

TRANSIT SERVICES PROGRAMS CLUSTER

20.513 ENHANCED MOBILITY OF SENIORS AND INDIVIDUALS WITH DISABILITIES PROGRAM
20.516 JOB ACCESS REVERSE COMMUTE
20.521 NEW FREEDOM PROGRAM

State Project/Program: ELDERLY AND PERSONS WITH DISABILITIES PROGRAM 49 U.S.C 5310
JOB ACCESS – REVERSE COMMUTE 49 U.S.C. 5316
NEW FREEDOM PROGRAM 49 U.S.C. 5317

U. S. DEPARTMENT OF TRANSPORTATION

Federal Authorization: 49 U.S.C. 5310 49 U.S.C. 5316
49 U.S.C. 5317

State Authorization: N. C. Department of Transportation
Public Transportation Division

Agency Contact Person – Program

Johanna Cockburn, Interim Director
Public Transportation Division
NC Department of Transportation
1550 Mail Service Center
Raleigh, NC 27699-1550
Phone (919) 707-2601
Fax (919) 733-1391
jcockburn@ncdot.gov

Address Confirmation Letters To:

Pam Nelms, Grant Accountant
NC Department of Transportation
Financial Management Division
1514 Mail Service Center
Raleigh, NC 27699-1514
Phone (919) 707-4245
Fax (919) 715-8718
pknelms1@ncdot.gov

The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in an 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 (“Enhanced Mobility of Seniors and Individuals with Disabilities Program” - CFDA # 20.513, “Job Access – Reverse Commute” – CFDA # 20.516, “New Freedom Program” – CFDA # 20.521) and WBS number on the Schedule of

ELDERLY AND PERSONS WITH DISABILITIES

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 work order number is on the upper right-hand corner of the first page. Grantor and/or pass-through grantor 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 funds are shown as part of CFDA numbers 20.513, 20.516 and 20.521.

Please note this is a different program from the one entitled Elderly and Disabled Transportation Assistance Program (E&DTAP).

I. PROGRAM OBJECTIVES

Enhanced Mobility of Seniors and Individuals with Disabilities Program (Section 5310)

The objective of the Section 5310 program is to improve mobility for elderly individuals and individuals with disabilities throughout the country. Toward this, the Federal Transit Administration (FTA) provides financial assistance for transportation services planned, designed, and carried out to meet the special transportation needs of seniors and individuals with disabilities in all areas—small urban, and rural.

Job Access - Reverse Commute (JARC) (Section 5316)

The objectives of the JARC program improved access to transportation services to employment and employment-related activities for welfare recipients and eligible low-income individuals and to transport residents of nonurbanized areas to suburban employment opportunities. Under this program, FTA provided financial assistance for transportation services planned, designed, and carried out to meet the transportation needs of welfare recipients and eligible low-income individuals, and of reverse commuters regardless of income.

New Freedom (Section 5317)

The New Freedom program provided additional tools to overcome barriers facing Americans with disabilities seeking integration into the work force and full participation in society. Lack of adequate transportation was a primary barrier to work for individuals with disabilities. The 2000 Census showed that only 60 percent of people between the ages of 16 and 64 with disabilities are employed. The New Freedom program reduced barriers to transportation services and expand the transportation mobility options available to people with disabilities beyond the requirements of the Americans with Disabilities Act (ADA) of 1990.

II. PROGRAM PROCEDURES

FTA annually publishes formula apportionments to the States and urbanized areas with populations of 200,000 persons or greater (i.e., large urbanized area) in a Federal Register notice published within 10 days after the Department of Transportation (DOT) Appropriations Act is signed into law. In the case of the Section 5310, JARC and New Freedom Programs, the Governor: (1) designates a State agency to administer the program in nonurbanized areas and in urbanized areas with populations between 50,000 and 199,999 persons; and (2) in consultation with the Metropolitan Planning Organization including local officials and public transportation providers, designates a recipient to administer the program for the large urbanized area(s).

