

20.205

HIGHWAY PLANNING AND CONSTRUCTION

State Project/Program

STATE PLANNING AND RESEARCH

U. S. Department of Transportation

Federal Authorization: 23 U.S.C. 104(d), 401 et seq., as amended, 23 U.S.C. 133 (b)(10), as amended, 23 CFR and 49 CFR

State Authorization:

**N. C. Department of Transportation
(Metropolitan Planning and/or STBG-DA Planning)**

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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 (Metropolitan Planning and/or Surface Transportation Program-Direct Apportionment/Planning (STP-BG)) 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 are to: (1) develop long range transportation plans; (2) provide for a continuing, cooperative and comprehensive transportation planning process; (3) develop and approve the 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 a minimum of 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 [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 Uniform Guidance Compliance Supplement (2 CFR 200, Appendix XI) , 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.

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 that has an urbanized area 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 eleven such areas in North Carolina: Capital Area MPO (LPA - Raleigh), Fayetteville Area MPO (LPA – Cumberland County Joint Planning Board), Charlotte Regional Transportation Planning Organization (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), Cabarrus-Rowan MPO (LPA – Concord), Wilmington Urban Area MPO (LPA – Wilmington), Grand Strand Area Transportation Study MPO (LPA – Waccamaw Regional Council of Governments, South Carolina) Greater Hickory MPO, 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 activities:

1. Surveillance and data collection activities that support the development and re-evaluation of a Long Range Metropolitan Transportation Plan (MTP).
2. Maintenance of roadway and traffic system inventories.
3. Planning activities that support the implementation of the MTP.
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 (TIP) development.
6. Customer service activities pertaining to the development and implementation of the MTP and the TIP.

Compliance Requirement – Each MPO designated as a Transportation Management Area (TMA) is eligible to use STBG-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 eleven areas in North Carolina which exceed 200,000: Capital Area MPO (CAMPO), Fayetteville Area MPO (FAMPO), Charlotte Regional Transportation Planning Organization (CRTPO), French Broad River MPO (FBRMPO), Greensboro Urban Area MPO (GUAMPO), Winston-Salem Urban Area MPO (WSUAMPO), Wilmington Urban Area MPO (WUAMPO), Cabarrus-Rowan MPO (CRMPO), Grand Strand Area Transportation Study MPO (GSATS), Greater Hickory MPO, and Durham-Chapel Hill-Carrboro MPO (DCHC). 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.

Audit Objective – Determine that the entity 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 Department of Transportation pays on a reimbursement basis. No testing is required.

D. RESERVED

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. 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.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

1. Matching

Compliance Requirement - PL 104(d) funds and STBG-DA 133(b)(10) funds require the LPA to pay a minimum of 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.

H. PERIOD OF PERFORMANCE

Compliance Requirement - The eligible project costs are to be completed within the specified time frame, which is the State Fiscal Year. Extensions to the period of performance must be approved by NCDOT based upon justification provided by the grantee. Funds may not be carried over from one year to the next.

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.

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).

Audit Objective – Determine that the entity received written approval by NCDOT before execution of a consultant contract, if applicable.

Suggested Audit Procedure - Ascertain whether or not the entity received written approval by NCDOT before execution of a consultant contract, if applicable.

J. PROGRAM INCOME

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

K. RESERVED

L. REPORTING

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

1. Section PL 104(d) Expenditure Report and/or Section STBG-DA 133(b)(10) Expenditure Report in accordance with project arrangements. These reports are required by the Metropolitan Planning Organizations on an annual basis and as often as quarterly.
2. Certified invoices for payment are required by the Metropolitan Planning Organizations on an annual basis and as often as quarterly.
3. Annual Section PL 104(d) Performance Report and/or Annual Section STBG-DA 133 (b)(10) Performance Report.

Audit Objective – 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 Procedure – Ascertain that reports were accurately prepared and documentation supports the reports. Ascertain that reports were completed and submitted timely.

2. **Compliance Requirement** – The Lead Planning Agency 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 Procedures

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

M. SUBRECIPIENT MONITORING

PL 104(d) Funds: The NC Department of Transportation passes this requirement down to the Local Level for all MPOs who pass funds through to sub-recipients. The list of MPOs that pass funds through to sub-recipients can change each year, but sub-recipients are limited to the individual members of the respective MPOs. Testing is required for

any LPA that passes funds through to sub-recipients. Refer to Part 3 of the Uniform Guidance Compliance Supplement (2 CFR Part 200, Appendix XI) for Subrecipient Monitoring suggested audit procedures.

STBG-DA 133(b)(10) Funds: The NC Department of Transportation passes this requirement down to the Local Level for all MPOs who pass funds through to sub-recipients. The list of MPOs can change each year, and sub-recipients are limited to the individual members of the respective MPO. Testing is required for any LPA that passes funds through to sub-recipients. Refer to Part 3 of the Uniform Guidance Compliance Supplement (2 CFR Part 200, Appendix XI) for Subrecipient Monitoring suggested audit procedures.

M. SPECIAL TESTS AND PROVISIONS

This requirement is not applicable. Not testing required at local level.