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 (Metropolitan Planning and/or Surface Transportation Program-Direct Apportionment/Planning (STP-DA)) and WBS Number on the Schedule Expenditures of Federal and State Awards. Grantor and/or pass-through grantor, program title and CFDA number (20.205-5) 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 20.205-5.
I. PROGRAM OBJECTIVES

The objectives of the Metropolitan Planning Program is to: (1) develop long range transportation plans; (2) provide for a continuing, cooperative and comprehensive planning process; (3) develop and approve Metropolitan Transportation Improvement Program; and, (4) ensure that the long range transportation plan conforms to state and federal regulations including the Clean Air Act.

The objective of the Surface Transportation Program – Direct Apportionment Planning Program (STP-DA) is to provide additional funds to support the Metropolitan Planning Program.

II. PROGRAM PROCEDURES

Programs are administered by the State Highway Agency (SHA).

Funds are provided to Metropolitan Planning Organizations (MPO’s) through a Lead Planning Agency (LPA may be a city, county, or Council of Government). LPA’s pay 20% of the total planning costs of approved activities. Grants are governed by agreements entered into between NCDOT and the LPA. The legal agreement specifies the terms and conditions of the projects.

III. COMPLIANCE REQUIREMENTS

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.

OMB has issued an addendum to Circular A-133 on June 30, 2009. This addendum supplements the 2010 OMB Circular A-133 Compliance Supplement (Supplement) to provide additional guidance for programs (including clusters of programs) with expenditures of American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) (ARRA) awards that the auditor determines are major programs in audits performed under OMB Circular A-133. This addendum is effective for audits of fiscal years beginning after June 30, 2008. It should be used in conjunction with other Parts and Appendices of the Compliance Supplement in determining the appropriate audit procedures to support the auditor’s opinion on compliance for each major program with expenditures of ARRA awards. This addendum may be found at http://www.whitehouse.gov/omb/assets/a133_compliance/arra_addendum_1.pdf.

A. ACTIVITIES ALLOWED OR UNALLOWED

Compliance Requirement – Each MPO operates under an agreement and a prospectus between the MPO and the NC Department of Transportation (NCDOT). In addition, each MPO less than 200,000 in population develops and submits an annual Planning Work Program that is reviewed and approved by NCDOT. Transportation Management Areas (TMA) are defined by the Federal agency as an MPO that has an urbanized area population of 200,000 or more. There are seven such areas in North Carolina: Capital Area MPO (LPA - Raleigh), Fayetteville Area MPO (LPA – Cumberland County Joint Planning Board), Mecklenburg-Union MPO (LPA – Charlotte), French Broad River MPO (Asheville Area, LPA - Land of Sky Regional Council), Greensboro Urban Area MPO (LPA – Greensboro), Winston-Salem Urban Area MPO (LPA –
Winston-Salem) and Durham-Chapel Hill-Carrboro MPO (LPA – Durham). TMA areas submit their annual Planning Work Program to NCDOT, which then forwards it to the Federal Highway Administration (FHWA) and to the Federal Transit Administration (FTA), if applicable, for approval. The annual Planning Work Program includes the following:

1. Surveillance and data collection activities that support the development and re-evaluation of a Long Range Transportation Plan (LRTP).
2. Maintenance of roadway and traffic system inventories.
3. Planning activities that support the implementation of the LRTP.
4. Activities which assist in the compliance with applicable state and federal laws including Title VI, Civil Rights Act of 1964.
5. Metropolitan Transportation Improvement Program (MTIP) development.
6. Customer service activities pertaining to the development and implementation of the LRTP and the MTIP.

**Compliance Requirement** – Each MPO designated as a Transportation Management Area (TMA) is eligible to use STP-DA funds to support their Metropolitan Transportation Planning Program. Each TMA operates under an agreement and a prospectus between the MPO and the NC Department of Transportation (NCDOT). Transportation Management Areas (TMA) are defined by the Federal agency as areas that have a population exceeding 200,000, or an MPO less than 200,000 population that contains a portion of a TMA. There are seven areas in North Carolina which exceed 200,000: Capital Area MPO (CAMPO), Fayetteville Area MPO (FAMPO), Mecklenburg-Union MPO (MUMPO), French Broad River MPO (FBRMPO), Greensboro Urban Area MPO (GUAMPO), Winston-Salem Urban Area MPO (WSUAMPO) and Durham-Chapel Hill-Carrboro MPO (DCHC). Two MPOs, Cabarrus-Rowan MPO and High Point Urban Area MPO are less than 200,000 but contain a portion of a designated TMA, therefore they are subject to the TMA requirements. TMA areas submit their annual Planning Work Program to NCDOT, which then forwards it to the Federal Highway Administration (FHWA) and, if applicable, the Federal Transit Administration (FTA) for approval. The annual Planning Work Program includes the above mentioned six (6) items.

**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.

**C. CASH MANAGEMENT**

NC Department of Transportation (NCDOT) does not pass this requirement down to the local level. Subgrantees of NCDOT are funded on a reimbursement basis. No testing is required.
D. DAVIS-BACON ACT

Metropolitan Planning involves work on planning issues. This work does not involve construction contracts. Therefore this requirement is not passed down to the local level. No testing is required.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment

Compliance Requirement – With NCDOT approval, grant funds may be used to purchase equipment that supports the transportation planning process as defined in the MPO’s prospectus and annual Planning Work Program.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

1. Matching

Compliance Requirement - PL 104(f) funds and STP-DA 133(b)(7) funds require the LPA to pay a 20% local match from resources other than Federal or State funds.