ELDERLY AND PERSONS WITH DISABILITIES

The State agencies and designated recipients are responsible for fair distribution of the funds. State agencies and designated recipients must describe their procedures for administering the program in a State management plan (SMP), or program management plan (PMP) for designated recipients serving large urbanized areas.

State agencies and designated recipients apply to FTA for approval of a program of projects annually, and report annually to FTA on financial status and revisions to their program of projects. Federal transit law, as amended by Safe Accountable Flexible Efficient Transportation Equity Act, a Legacy for Users (SAFETEA-LU) and the Moving Ahead for Progress in the 21st Century Act (MAP-21), require that projects selected for funding under the Section 5310, JARC, and New Freedom programs be derived from a locally developed, coordinated public transit-human services transportation plan and that the plan be developed through a process that includes representatives of public, private, and non-profit transportation and human services providers and participation by members of the public.”

Under MAP-21, Transfers of Section 5310 funds to other programs are not permitted. A competitive selection process is not required.

FTA monitors compliance with Federal requirements through administrative “State Management Reviews,” in which a State agency is generally reviewed every 3 years. Designated recipients who also receive FTA financial assistance under the Urbanized Area Formula Program (CFDA 20.509) are also subject to a “Triennial Review” from the FTA.

Agreements are executed upon approval for program eligibility. The Agreement identifies Federal and State requirements for receipt of the funds. Agreements are updated as changes in Federal, State and local regulations occur. Annual Agreements and approved project budgets are transmitted to the local organization following approval of the statewide application by the grant entity, typically the Federal Transit Administration.

Subrecipients

State agencies and designated recipients select subrecipients and monitor their compliance with Federal requirements. FTA does not directly monitor the State’s subrecipients but checks the State agency’s procedures for monitoring during the State Management Review. The State agency may impose program criteria in addition to those imposed by the FTA and may require additional reports from subrecipients. These State requirements are included in the State Management Plan.

Source of Governing Requirements

The JARC and New Freedom programs in this cluster were authorized by SAFETEA-LU (Pub. L. No. 109-059, enacted on August 10, 2005). However, these programs were not funded again in the Moving Ahead for Progress in the 21st Century Act of 2012 but the Section 5310 Program was funded again. Guidance for the Section 5310 Program can be found in FTA Circular C9070.1G. Program regulations are in 49 CFR 1.91.

Eligible 5310, JARC and New Freedom Project Applicants

- Private non-profit organizations
- State or local governmental authorities

ELDERLY AND PERSONS WITH DISABILITIES

- Operators of public transportation services including private operators who contract through public transportation providers

The Job Access and Reverse Commute Program (5316) has expired. Job Access and Reverse Commute activities are now eligible for funding under FTA's Urbanized Area Formula Grants (Section 5307) and the Formula Grants for Rural Areas (Section 5311) programs. The Job Access and Reverse Commute (JARC) program was established to address the unique transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment. Many new entry-level jobs are in suburban areas, and low-income individuals have difficulty accessing these jobs from their inner city, urban, or rural neighborhoods. In addition, many entry level-jobs require working late at night or on weekends when conventional transit services are either reduced or non-existent. Finally, many employment-related trips are complex and involve multiple destinations including reaching childcare facilities or other services.

The New Freedom Program has expired. Activities formerly funded under the New Freedom Program are now eligible for funding under FTA's Enhanced Mobility of Seniors & Individuals with Disabilities Program (Section 5310).

Eligible Activities

Capital, planning and operating expenses for projects that transport low income individuals to and from jobs and activities related to employment, and for reverse commute projects.

