

**20.205-7**

**HIGHWAY PLANNING AND CONSTRUCTION**

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<b>State Project/Program:</b>	<b>SAFE ROUTES TO SCHOOL PROGRAM (SRTS)</b>
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**U. S. Department of Transportation**

**Federal Authorization:** 23 U.S.C. , Section 1404 of the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users Act* (SAFETEA-LU) signed into Public Law (P.L. 109-59) on August 10, 2005, 23 CFR and 49 CFR

**State Authorization:**

**North Carolina Department of Transportation  
Division of Bicycle and Pedestrian Transportation**

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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 (Bicycle and Pedestrian Transportation Enhancement Program) 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, 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) published by NCDOT Fiscal Department, these moneys are shown as CFDA number 20.205-7.

### I. PROGRAM OBJECTIVES

Safe Routes to School (SRTS) is a federally mandated program with many benefits to the communities and people who participate in its program. The purposes of the program are to: (1) enable and encourage children, including those with disabilities, to walk and bicycle to school, (2) make bicycling and walking to school a safer and more appealing transportation alternative, thereby encouraging a healthy and active lifestyle from an early age, and (3) facilitate the planning, development, and implementation of projects and activities that will improve and reduce traffic, fuel consumption, and air pollution in the vicinity of schools.

### II. PROGRAM PROCEDURES

Through a competitive application process, communities may use this program funding to construct new bike lanes, pathways, and sidewalks, as well as to launch Safe Routes education and promotion campaigns in elementary and middle schools. There is no local funding match required since this program is 100% federally funded. Grant applications are comprehensive in nature and address infrastructure (engineering) and non-infrastructure (education, enforcement and encouragement) aspects. Eligible recipients include state, local and regional agencies, and non-profit organizations. Jurisdictional levels for the grant are school level, school system or region-wide, and state-wide. Primary beneficiaries must be K-8<sup>th</sup> grade students. Infrastructure projects must be within two miles of a school and on public property or private land with legal public-access easements.

A funded entity must be willing to execute a legal agreement with the NCDOT prior to receiving funding. This agreement will outline the responsibilities of each party, the terms of reimbursement and the deliverables. Selected entities will receive a formal Notice to Proceed from NCDOT. Costs incurred before this time are not a reimbursable expense. Funding is provided on a reimbursement basis.

### 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**

**Compliance Requirements** - Funds must be expended as specified in the reimbursement agreement and specifications which incorporate the grantee's application (scope of services) by reference.

**Audit Objective** - Determine that expenditures were made as specified in the reimbursement agreement and scope of project.

**Suggested Audit Procedure** - Ascertain whether or not expenditures were for items specified in the reimbursement agreement and letter giving notice to proceed with project.

**B. ALLOWABLE COSTS / COST PRINCIPLES**

**Compliance Requirement** - Local units of government including cities, counties, and airport authorities chartered by the General Assembly are eligible for grants. These local units of government should be eligible for sales tax refunds under G.S. 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 N. C. 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 and ascertain that no sales taxes were billed to the project.

**C. CASH MANAGEMENT**

The grant is funded on a reimbursement basis. No testing is required at the local level.

**D. RESERVED**

**F. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

**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).

**G. MATCHING, LEVEL OF EFFORT, EARMARKING**

1. Matching – No local match is permitted with the SRTS program. The Federal share of the cost of the project or activity is 100 percent. – No testing required at the local level.
2. Level of Effort - No testing required at the local level.
3. Earmarking - No testing 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 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** - LPAs must award construction contracts on the basis of the lowest responsive bid submitted by a bidder meeting the contracting agency's criteria for responsibility. Competitive bidding is required unless the contracting agency is able to demonstrate to FHWA that some other method is more cost effective or that an emergency exists (23 USC 112 (b)(1); 23 CFR sections 635.104 and 635.114). Contracting agencies also may procure construction services through competitive proposals by using design-build contracts (23 USC 112(b)(3); 23 CFR part 636) or construction manager/general contractor contracts (23 USC 112(b)(4)). For construction contracts, bidding documents must be advertised for at least 3 weeks, unless a shorter period is justified in the project files. Recipients may not negotiate with the potential contractors during the time between bid opening and contract award (such negotiations would be noted in the contract files). Awards must be made to the lowest responsible bidder. If the award was made to a bidder other than the low bidder, then the project files must contain justification (23 CFR sections 635.112(b), 635.113, and 635.114).

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.

**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 qualified.

#### 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

NCDOT does not pass this requirement to LPAs. No testing required at the local level.

### K. RESERVED

### L. REPORTING

**Compliance Requirement** – NCDOT requires an inspection report confirming completion of the project as agreed at the time a request for reimbursement is submitted.

**Audit Objective** – Determine that the entity provided NCDOT all required submittals prior to reimbursement.

**Suggested Audit Procedure** - Ascertain whether or not the entity provided submittals to NCDOT prior to reimbursement.

### M. SUBRECIPIENT MONITORING

This requirement is not applicable. No testing required at the local level.

### 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, Davis-Bacon Wage Scale, and MBE/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.