

STATE AID TO AIRPORTS PROGRAM

State Authorization: N.C.G.S. 63

NC DEPARTMENT OF TRANSPORTATION
DIVISION OF AVIATION

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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.

Grant Agreement must be properly identified by program name “State Aid to Airports Program” and WBS number on the Schedule of Expenditures of Federal and State Awards. This information is available from the agreement with NCDOT on the first page. Grantor and/or pass-through grantor should also be included. On NCDOT’s confirmation from the Grant Master List (GML), these funds are shown as DOT-

I. PROGRAM OBJECTIVES

State Airport Aid is the basic airport aid program of the North Carolina Department of Transportation. Under the terms of [North Carolina General Statutes Chapter 63](#), "the Department of Transportation is hereby authorized to provide State aid in the forms of loans and grants to cities, counties, and public airport authorities for the purpose of planning, acquiring, constructing, or improving municipal, county and other publicly owned or controlled airport facilities, and to authorize related programs of aviation safety, promotions, and long-range planning." The objective of the State Aid to Airports Program is to provide financial assistance to local governmental units for planning, land acquisition, construction, navigational aids, terminal buildings, parking, and access roads for airports and heliports that will be open to the public.

II. PROGRAM PROCEDURES

Local units of government including cities, counties, and airport authorities and commissions chartered by the General Assembly are eligible for airport grants. Airports/heliports receiving funds must be identified in the North Carolina Airport System Plan (NCASP).

The State Aid to Airports Program is the program providing State funds on a local matching formula basis. The final share is stipulated by the North Carolina Department of Transportation (NCDOT) and depends upon the size of the airport, the location of the airport, and the category of project.

Grants are made by the North Carolina Department of Transportation as part of the annual State Transportation Improvement Program (STIP). Project requests must be submitted to the Department of Transportation Division of Aviation or designee. The requests are currently submitted via a web-based portal (EBS/Partner Connect). These requests are reviewed and prioritized prior to approval by the Aviation Director with final approval by the Office of the Secretary of Transportation. In addition, if funds are available later, grants may be made for new or expanded projects later in the year. All grants requests are made to the Division of Aviation and approved by the Aviation Director with final approval by the Office of the Secretary of Transportation or designee.

III. COMPLIANCE REQUIREMENTS

1. ACTIVITIES ALLOWED OR UNALLOWED

Compliance Requirement - Guidance for State Aid to Airports projects is contained in the [North Carolina Airports Program Guidance Handbook](#), reissued April 2016, which is available from the Department of Transportation. State funding is used to fund types of projects listed below:

- 1) Safety/Regulatory/Operations Projects - Airport projects that are needed or required to meet the Airport Development Plan (ADP) system objectives for that airport's classification.
- 2) Capital Improvement Projects - Airport projects that expand the airport for increasing capacity and/or alleviate congestion. The project must exceed the system objectives or regulatory requirements for the airport's infrastructure as listed in the Airport Development Plan (ADP).
- 3) Statewide Programs - Fund a specific type of project that can include, but is not limited to, weather reporting, wildlife services, and small maintenance projects.

The [Handbook](#) (Pages 105-113) contains a range of typical eligible and ineligible work elements considered to meet the provisions of [North Carolina General Statute Chapter 63](#). As with most compilations, it is not inclusive regarding either eligible or ineligible work elements. Sponsors wishing to undertake a work element that is not listed in this chapter should contact the DOA for further guidance on the eligibility of the specific work element contemplated.

Audit Objective – Determine if the activities involved conform to the provisions of the Grant Agreement.

Suggested Audit Procedure - Review project records to determine that activities involved conform to the description contained in the Grant Agreement.

2. ALLOWABLE COSTS / COST PRINCIPALS

The Division of Aviation has adopted the Cost and Cost Principals of the OMB Uniform Guidance ([2 CFR Part 200](#)).