Availability of Other Program Information

Information about the programs may be found on the FTA web site at <http://www.fta.dot.gov/>. Program guidance and application instructions for the Section 5310, JARC, and New Freedom programs are contained in FTA Circulars 9070.1G, 9050.1, and 9045.1, respectively. These circulars can be found at the "Legislation, Regulations, and Guidance" section of the FTA web site. Additional program information is provided in the following:

[Award Management Requirements](#)
[2016 State Management Plan](#)
[NC DOT Public Transportation Business Guide](#)

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 Requirement - Funds must be expended as specified in the grant award letter, the project budget and the grant agreement, which incorporates the grantee's and the Federal Transit Administration's Master Agreement with NCDOT by reference. Urban areas are

ELDERLY AND PERSONS WITH DISABILITIES

designated recipients of the funds and enter into agreement with the Federal Transit Administration.

Audit Objective – Determine whether Federal funds were spent for only allowable activities approved in the subrecipient’s application.

Suggested Audit Procedures –

1. Review the approved application to determine activities allowed categorized by G-Codes
2. Select a sample of transactions charged to approved G-codes and perform procedures to verify that:
 - a. Activities were allowable.
 - b. Individual transactions were properly classified and accumulated into the activity

B. ALLOWABLE COSTS/COST PRINCIPLES

Compliance Requirement – Costs must be reasonable, necessary, allowable and allocable and conform to any limitation or exclusion set forth by laws, agreements or circulars. A list of required documentation for each G-code is provided in the [External Procedures - Appendix EX-302-1](#).

Audit Objective – Determine whether costs charged are allowable, accurately and adequately documented.

Suggested Audit Procedure – Select a sample of transactions charged to approved G-codes and perform procedures to verify that expenditures are accurate, properly allocated to the award, and adequately documented. Examine supporting documentation required to be submitted by all grantees with requests for reimbursement (claims).

C. CASH MANAGEMENT

Compliance Requirement - Project Agreements specify that this is a cost reimbursement program. If the subrecipient receives payment of federal and state funds in advance of incurring the cost, which is an exception to the general method of payment and only in extenuating situations, the funds must be paid to the vendor within three (3) days of receipt from the department. NCDOT relies on the Federal Compliance Supplement, Part 3, Cash Management for guidance.

Audit Objective – Determine if advanced funds were disbursed within three days and that remaining costs were reimbursed following grantee expenditure.

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

D. RESERVED

E. ELIGIBILITY

ELDERLY AND PERSONS WITH DISABILITIES

Compliance Requirement - There are three categories of eligible subrecipients of JARC, New Freedom and 5310 funds:

- a. Private non-profit organizations;
- b. State or local governmental authority; and
- c. Operators of public transportation services, including private operators of public transportation services.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Recipients, with FTA approval, can transfer, sell, or lease property, equipment, or supplies acquired with Federal transit funds that are no longer needed for transit purposes. FTA may authorize the recipient to transfer the asset to a local governmental authority to be used for a public purpose (49 USC 5334 (h) (1) through (3)). If a recipient sells the asset, the proceeds must be used to reduce the gross project costs of another federally funded capital transit project (49 USC 5334(h)(4) or handled as stated in 49 CFR sections 18.31 or 18.32 (49 USC 5334(h)).

Vehicle Maintenance

Compliance Requirement - The grantee shall maintain all project equipment at a high level of cleanliness, safety, and mechanical soundness in accordance with the minimum maintenance requirements recommended by the manufacturer. The grantee shall register all vehicle maintenance activities in a Comprehensive Maintenance Record or an electronic version of same.

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

Suggested Audit Procedure - Inspect the maintenance records to determine if the recipient’s maintenance program meets the minimum requirements as established by NCDOT and the agreement.

Disposal of Equipment and Realty

Compliance Requirement - Disposals of realty and related transit equipment must be in accordance with procedures established by the Department of Transportation and a portion of the funds received, as applicable, must be returned to the State and FTA in proportion to the original %age of funds contributed. (FTA Circular 9030.1E dated January 16, 2014; 2016 State Management Plan, and FTA Circular 5010.1E, Grant Management Requirements, dated September 10, 2018. These circulars may be accessed at www.fta.dot.gov).

Audit Objective - Determine that the disposals of realty and equipment followed procedures.

