

20.205

**HIGHWAY PLANNING AND CONSTRUCTION**

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**State Project/Program:** **ENHANCEMENT PROGRAMS: SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS (SAFETEA-LU)**

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**U. S. Department of Transportation**

**Federal Authorization:** 23 U.S.C and SAFETEA-LU, 23 CFR and 49 CFR

**State Authorization:**

**N. C. Department of Transportation**

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**Agency Contact Person - Program**

**Address Confirmation Letters To**

Steven Hulsey, PE, Manager  
Programs Management Office  
Transportation Program Management Office  
N.C. Department of Transportation  
1595 Mail Service Center  
Raleigh, NC 27699-1595  
Phone: (919) 707-6634  
Fax: (919) 212-5711  
[shulsey@ncdot.gov](mailto:shulsey@ncdot.gov)

Pam Nelms  
Financial Management Division  
N.C. Department of Transportation  
1514 Mail Service Center  
Raleigh, N.C. 27699-1507  
Phone: (919) 707-4245  
Fax: (919) 715-8718  
[pknelms1@ncdot.gov](mailto:pknelms1@ncdot.gov)

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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, CFDA number (20.205-2), 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/or pass through 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.

## ENHANCEMENT PROGRAMS: SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS (SAFETEA-LU)

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On NCDOT's confirmation from the Grant Master List (GML), these moneys are shown by CFDA number 20.205-2. If the "grantee" is a non-governmental entity subject to N.C.G.S. 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" the reporting requirements may be different.

### I. PROGRAM OBJECTIVES

Federal funds are provided through the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Enhancement Program funds, which are matched by the department and/or the public agency receiving the grant. One part of SAFETEA-LU provides federal funds for "transportation enhancements," activities which can creatively integrate transportation into our communities and the natural environment. Transportation Enhancement activities must have a direct relationship to the surface transportation system, but not necessarily to a currently planned highway project.

### II. PROGRAM PROCEDURES

The program is administered by the State. Enhancement projects may be funded up to 80% with federal transportation enhancement dollars and are paid on a reimbursement basis. The remaining share must come from other public sources. In some cases, state funds are to provide part of the "match". All or part of the match may be required of the public agency sponsoring the project. NCDOT oversees the implementation of the project and the recipient usually is responsible for architectural and engineering and construction services. A legal agreement between the NCDOT and the sponsor specifies the terms of the project and defines the responsibilities.

The decision for allocation of Enhancement funds is currently coordinated by the State Transportation Improvement Program, Program Development Branch.

### 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 [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 [Subpart F](#) of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

#### A. ACTIVITIES ALLOWED OR UNALLOWED

Examples of Transportation Enhancement Activities: (1) pedestrian and bicycle facilities (including safety and educational activities for pedestrians and bicyclists), (2) acquisition of scenic easements and scenic or historic sites, (3) scenic or historic highway programs (including tourist and welcome center facilities), (4) landscaping and other scenic beautification, (5) historic preservation, (6) rehabilitating and operating historic transportation buildings, structures or facilities (including historic railroad facilities and canals), (7) preserving abandoned railway corridors (including the conversion and use as

pedestrian or bicycle trails), (8) controlling and removing outdoor advertising, (9) archaeological planning and research, (10) environmental mitigation to address water pollution due to highway runoff or reduce vehicle-caused wildlife mortality while maintaining habitat connectivity, (11) and establishment of transportation museums.

**B. ALLOWABLE COSTS/COST PRINCIPLES**

1. **Compliance Requirement** – Enhancement Program is a cost reimbursement program. Funds must be expended as specified in the project application, the project award letter, the project agreements, and specifications that incorporates the agency’s application (scope of services) by reference.
2. **Compliance Requirement** - In-house equipment used by municipalities can be billed at rates only on documented historical cost records. If the municipality does not have historical cost records to support rates, rates must be approved by the NCDOT. (NCDOT approves rates using GMAC, U.S. Corps of Engineers or Blue Book rental.)
3. **Compliance Requirement** - Agency in house work must be pre-approved by NCDOT after receipt of agency letter documenting cost savings or effectiveness of administration versus contract labor.
4. **Compliance Requirement** - Local units of government including cities and counties, chartered by the General Assembly are eligible for grants. These local units of government should be eligible for sales tax refunds under GS 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.