1. **Compliance Requirement** - No costs expended prior to the issuance of a Grant Agreement by the Department of Transportation are eligible for reimbursement except for the following types of projects:

1. They involve planning and project formulation costs necessary to develop the project application and its co-requisites of an approved Airport Layout Plan and appropriate environmental finding.
2. The acquisition of eligible land and the engineering and administrative costs associated with such acquisition has received prior documented approval from the Department of Transportation, and that has been carried out in accordance with the [North Carolina Program Guidance Handbook](#).

Audit Objective - Determine that all costs billed to the grant are allowable.

Suggested Audit Procedure - Verify through a sample of invoices that costs are allowable.

2. **Compliance Requirement** - Local units of government including cities, counties, and airport authorities chartered by the General Assembly are eligible for airport grants. These local units of government should be eligible for sales tax refunds under [GS 105-164.14](#) (b) or (c). If they have not qualified, 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.

3. CASH MANAGEMENT

Compliance Requirement – Grantees of NCDOT are funded on either an advance or reimbursement basis. Grantees that receive advance funding should pay vendors within 3 business days of receipt of the NCDOT payment.

Audit Objective - For advance requests, determine whether the grantee followed procedures to minimize the time elapsing between the receipt of the NCDOT payment and the payment to the vendor. For reimbursement requests, determine whether supporting documentation was provided that showed costs were paid prior to the request submitted to the NCDOT.

Audit Procedure – Select a sample of reimbursement requests and trace to supporting documentation showing that the costs for which reimbursement was requested were paid prior or at least within 3 business days of the receipt of the NCDOT reimbursement. The risk lies with advance payments to the airport sponsors. Auditors should report amounts received from NCDOT as well as expenditures.

4. CONFLICT OF INTEREST

[G.S. 14-234](#) includes a general prohibition against any public official having a personal interest in any contract to which he/she is a party in his/her official capacity. Any other statute or agency policy that applies should be tested as part of this compliance requirement.

5. ELIGIBILITY

N/A at the local level. Eligibility is determined between the General Assembly and the Division of Aviation.

6. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Appendix A of the [North Carolina Program Guidance Handbook](#) contains State Regulations & Statutory Requirements. The following items should be noted:

A-4. The Sponsor agrees that any land purchased, facilities constructed, or equipment acquired under this Agreement shall not be sold, swapped, leased or otherwise transferred from the control of the Sponsor without written concurrence of NCDOT.

A-5. The Sponsor agrees that the state share of any land purchased, facilities constructed, or equipment acquired under this Agreement shall be credited to NCDOT in a manner acceptable to NCDOT in the event such land, facilities, or equipment are subsequently disposed of through sale or lease.

A copy of the Sponsor's Assurances: General Conditions is also attached to each executed agreement ([Grant Assurances](#) were revised/updated December 2018)

1. **Compliance Requirement** – Records and documentation must be kept supporting any equipment purchased with State funds. These records must support the costs presented to the Division of Aviation.

Audit Objective - Determine whether the:

1. Grantee maintains proper records for equipment and adequately safeguards and maintains the equipment.
2. Grantee has disposed of or encumbered any equipment acquired with State Awards. If so, was the action taken in accordance with the requirements of the Division of Aviation?

Suggested Audit Procedure

1. Select a sample of equipment transactions and test for compliance with the Division of Aviation's policies and procedures for management and disposition of equipment.
 2. Verify that the fixed asset or property records contain information about the equipment purchased with State funds. Such information could include a description, who holds title, acquisition date and cost, percentage of State participation in the cost, location, condition, and any ultimate disposition data, including the date of disposal and sales price, or method used to determine current fair market value.
 3. Select a sample of equipment identified as acquired under State awards from the property records and physically inspect the equipment, including whether the equipment is appropriately safeguarded and maintained.
2. **Compliance Requirement** - Grantees must obtain permission of the Department of Transportation to dispose of land acquired with State Aid to Airports funds. If approved, the grantee must attempt to obtain fair market value for the property and the proceeds must be expended on the airport in a manner acceptable to the Department of Transportation (Note: If the land had been acquired with some form of Federal participation, involvement of the Federal Aviation Administration is also required). In addition, any balance of funds from previous land disposals is considered encumbered and must receive similar approval for dispersal.