2. Level of Effort - NC Department of Transportation does not pass this requirement down to the local level. No testing is required.

3. Earmarking - NC Department of Transportation does not pass this requirement down to the local level. No testing is required.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Procurement

Compliance Requirement – MPO’s that intend to enter into consultant contracts must obtain prior approval from NCDOT. Consultant contracts are 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).

J. PROGRAM INCOME

NC Department of Transportation does not pass this requirement down to the local level. No testing is required.

L. REPORTING

1. Compliance Requirement - The following reports must be submitted periodically:

1. Section 104(f) Expenditure Report and/or Section STP-DA 133(b)(7) Expenditure Report in accordance with project arrangements.

2. Certified invoice for payment.

3. Annual Section 104(f) Performance Report and/or Annual Section 133 (b)(7) Performance Report.

Audit Objective – The reports submitted should accurately reflect the expenditures.
Suggested Audit Procedure

Ascertain that the grantee has accurately prepared reports and documentation supports the reports.

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

   **Audit Objective** – Determine that invoices submitted were correct.

   **Suggested Audit Procedure**

   1. Verify that invoices submitted were for valid expenses and were accurate.
   2. Confirm that documentation exists and supports invoices submitted.

3. **Compliance Requirement - American Recovery and Reinvestment Act Reporting (ARRA)**. The NC Department of Transportation (NCDOT) is responsible for reporting project ARRA data to the Federal awarding agency. The subrecipient is responsible for reporting project ARRA data to NCDOT. Appropriate documents to meet the reporting requirements are provided to the subrecipient independent of the contract. In all cases (including months where no project work was performed), Project Status Reports are due to NCDOT by the 5th of each month and Employment Data Reports are due to NCDOT by the 7th of each month until the completion of the project.

   **Audit Objective** – Determine that monthly Project Status Reports and Employment Data Reports were submitted timely and are accurately prepared.

   **Suggested Audit Procedure**

   Ascertain that the grantee has accurately prepared the two ARRA data reports and documentation supports the reports.

M. SUBRECIPIENT MONITORING

**PL 104(f) Funds**: The NC Department of Transportation passes this requirement down to the Local Level for all MPOs who pass funds through to subrecipients. The list of MPOs that pass funds through to subrecipients can change each year, but subrecipients are limited to the individual members of the respective MPOs. Testing is required for any LPA that passes funds through to subrecipients. If testing is required, NCDOT relies on the Federal Compliance Supplement, Part 3, Section M. Subrecipient Monitoring, for guidance.

**STP-DA 133(b)(7) Funds**: The NC Department of Transportation passes this requirement down to the Local Level for all MPOs who pass funds through to subrecipients. The list of MPOs can change each year, and subrecipients are limited to the individual members of the respective MPO. Testing is required for any LPA that passes funds through to subrecipients. If testing is required, NCDOT relies on the Federal Compliance Supplement, Part 3, Section M. Subrecipient Monitoring, for guidance.

**Compliance Requirement - American Recovery and Reinvestment Act**: A pass through entity is responsible for identifying to the first-tier subrecipients the requirement to register in the Central Contractor Registration (CRC), including obtaining a Dun and Bradstreet Data
Universal Numbering System (DUNS) number, and maintain the currency of that information (Section 1512(h), ARRA, and 2 CFR 176.50(c)).

**Audit Objective** – Determine whether the pass-through entity determined that subrecipients have current CCR registrations prior to making subawards and performed periodic checks to ensure that subrecipients are updating information as necessary.

**Suggested Audit Procedure** – Test the pass-through entity’s subaward review and approval documents to determine whether, before award, the pass-through entity checked CCR to determine whether subrecipients were registered.

### N. SPECIAL TESTS AND PROVISIONS

1. **Compliance Requirement** – As provided in 2 CFR section 176.210, recipients of ARRA funds must maintain records that identify adequately the source and application of ARRA awards.

   **Audit Objective** – Determine whether accounting records for ARRA funds provide for the separate identification and accounting required for ARRA awards and activity.

   **Suggested Audit Procedure** – Ascertain if expenditures of ARRA awards are accounted for separately from expenditures of non-ARRA awards.

2. **Compliance Requirement** – Recipients of ARRA funds must identify the ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA).

   **Audit Objective** – Determine whether the entity met the requirements for reporting expenditures of ARRA awards on the SEFA and that reported amounts are supported by the accounting records and fairly presented in accordance with ARRA and program requirements.

   **Suggested Audit Procedure** – Verify that the SEFA properly identifies and reports expenditures of ARRA awards and that reported expenditures are supported by accounting records.

3. **Compliance Requirement** – If ARRA funds are passed from an entity to a subrecipient, the entity must: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification (as noted in Compliance Requirement number 2 above) in their SEFA and reporting of data.

   **Audit Objective** – If subawards of ARRA funds were made, determine whether the entity met the requirements for separately identifying to each subrecipient, and documenting at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and required their subrecipients to provide appropriate identification in their SEFA and reporting data.

   **Suggested Audit Procedure** – Verify that the entity separately identified to each subrecipient, and documented at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and required their subrecipients to provide appropriate identification in their SEFA and reporting data.