Suggested Audit Procedure

1. Interview responsible officials and review disposition records and determine whether there were any disposals of realty or related transit equipment.
2. Determine whether dispositions received a Fair Market Value (FMV) assessment prior to disposal.

ELDERLY AND PERSONS WITH DISABILITIES

3. Ascertain disposal prices for disposed realty and equipment.
4. Review financial records and determine amounts credited or returned to the state, as applicable.
5. Determine whether disposition approval was received from the NCDOT.
6. Select a sample of disposed vehicles to verify proper disposal steps were implemented.

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 must be used for transportation purposes. The funds cannot go to the general fund; a separate account is required. The Asset Management/Maintenance & Disposition Sections of the 2016 State Management Plan addresses disposition of equipment.

Audit Objective - Determine if the grantee disposed of the equipment in accordance to the PTD's disposal procedures and the proceeds from the disposition of vehicles and equipment were deposited to the proper account, reported to PTD and if the proceeds were used to further public transportation activities correctly.

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

G. MATCHING, LEVEL OF EFFORT, EARMARKING

Matching

Compliance Requirement – The federal share of eligible capital costs may not exceed an amount equal to 80 percent of the net cost of the activity. The local share of eligible capital costs will be 10 percent if state funds are available to participate in the eligible capital cost. The capital budget request in Partner Connect will be for 80 percent federal, 10 percent state and 10 percent local share. However, applicants should be prepared to provide a 20 percent match from local sources in case state funds are not available and the state cannot participate.

The federal share for eligible operating costs may not exceed 50 percent of the net operating costs of the activity. The local share for eligible operating costs shall not be less than 50 percent of net operating costs. The State does not participate in operating expenses.

Audit Objective – Determine whether the minimum amount or percentage of contributions or matching funds was provided.

Suggested Audit Procedure

1. Examine the agreement and any subsequent budget revisions and amendments.
2. Ascertain the total project costs, including those eligible for NCDOT or FTA participation.

ELDERLY AND PERSONS WITH DISABILITIES

3. Review financial records and determine the amount which can be claimed as the Federal and State share.
4. Verify that the match is from the allowable source as identified in the approved local share certification form submitted to PTD.

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

Earmarking – No testing is required at the local level.

H. PERIOD OF PERFORMANCE

Compliance Requirement - Grantees must be technically and financially prepared to begin and complete a project during the period of performance dates defined in the Agreement. There are few exceptions when the applicant will be allowed to extend the project dates, change project activities or amend the project budget once it is selected for funding. PTD will determine the beginning and end dates for the period of performance for each project. Expenditures of approved project activities must occur within the designated period outlined in the Agreement and known as the Period of Performance.

Audit Objective – Determine whether project activities were completed within the period of performance outlined in the Agreement. Verify expenditures were incurred in accordance with the approved Project Budget during the grant period of performance.

Suggested Audit Procedure

1. Review the grant agreement and determine the period of performance.
2. Test transactions for costs recorded during the beginning of the period of performance and verify that the costs were not incurred prior to the start of the period of performance.
3. Test transactions for costs recorded during the latter part and after the period of performance and verify costs were incurred within the period of performance. If transactions were incurred outside the period of performance, determine if a performance extension was executed between PTD and the grantee.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Compliance Requirement – Subrecipients must comply with the federal and state procurement guidelines. Procurement guidelines are developed by the NCDOT based on the requirements. Nonprofit agencies must develop a written procurement policy and guidelines as required by FTA Circular 4220.1F. The guidelines must be approved by NCDOT.

Buy America - All steel, iron, and manufactured products used in the project must be manufactured in the U.S., as demonstrated by a Buy America certificate, or, in the case of rolling stock, the cost of components produced in the United States is more than 60 percent of the cost of all components and final assembly of the vehicle takes place in the United States (49 CFR part 661).

