimed expenses and that the required matching contributions were met.

2. Determine whether expenditures were supported by the project budget, were applied correctly and were from an allowable source.

3. Test records/transactions to match for compliance with allowable transaction/activities.

8. PERIOD OF AVAILABILITY OF STATE FUNDS

Compliance Requirement - The eligible project costs are to be completed within the specified time frame. Extensions to the period of performance must be approved by NCDOT based upon justification provided by the grantee.

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 or an approved extension of the period of performance.

9. PROCUREMENT AND SUSPENSION AND DEBARMENT

Compliance Requirement –Procurements shall be conducted in accordance with instructions contained in North Carolina General Statute 143-129. Expenditures for construction or repair work 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.

No recipient is allowed to procure goods or services from a company, firm or organization that has been suspended or debarred by the State of North Carolina or Federal Government.
Circumventing these regulations by reducing large purchases to a series of small purchases or by any other means is not permitted.

**Audit Objective** - Determine if procurements were conducted in accordance with N.C.G.S. 143-129.

**Suggested Audit Procedure** – Examine procurements for adherence to regulations and NCDOT guidance.

12. REPORTING

1. **Compliance Requirement** - Grantees must submit information regarding the current status of equipment in the manner prescribed by the department.

   **Audit Objective** – Determine if the documentation has been submitted as requested by the department.

   **Suggested Audit Procedure**

   1. Examine the documentation submitted.

   2. Verify the accuracy of the documentation by checking against NCDOT’s guidance.

2. Non-governmentals – Reports made by non-State entities

   **Compliance Requirement** – North Carolina General Statute 143C-6-23 “Use of State Funds by Non-State Entities,” and North Carolina Administrative Code Chapter 9, Subchapter 03M “Uniform Administration of State Grants” addresses reporting requirements for non-governmental entities.

   These regulations along with reporting forms may be accessed at:

   www.ncauditor.net/NonProfitSite/regulations.aspx

   www.ncauditor.net/NonProfitSite/forms.aspx

   **Audit Objective** – Determine applicable reporting requirements.

   **Suggested Audit Procedure**

   1. Determine if the organization is subject to G.S. 143C-6-23.

   2. Determine what type of filing/report should be made with the NCDOT.

Reports and reports of significant events (FTA Circular 5010.1C). Based on the level of FTA funding, exclusive of transit vehicle purchases, recipients are required to implement a DBE program. To monitor the progress of the DBE program, recipients are required to submit quarterly reports based on a record keeping system (49 CFR section 23.49).

**Audit Objective** - Determine DBE reports are supported by adequate documentation.

**Suggested Audit Procedure**

1. Review grantee’s DBE contract expenditures (as opposed to contract awards) as outlined in FTA Circular 4716.1A and 49 CFR Part 26.

2. Review the reports and trace the information to underlying data to determine completeness and accuracy.

3. Determine that for all participation amounts reported, the firms have been certified and that the certification is current. Participation by non-certified firms is not allowed.

**Compliance Requirement** – (FOR GRANTS THAT MATCH LOCAL FUNDS ONLY – NO FEDERAL FUNDS ARE IN PROJECT) Grantees must submit quarterly MBE/WBE/HUB Report of Awards and Report of Payments documenting actual utilization of Minority Business Enterprise, Women Business Enterprise and Historically Underutilized Business Enterprise as specified in all grant agreements executed after October 1, 2006. To monitor the progress of the MBE/WBE/HUB program, recipients are required to submit quarterly reports based on a record keeping system.

**Audit Objective** - Determine MBE/WBE/HUB reports are supported by adequate documentation.

**Suggested Audit Procedure**

1. Review grantee’s MBE/WBE/HUB contract expenditures as defined in the grant agreement and the NCDOT Public Transportation Division Disadvantaged Business Enterprise External Procedures.

2. Review the reports and trace the information to underlying data to determine completeness and accuracy.

3. Determine that for all participation amounts reported, the firms have been certified and that the certification is current. Participation by non-certified firms is not allowed.