**Audit Objective** - Determine that the authority is eligible for the refund and that NCDOT did not reimburse any sales taxes eligible for refund.

**Suggested Audit Procedure** - Review financial records including contractors’ sales tax affidavits and ascertain that no sales taxes were billed to the project.

**C. CASH MANAGEMENT**

The grant is funded on the reimbursement basis; therefore, no testing is required at the local level.

**D. RESERVED**

**E. ELIGIBILITY**

North Carolina cities, counties, tribal governments, and other political subdivisions are eligible to receive Transportation Enhancement funds. Grants are governed by agreements entered into between NCDOT, the municipality, and/or other political subdivisions. The legal agreement specifies the terms and conditions of the projects.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

1. **Compliance Requirement** — NCDOT has adopted the policies and procedures for equipment and real property contained in the OMB Uniform Administrative 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.
2. **Compliance Requirement** - Reimbursement for rates of equipment owned by the municipality cannot exceed the Department's rates in effect for the time period in which the work is performed.

Special Note: The NCDOT Equipment Rental Rate Schedule is updated periodically. Please contact your local NCDOT Division Engineer's office for the equipment rates.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

Matching

**Compliance Requirement** - The State (including federal and state funds) reimbursement cannot exceed the amount stated in the project agreement, project award letter and approved project budget. The remaining share must come from other public sources, not other federal highway administration dollars.

Recipients may use the value of third-party donations of right of way or services in lieu of cash match. The project agreement must identify the source of match funds, if value of right of way or in-kind services will be used. Auditor should report amounts received from NCDOT as well as expenditures.

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

Earmarking – No testing is required at the local level.

H. PERIOD OF PERFORMANCE

Each grant discloses a period of performance in accordance with the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200.309). Refer to Part 3 of the Uniform Guidance Compliance Supplement (2 CFR Part 200, Appendix XI) for Suggested Audit Procedures.

I. PROCUREMENT, SUSPENSION & DEBARMENT

1. Solicitation of Bids

**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 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. Municipalities may also be required to comply with 23 CFR 635 for procurement, for those projects within, or treated as within, the public highway right of way.

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

**Suggested Audit Procedure** - Verify that municipality has properly solicited bids and that the contract was awarded to the lowest responsible, responsive bidder.

2. Debarment

**Compliance Requirement** – It is the policy of NCDOT not to enter into any agreements with parties that have been debarred by any government agency. The entity’s agents or contractors shall not be presently 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 the entity has not entered into any agreements with parties that have been debarred by any government agency.

**Suggested Audit Procedure** - Ascertain whether or not the entity has not entered into any agreements with parties that have been debarred by any government agency.

J. PROGRAM INCOME

**Compliance Requirement** - Income generated by the project (such as admission fees) should be used for the maintenance and/or operation of the project.

K. RESERVED

L. REPORTING

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.

**Audit Objective** – Determine if the organization is subject to G.S. 143C-6-22. 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 Procedures**

1. Determine the type of filing/report that should be made with the NCDOT to comply with 09 NCAC 03M.
2. Determine whether reports were accurately prepared and filed timely.

M. SUBRECIPIENT MONITORING

**Compliance Requirement:** 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. Auditor should report amount received from NCDOT as well as expenditures.

N. SPECIAL TESTS AND PROVISIONS

**Compliance Requirement** - For most federally participating highway projects, the SHA or municipality must abide by Equal Employment Opportunity, Prohibited Interests, Title VI - Civil Rights Act of 1964, and DBE Policies and Guidelines.

**Audit Objective** - Obtain an understanding of the recipient’s program and ascertain if the program incorporates the above policies.

**Suggested Audit Procedure**

Review contracts for compliance with stated policies.