ELDERLY AND PERSONS WITH DISABILITIES

- a. The FTA Administrator may grant specific waivers following case-by-case determinations that: (1) applying the requirement would be inconsistent with the public interest; (2) the goods are not produced in the U.S. in a sufficient and reasonably available quantity and of satisfactory quality; or (3) the inclusion of the domestically produced material will increase the overall project cost by more than 25 percent (49 CFR sections 661.7(b) through (d)).
- b. Appendix A to 49 CFR section 661.7 provides general waivers for the following items:
 - (1) Those articles, materials, and supplies exempted from the Buy America Act of 1933 as listed in 48 CFR section 25.104;
 - (2) Microprocessors, computers, microcomputers, or software, or other such devices, which are used solely for the purpose of processing or storing data; and
 - (3) All “small purchases” (under \$100,000) made by FTA recipients.
- c. Appendix A to 49 CFR section 661.11 provides a general Buy America waiver when foreign-sourced spare parts for buses and other rolling stock (including train control, communication, and traction power equipment) whose total cost is 10 percent or less of the overall project contract cost are being procured as part of the same contract for the major capital item.
- d. A recipient that purchases rolling stock for transportation of fare-paying passengers must conduct, or cause to be conducted, a pre-award audit before entering a formal contract for the purchase of rolling stock and certify that a post-delivery review is complete before title to the rolling stock is transferred. Pre-award and post-delivery reviews verify the accuracy of the Buy America certification, purchaser’s requirements certification, and certification of compliance with or inapplicability of Federal motor vehicles safety standards (49 CFR part 663).

Disadvantaged Business Enterprises (DBE) - Recipients shall require that each transit vehicle manufacturer certify that it has complied with the requirements of 49 CFR section 26.49, as a condition to bid on a transit vehicle procurement in which FTA funds are involved. Recipients may, with FTA approval, establish project-specific goals for DBE participation in the procurement of transit vehicles that a transit vehicle manufacturer must meet (49 CFR section 26.49(d)).

Procurement of Vehicles and Facilities - In prohibiting discrimination in the provision of transportation services against persons with disabilities, the Americans with Disabilities Act of 1990 requires that vehicles purchased or leased after August 25, 1990, and new and altered facilities designed and constructed (as marked by the notice to proceed) after January 25, 1992, must comply with the applicable standards of accessibility in 49 CFR parts 37 and 38 (42 USC 12101-12213).

ELDERLY AND PERSONS WITH DISABILITIES

Audit Objective - Determine whether procurements and contracts were approved by PTD and followed the appropriate policies and procedures.

Suggested Audit Procedure

1. Interview responsible officials and review purchasing records to determine whether there were any purchases or outside contracts.
2. Verify that appropriate policies/procedures were followed when making purchases or entering into contracts.

Debarment

Compliance Requirement – 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.

Audit Objective – Determine that the entity has not entered into any agreements with parties that have been debarred by any government agency.

Suggested Audit Procedures

1. Review the contract between the subrecipient and the subcontractor to identify language which prohibits a subrecipient from procuring goods or services from a company, firm or organization that has been suspended or debarred by the State of North Carolina or Federal Government.
2. Ascertain if the required suspension and debarment certifications were received for covered contracts.

J. PROGRAM INCOME

NCDOT does not pass this requirement down to the local level. No testing is required.

K. RESERVED

L. REPORTING

Performance Reports

Compliance Requirement – Grantees are required to report on their projects regardless of financial activity. Grantee must report on both quantitative and qualitative information regarding Progress reports must be submitted to NCDOT on a monthly or quarterly basis with any claims for reimbursement.

Audit Objective – Determine if reports submitted were accurate and supported by adequate documentation.

Suggested Audit Procedure - Trace quantitative information reflected in the reports to underlying accounting records.

ELDERLY AND PERSONS WITH DISABILITIES

Non-governmental State Reports

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 nongovernmental entities.

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.