Audit Objective - Determine if appropriate permission and fair market value was obtained. Determine the handling of funds from the sale.

Suggested Audit Procedure

1. Review minutes of the local government and other financial records to determine if land was disposed of during the period or if the local government was holding encumbered funds from past land disposals.
2. Review records to determine if the disposal was approved and what encumbrances, if any, were placed on the proceeds.
3. Review records of the expenditure of any encumbered funds to assure that they were disbursed in accordance with the terms of the encumbrance. Auditor should report amounts received from NCDOT as well as expenditures.

7. MATCHING, LEVEL OF EFFORT, EARMARKING

1. **Compliance Requirement** - For the State Aid to Airports Program, the only funds that are administered by the Department of Transportation are State funds. Matching ratios are specified in each Grant Agreement.

Audit Objective - Determine the level of participation.

Suggested Audit Procedure - Review the agreement for participation (usually expressed as a percentage) and test sample transactions for adherence to the agreement.

2. **Compliance Requirement** – In-kind contributions are allowable if specified in the project budget in the Grant Agreement. The State Aid to Airports Program has adopted the requirements of [CFR 49 Part 18.24](#) for In-kind contributions.

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

Suggested Audit Procedure – Verify that the In-kind match was from an allowable source and that values placed on the In-kind contribution are in accordance with [CFR 49 Part 18.24](#).

8. PERIOD OF PERFORMANCE

Compliance Requirement – Awards specify a period during which the grantee may use the funds. The grantee may charge to the award only costs resulting from obligations incurred during the funding period.

Audit Objective – Determine that State funds were obligated within the period of performance as specified in the Grant Agreement.

Suggested Audit Procedure

1. Review the Grant Agreement to determine any requirements related to the period of performance of the funds.
2. Test a sample of transactions charged to the State award to ensure that the underlying obligation occurred within the period of performance as stated in the award agreement.

9. PROCUREMENT & SUSPENSION & DEBARMENT

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. ([Memorandum #2018-06, NC Department of State Treasurer, March 2018](#))

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

Suggested Audit Procedure – Verify that bids were properly solicited and that the contract was awarded to the lowest qualified bidder.

10. PROGRAM INCOME

Grants from NCDOT to counties, municipalities, and airport authorities are not funds that generate income during the grant period. Therefore, this requirement is not applicable at the local level.

11. RESERVED

12. REPORTING

Compliance Requirement - “Quarterly Status Report” - Submitted quarterly beginning after notification of grant approval (Notice to Proceed) until project has been completed and accepted by the Department of Transportation.

Audit Objective - Determine the correct presentation of the entity’s grant monies received from NCDOT on the quarterly status reports.

Suggested Audit Procedures - Verify the totals shown on the report forms to supporting documentation and general ledger.

13. SUBRECIPIENT MONITORING

No grants are awarded to subrecipients from the local level. Therefore, no audit procedures are needed at the local level.

14. SPECIAL TESTS AND PROVISIONS

Compliance Requirement - The Department of Transportation requires that all terminal buildings built with State Aid to Airports funds be open to the general public and that space within may not be leased or sold for private use without the concurrence of the Department (except commercial service airports, where policies of the Federal Aviation Administration will govern such use).

Audit Objective - Determine that the building is used properly.

Suggested Audit Procedure

1. Review income records and lease agreements to determine if any space in terminals was leased for private use.
2. Determine if leased space was constructed with State Aid to Airports funds.
3. Determine if any leased space constructed with State Aid to Airports funds did not receive the concurrence of the Department of Transportation for conversion to private use.