

20.505

FEDERAL TRANSIT TECHNICAL STUDIES GRANTS

State Project/Program: **METROPOLITAN PLANNING PROGRAM/STATE PLANNING
AND RESEARCH PROGRAM 49 U.S.C. 5303 AND 5304**

STATEWIDE MATCH – DOT-11

U. S. Department of Transportation

Federal Authorization: *Safe, Accountable, Flexible, Efficient Transportation Equity
Act: A Legacy for Users (SAFETEA-LU) 49 U.S.C. 5303 and
5304.*

State Authorization:

**NC Department of Transportation
Public Transportation 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 in the Office of Inspector (OIG) reviews all single audits, financial audits, and management letters of all NCDOT “grantees”. OIG examines the presentation of program information including the grantor, program title, NCDOT identification numbers (WBS number), and reported Federal pass-through and/or State expenditures.

Grants must be properly identified by program name (Metropolitan Planning or State Planning and Research) and the WBS number on the Schedule of Expenditures of Federal and State Awards. This information is available from the agreement with NCDOT; program name and WBS number is on the first page on the upper right-hand corner of the Agreement. Grantor and/or pass-through grantor, program title and CFDA number (20.505) 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

METROPOLITAN PLANNING PROGRAM/STATE PLANNING AND RESEARCH PROGRAM 49 U.S.C. 5303 AND 5304

NCDOT's confirmation from the Grant Master List (GML), these funds are shown as part of CFDA number 20.505.

I. PROGRAM OBJECTIVES

The objective of the program is to plan for the development, improvement and effective management of the public mass transportation systems in urban areas. States receive funds for distribution to Metropolitan Planning Organizations to develop long-range transportation plans and Transportation Improvement Programs (TIPs). Other technical studies may also be funded. The State Planning and Research Program was established to provide funds to state governments for planning technical study projects. This guidance applies to grantees receiving planning assistance to support multimodal transportation planning projects in metropolitan areas and states that is cooperative, continuous, and comprehensive, resulting in long-range plans and short-range programs of transportation investment priorities.

II. PROGRAM PROCEDURES

The planning programs are jointly administered by the Federal Transportation Administration (FTA) and the Federal Highway Administration (FHWA), which provide additional planning funding. PTD is the Designated Recipient (DR) and is the only entity eligible to apply for and receive this program assistance directly from FTA. PTD is required by law to distribute these funds to each Urbanized Area (UZA,) or portion of a UZA, within North Carolina (NC), according to a formula developed by the State of NC in cooperation with the MPO and approved by FTA. Eligible activities are to develop transportation plans and programs; plan, design and evaluate a public transportation projects; and conduct technical studies related to public transportation. Subrecipients must have sufficient funds to match FTA funds. Subrecipients must have fiscal control and accounting procedures sufficient to permit tracking and reporting of grant funds. Any funds borrowed from a parent organization or governmental organization must be reported to NCDOT within 15 days. Eligible use of Section 5303 funds can be found in Federal Transit Administration (FTA) [Circular 8100.1C](#) (dated 9/1/08) on page II-2, Eligible Grant Activities. The MPO must use the funds to assist in support of work elements and activities resulting in balanced and comprehensive transportation planning. The State administers the program through an annual application process.

The Planning Work Program (PWP) format is designed for grant recipients to provide inputs contributing to a statewide Unified PWP and to collect the data required for a statewide Section 5303 grant application to FTA. Information on the format and process for highway PL funds, Section 104(f), are provided separately by the NCDOT Transportation Planning Branch.

Draft UPWP/PWPs must be submitted to PTD by January 31 for review by PTD and FTA. The Draft UPWP/PWP must include the Funding Sources Table, the FTA Task Narrative Table (Sample in Appendix C), a DBE Anticipated Contracting Opportunities form, the Certification of the planning process, and a notation of the MPO's anticipated PWP adoption date. Subrecipients must provide complete information for each item in the FTA Task Narrative Table for Section 5303 and Section 5307 funded planning tasks.

Final UPWP/PWPs with supporting documentation including TAC Resolution should be entered into the on-line grants module, Enterprise Business Services (EBS), on or before March 15. If there were revisions between the Draft and Final UPWP the Application Budget in EBS must be updated by March 15 to reflect these changes.

Please note the Public Transportation Division will submit the UPWP's for MPO's located in areas over 200,000 in population directly to FTA for approval on March 31. This is a change from previous years when each MPO submitted their UPWP to FTA for approval. This change is to consolidate and streamline the UPWP approval process by FTA.

The NCDOT provides an annual MPO allocation table that specifies the maximum amount of federal funds that are available for the upcoming fiscal year. Each MPO submits a funding application to the NCDOT by the established deadline. NCDOT reviews the application, which consists of a Planning Work Program that identifies transportation planning tasks that will be completed during the grant period and the funding sources(s). The NCDOT compiles the subrecipient information into a single grant application to the Federal Transit Administration (FTA). FTA awards the grant to NCDOT. MPOs sign annual agreements with NCDOT. Annual executed grant agreements, approved project budgets, invoicing and progress reporting instructions and forms are provided to each MPO upon FTA grant award.