DBE Reports

Compliance Requirement - Grantees must submit quarterly DBE Report of Awards and Report of Payments documenting actual utilization (CFR Parts 23 and 26, and the US DOT DBE Final Rule, Federal Register dated February 2, 1999 - Participation by Disadvantaged Business Enterprises in Department of Transportation Programs). Additional required reports include Project Progress 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, 23.11).

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 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.

M. SUBRECIPIENT MONITORING

NCDOT passes this grant to its subrecipients who can pass the funds down further to another subrecipient. If this situation occurs, NCDOT relies on the Federal Compliance Supplement, Part 3, Section M. Subrecipient Monitoring, for guidance. If this situation does not occur, no testing is required at the local level.

N. SPECIAL TEST AND PROVISIONS

1. Charter Service

Compliance Requirement - As part of the annual certifications and assurances required by the FTA, a recipient must execute an agreement with the FTA which provides that neither the recipient nor any of its subrecipients will provide charter service that uses equipment or facilities acquired with FTA funds, unless: (a) there are no willing and able private charter service operators or (b) one or more of the exceptions listed in 49 CFR part 604 are met and the charter service is incidental to the provision of mass transportation. Charter service is defined as transportation, using buses or vans (funded in whole or in part by FTA), of a group of persons pursuant to a common purpose, under a single contract at a fixed charge for the vehicle or service, which has acquired the exclusive use of the vehicle or service to travel together under an itinerary either specified in advance or modified after leaving the place of origin. This definition includes the incidental use of FTA-funded equipment for the exclusive transportation of school students, personnel and equipment, and the housing of charter vehicles in FTA-funded facilities. Incidental charter service is defined as service that does not:

(a) interfere with or detract from the provision of the mass transportation service for which the facilities or equipment were funded under the Act or (b) shorten the mass transportation life of the equipment or facilities (49 CFR part 604).

Audit Objective - Determine whether the use in charter service of equipment and facilities acquired with FTA funds conformed to 49 CFR part 604.

Suggested Audit Procedures

1. Ascertain if the recipient provides charter service with FTA-funded equipment by:
 - (1) obtaining written representation from the recipient;
 - (2) reviewing the charter service reports submitted to NCDOT
 - (3) reviewing revenue accounts for indications of charter bus revenue statements; and
 - (4) reviewing the recipient's web site and local business "Yellow Pages" for indications of charter service operations.
 2. Review the recipient's policies and procedures for charter, rental, or lease of its transit equipment.
 3. Test transactions that meet the definition of charter service and ascertain if:
 - (1) FTA-assisted equipment or facilities (e.g., parking lots and maintenance garages) were used;
 - (2) Documentation was available evidencing the absence of a willing and able private operator or an exception provided in 49 CFR part 604;
 - (3) Documentation was available evidencing a charter fee that recovers the entire operating and capital costs of equipment used; and
 - (4) Inventory records were adjusted to extend the useful life of the FTA subsidized transit equipment by the amount of charter service.
2. *School Bus Operation*

ELDERLY AND PERSONS WITH DISABILITIES

Compliance Requirement - As part of the annual certifications and assurances required by FTA, a recipient must enter into an agreement with the FTA Administrator stating that the recipient will not engage in school bus operations exclusively for the transportation of students and school personnel in competition with private school bus operators, unless it demonstrates to the FTA Administrator any one of the exceptions listed in 49 CFR section 605.11 and the Administrator concurs. Indicators of exclusive school bus service are:

- a. Bus schedules that only operate one way to schools in the morning and the other way from schools in the afternoon.
- b. Destination signs that say “school bus” “school special” or a school name are indicative of prohibited exclusive school bus service.
- c. Buses that have flashing lights and swing arms like standard yellow school buses are indicative of prohibited exclusive school bus service.
- d. Bus stop signs that say “school” are indicative of prohibited exclusive school bus service.
- e. Bus stops that are located on school property away from general public thoroughfares are indicative of prohibited exclusive school bus service. However, all recipients can operate “Tripper Service,” which is defined as regularly scheduled mass transportation service that is open to the public and designed or modified to accommodate the needs of school students and personnel, using various fare collections or subsidy systems. Buses used in “Tripper Service” are required to be clearly marked as open to the public and should not carry designations such as “school bus” or “school special.” All routes traveled by tripper buses must be within a grantee or operator’s regular route service as indicated in their published schedules (49 CFR part 605).

