

**RAIL INDUSTRIAL ACCESS AND SHORT LINE INFRASTRUCTURE
ASSISTANCE**

State Authorization: N. C. G. S. Article 2D of Chapter 136

**N. C. Department of Transportation
Rail Division**

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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 (“Rail Industrial Access” for RIAP and “Shortline Infrastructure Assistance” for SIAP), DOT number (“DOT-23”), and WBS number on the Schedule of Financial Assistance. 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 left 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), these moneys are shown as DOT number “DOT-23.”

I. PROGRAM OBJECTIVES

The Rail Industrial Access Program is intended to attract new industry to the state. NCDOT will help fund the cost of constructing rail tracks required to serve a new business or a business expansion. The program provides funds to construct or improve railroad access (spur) tracks and related facilities. The Short Line Infrastructure Assistance Grant Program (SIAP) is administered similarly and uses excess RIAP funds in periods of slow economic growth and other funds designated by the General Assembly. The SIAP provides funds to short line railroads to rehabilitate and modernize track and bridge infrastructure. These improvements help retain existing rail served industries and attract new ones to the state.

II. PROGRAM PROCEDURES

Local governments, community development organizations, railroad companies and industries may apply for Rail Industrial Access funds. The Rail Division of NCDOT reviews applications and makes funding recommendations to the North Carolina Board of Transportation. Short line railroads are eligible to apply for SIAP funds. The Rail Division reviews applications and makes funding recommendations to the North Carolina Board of Transportation based on an established evaluation process. A grant agreement between the department and the recipient is prepared and executed. Project purchases are to be competitive and contracts must be awarded to the low bidder. All procurements are to be conducted in accordance with N.C. General Statute 143, Article 8. To receive reimbursement, the RIAP recipient must submit a payment invoice after the project is completed and after the track is in revenue service. SIAP recipients may submit progressive payment invoices. Upon review and approval by the Rail Division and DOT Fiscal Office, payment will be made.

Availability of Additional Program Guidance

Additional program information is provided in the RIAP and SIAP Notebook available at:

<https://connect.ncdot.gov/resources/Rail-Division-Resources/Pages/Policy-Specifications.aspx>

III. COMPLIANCE REQUIREMENTS

1. ACTIVITIES ALLOWED OR UNALLOWED

Compliance Requirement - Activities are defined in the agreement between NCDOT and the grantee. Funds must be expended in a manner consistent with the executed agreement.

Audit Objective – Determine if funds were expended on allowable activities specified in the executed agreement.

Suggested Audit Procedure

1. Ascertain that expenditures conform to the executed agreement.
2. Test expenditures and related records for compliance with the executed agreement.

2. ALLOWABLE COSTS/COST PRINCIPLES

Compliance Requirement – Costs eligible for RIAP funding include reasonable engineering costs; site preparation, including necessary grading and drainage to construct track(s); track construction; switches, and grade crossings and signals (19A NCAC 06B.0404).

Compliance Requirement – Costs which are not eligible for the RIAP program include relocation of utilities; acquisition of rights of way; and rail docking (19A NCAC 06B.0405).

Audit Objective – Determine whether reimbursed costs were allowable

Suggested Audit Procedure – Select a sample of invoices and corresponding supporting documentation for invoices and verify whether costs charged to the program were allowable.

3. CASH MANAGEMENT

The NC Department of Transportation pays on a reimbursement basis. No testing is required.

4. CONFLICT OF INTEREST POLICY

Compliance Requirement – N.C.G.S. 143C-6-23 requires each non-state entity eligible to receive state funds to have a conflict of interest policy which addresses conflicts that may arise when members of its governing body or its managing employees are involved in the disbursement of state funds. The entity is required to have a copy of their entity’s policy on file with the disbursing state agency before any funds are disbursed; this policy shall be approved by the entity’s governing board and a notarized statement of the board’s action shall be attached. All members of the board and management shall be familiar with and follow the policy and the legislation. The entity should have written procedures of how the conflict of interest policy is enforced.

Audit Objective - Determine if the policy statement has been provided to the disbursing state agency, to current members of the board and management and efforts are made to follow the policy.

Suggested Audit Procedure

1. Obtain a copy of the policy and transmittal letter to the agencies disbursing state funds to the nonprofit entity.

2. Verify the existence and enforcement of the entity's procedures.

5. ELIGIBILITY

Municipal and county governments; non-profit or for-profit community development organizations; railroads; and industries are eligible to apply for Rail Industrial Access Funding (19A NCAC 06B .0403).

6. EQUIPMENT & REAL PROPERTY MANAGEMENT

This requirement is not passed down to the local level. No testing is required.

7. MATCHING, LEVEL OF EFFORT, EARMARKING

1. Matching –NCDOT may fund up to a maximum of 50% of total project cost. The grantee must pay any costs in excess of the NCDOT funding amount referenced in the agreement. Auditor should report amounts received from NCDOT as well as expenditures.

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

3. Earmarking – No testing is required at the local level.

8. PERIOD OF PERFORMANCE

Compliance Requirement - The eligible project costs are to be completed within the specified time frame. The recipient typically begins project work within one year, and completes it within 1.5 years after the date of the North Carolina Department of Transportation authorization.

Audit Objective – Determine if costs were expended within the specified time frame according to the agreement.

Suggested Audit Procedure – Verify that project expenses occurred within the period of performance specified in the executed agreement.

9. PROCUREMENT AND SUSPENSION AND DEBARMENT

Procurement

Compliance Requirement – Procurements shall be conducted in accordance with instructions contained in North Carolina General Statute 143, Article 8. Expenditures for construction or repair work requiring the estimated expenditure of public funds equal to or more than five hundred thousand dollars (\$500,000); or a single class of supplies, materials, or equipment estimated in an amount equal to or more than ninety thousand dollars (\$90,000) of public funds must be contracted for only after a formal low bid process and approval by NCDOT. A bid tabulation and governing agency resolution recommending award is required for contract award to lowest responsible bidder. Procurements greater than

\$30,000 of public funds but less than \$90,000 for materials or greater than \$30,000 of public funds but less than \$500,000 for construction services require informal bidding, which includes written specifications, three responsive quotes or declined opportunities to bid. Circumventing these regulations by reducing large purchases to a series of small purchases or by any other means is not permitted.

Audit Objective – Determine if procurements were conducted in accordance with N.C.G.S. 143-129.

Suggested Audit Procedure – Examine procurements for adherence to regulations and NCDOT guidance.

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

10. PROGRAM INCOME

This requirement is not passed down to the local level. No testing is required.

11. RESERVED

12. 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” address reporting requirements for nongovernmental entities. Effective August 1, 2016, grantees will not submit their reports in the NC Grants System but directly to the Program in the manner prescribed by the Program

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 Procedure

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.

13. SUBRECIPIENT MONITORING

This requirement is not passed down to the local level. No testing is required.

14. SPECIAL TESTS AND PROVISIONS

No additional special tests and provisions are passed down to the local level. No testing required.