Policy Guidance for School Transportation Service

This policy clarification is guidance to public transportation systems regarding federal/state requirements related to exclusive public-school transportation service. Federal law does not provide exceptions to regulations for discipline problem students being transported to alternative schools or to special needs students. Charter schools are also included in this policy. These guidelines relate directly to transportation services to or from instructional programs that are provided during the regularly organized school day. This policy also applies to transportation services provided during the day other than to and from home for students to go from their base school to another school or program facility such as mental health, vocational rehabilitation, day care center, etc. Note that Head Start is not defined as a school by the Federal Transit Administration (FTA). Transportation to Child Development Centers is classified as human service transportation and therefore is not affected by the exclusive school transportation service regulations.

Federal and state requirements prohibit the use of vehicles, facilities and equipment funded by federal or state grant programs for the provision of exclusive school transportation service. Exclusive school transportation service is defined as any trip provided by a transportation system for which passengers are restricted only to students being transported to or from school or to or from school activities. The transportation system must immediately cease operating any exclusive public-school transportation

ELDERLY AND PERSONS WITH DISABILITIES

service operated with federal or state funded vehicles, equipment or facilities. The leasing of vehicles for the purpose of public-school transportation will not be allowed. Future federal and state grant-funding eligibility may be denied if exclusive school transportation service is not ceased immediately.

Community Transportation Systems are to review any current exclusive public-school transportation service(s) to ensure that no federal or state funded vehicles, equipment, and facilities are used for the provision of such service(s). Review existing and pending contracts with public schools to ensure that contract language does not limit the service exclusively to the public school(s). There are three statutory exemptions under which an FTA grantee may operate exclusive bus service:

- The grantee operates a school system in the area and operates a separate and exclusive school bus service for that school system
- Existing private school bus operators are unable to provide adequate, safe transportation
- The grantee, a public entity, has operated the service prior to August 12, 1973 or has received a grant for facilities before November 26, 1974.

A grantee wishing to engage in school bus operations must provide an opportunity for public comment including:

- Providing written notice to all private school bus operators
- Publishing notice in the local newspaper

The FTA Administrator makes the determination whether to permit a grantee to operate exclusive school bus service under one of the statutory exemptions. Upon notice of approval by the Administrator, the subrecipient enters into an agreement with the Administrator.

Exclusive school bus service operated under an approved exemption must use locally owned vehicles that are not housed or maintained in a federally funded facility. FTA funded equipment and facilities cannot be used for exclusive school bus service under any circumstances. As verified by the Federal Transit Administration, any transportation service provided to or from a public school must be open to the general public and advertised as such. FTA has advised that any services that do not meet these conditions must cease immediately.

The National Highway Traffic Safety Administration (NHTSA) and the National Transportation Safety Board (NTSB) emphasize that school buses are one of the safest forms of transportation in the country, and therefore strongly recommend that all vehicles used to transport school children be certified as meeting NHTSA's school bus safety standards. Passenger vans are not required to be manufactured to the same federal motor vehicle safety standards as traditional yellow school buses. Using passenger vans that do not meet NHTSA's school bus standards to transport students

ELDERLY AND PERSONS WITH DISABILITIES

could result in increased liability in the event of a crash as the risk of a serious injury or fatality is significantly higher.

Audit Objective - Determine whether school bus service provided with FTA-funded equipment was approved by FTA or that FTA-assisted equipment and facilities used to accommodate students conformed to the definition of “Tripper Service.”

Suggested Audit Procedures

1. Ascertain if the recipient operates any transit service exclusively for school children through: (1) a review of bus schedules, published fares, and service contracts; (2) discussions with recipient officials; and (3) reviews of school district or individual school web sites for information on bus transportation of school students.
2. Ascertain if FTA-funded equipment (e.g., buses or vans) or facilities (e.g., bus maintenance garages) were used to provide school service by reviewing inventory records, maintenance logs, parking sites, names on bus and van destination signs, school facilities, or by performing other appropriate procedures.
3. If exclusive school bus service is identified, review documentation that the service was approved by the FTA.

3. State Policies

Policy Guidance for Transporting Passenger to Church and Religious Services

Federal and state funded vehicles may not be utilized for transportation to church and religious services if the transportation is provided exclusively for this purpose and the service is not open to the general public. The service must be provided in an open-door manner and marketed as such. The service must adhere to federal and state guidelines regarding charter restrictions. Note, however, that the system cannot restrict to whom the service is provided based on religious affiliation.

Policy Guidance for Transporting Passengers to Vote

Federal and state funded vehicles may not be utilized for transportation to a place of voting or voter registration when the express purpose of the trip is to carry voters or potential registrants. The reason for this policy is that the grants are not provided for this purpose and there are potential partisan political activities that could occur that are beyond the legitimate scope of the services offered by the grantee and beyond the capability of the grantee, FTA, and the state to monitor.

Transportation to a place of voting or voter registration is allowed when provided under the normal route structure/ service design of the system, with the service open to any member of the general public, and not provided exclusively for the purpose of voting or voter registration.

ELDERLY AND PERSONS WITH DISABILITIES

Audit Objective - Determine if the equipment is being used in a manner consistent with the Community Transportation Services Plan, approved project application, and NCDOT policy guidance.

Suggested Audit Procedure - Examine trip data records and service-related records for compliance.

Policy Guidance on Vehicle Leasing and Charter Service

The Public Transportation Division established policy guidance (NC DOT Public Transportation Business Guide) regarding the transfer and use of federal and state funded vehicles to other North Carolina recipients/public transit providers.

The Public Transportation Division established policy guidance (NC DOT Public Transportation Business Guide) regarding the use of federal and state funded vehicles for Charter service. Policy EX 1302 Compliance explains Charter services may be provided with 5307, 5311, 5310, and 5339 federally funded if it is for program purposes or demand responsive service for the aging, disabled or low-income individuals. Charter service is only allowed under the Charter rule exceptions as it relates to a local policy matter and is subject to federal procedures and regulations. Subrecipients should have a charter service policy that describes any service restrictions or limitations, afterhours safety procedures, and cost of service details etc. if Charter service is provided in accordance with the exceptions rule

Exceptions: Charter service may be provided based on the following exceptions:

- The service is for official government business, which can include non-transit purposes and does not exceed 80 hours.
- The service is provided for a qualified Human Service Organization that provides human services programs for aging, disabled or low-income individuals.
- Equipment and drivers may be leased under certain conditions involving the private operator contracted to provide a charter service.
- No registered charter provider responds to a notice within 72 hours or 14 days depending on the time of the request before the event.
- All registered charter providers within the transit system's geographic service area have an agreement to allow the system to provide the charter service.
- An exception may be requested from the FTA Administrator for events of regional or national significance. Regional applies to a portion of the United States, not a portion of the State of North Carolina. Requests for charter services for local fairs, festivals, or other events must go thru the FTA notification process to registered private providers.

Referenced Documents:

1. [NC DOT Public Transportation Business Guide](#)

ELDERLY AND PERSONS WITH DISABILITIES

2. [49 CFR 604 Charter Service](#)

Audit Objective - Determine if Vehicle Leasing and Charter Service are being used in a manner consistent with the current NC DOT/PTD policy guidance.

Suggested Audit Procedure - Examine subrecipient policies and procedures, trip data records, service-related records, and vehicle transfer (through PTD to other recipients/Public Transportation Providers) agreements and Charter service documentation for compliance.