Availability of Program Information

Additional program information is provided in the following:

[Federal Transit Administration \(FTA\) Circular 8100.1D 9/1/08](#)
[NCDOT Connect – Urban Grants: 5303 Application Documents](#)
[NCDOT 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 and the grant agreement, which incorporates the grantee's application by reference, and the approved project budget. Funds must be distributed to support work elements and activities resulting in balanced and comprehensive intermodal transportation planning for the movement of people and goods in the metropolitan area. Eligible work elements or activities for Metropolitan Planning Program (MPP) and State Planning and Research Program (SPRP) funds include, but are not limited to:

- (1) Studies relating to management, planning, operations, capital requirements, and economic feasibility;
- (2) Evaluation of previously funded projects;

- (3) Peer reviews and exchanges of technical data, information, assistance, and related activities in support of planning and environmental analysis among MPOs and other transportation planners;
- (4) Work elements and related activities preliminary to and in preparation for constructing, acquiring, or improving the operation of facilities and equipment. This includes the planning for “livability” features such as improved pedestrian and bicycle access to the station and shops and community services in the station area, incorporating arts and artistic design in stations and surrounding areas, and other improvements that enhance the usability and community-friendliness of the transit system environment;
- (5) Systems planning and corridor-level alternative analysis;
- (6) Development of 20-year transportation plans, short-range transportation improvement programs (TIPs), and UPWPs;
- (7) Safety, security, and emergency transportation and evacuation planning;
- (8) Coordinated public transit human services transportation planning;
- (9) Transportation and air quality planning and conformity analysis;
- (10) Public participation in transportation planning;
- (11) Multimodal facilities planning;
- (12) Plan, engineer, design, and evaluate a public transportation project;
- (13) Computer hardware and software needed to support planning work; and
- (14) Participation in educational programs for technical staff, as well as executive and board leadership.

Work Element Implementation. The MPO may use its own staff, contract with the State, or enter into third party contracts to carry out planning work elements and activities, on the condition that each third party contract complies with the requirements imposed on States by Department of Transportation (DOT) regulations, “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments,” (common grant management rule) at 49 CFR Part 18, and the current version of FTA [Circular 4220.1F](#), (03/13/13), “Third Party Contracting Requirements” and any revisions to the requirements.

The common grant management rule’s definition of “local government” specifically covers each MPO, whether or not the MPO is incorporated as a non-profit corporation under State law. Consequently, the State is authorized to direct the MPO to follow either State procedures or to follow the Federal procedures at 49 CFR Part 18, amended as necessary by specific Federal statutes, Executive Orders, and any implementing regulations. For further discussion of third-party procurement requirements, see Chapter 1, Section 7.c.(1) of the circular.

No testing is needed.

B. ALLOWABLE COSTS/COST PRINCIPLES

Compliance Requirement – The subrecipient shall submit requests for financial reimbursement within 30 days following the end of the quarter as specified in the annual agreement using the format prescribed by NCDOT. Supporting documentation is required to be submitted by all grantees with requests for reimbursement (claims). Instructions for invoicing NCDOT are provided with the executed agreement approved project budget following the FTA grant award. Costs must be reasonable, necessary, allowable and allocable and conform to any limitation or exclusion set forth by laws, agreements or circulars. Allowable costs must be MPP assistance to support work elements and activities resulting in balanced and comprehensive intermodal transportation planning for the movement of people and goods in the metropolitan area. Comprehensive transportation planning is not limited to transit planning or surface transportation planning, but also encompasses the relationships among land use and all transportation modes, without regard to the programmatic source of Federal assistance. Eligible work elements or activities for MPP and SPRP funds include, but are not limited to:

- (1) Studies relating to management, planning, operations, capital requirements, economic feasibility, performance-based planning, safety, and transit asset management.
- (2) Evaluation of previously funded projects including Before-and-After Studies.
- (3) Developing and updating the metropolitan planning agreements between the MPO, the State(s), and the providers of public transportation serving the metropolitan planning area.
- (4) Peer reviews and exchanges of technical data, information, assistance, performance-based planning, and related activities in support of planning and environmental analysis among MPOs and other transportation planners.
- (5) Work elements and related activities for planning for multimodal transportation access to transit facilities. This includes planning for improved pedestrian and bicycle access, including transit supportive land use plans.
- (6) Systems planning, scenario planning, and corridor-level alternative analysis.
- (7) Development of 20-year transportation plans, short-range transportation improvement programs (TIPs), and UPWPs.
- (8) Safety, security, and emergency transportation and evacuation planning.
- (9) Coordinated public transit–human services transportation planning.
- (10) Transportation and air quality planning and conformity analysis.
- (11) Public participation in transportation planning including development of the Public Participation Plan.
- (12) Multimodal facilities planning.
- (13) Plan, engineer, design, and evaluate a public transportation project.
- (14) Computer hardware and software needed to support planning work; and

- (15) Participation in educational programs for technical staff, as well as executive and board leadership.

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

Suggested Audit Procedure – Select a sample of transactions charged to approved task codes (M-codes) and perform procedures to verify that expenditures are allowable, accurate, properly allocated to the award, and adequately documented.

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.

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

Suggested Audit Procedure - Examine documentation of transactions related to an advance to ensure it was approved by the Department and properly disbursed to the vendor.

D. RESERVED

E. ELIGIBILITY

Compliance Requirement -

The FTA makes MPP grants directly to States, the District of Columbia, and Puerto Rico, each of which has at least one UZA. The FTA first apportions MPP assistance to each State. The State then allocates its MPP assistance to the MPOs in its UZAs based on a formula developed by the State in cooperation with the MPOs and approved by FTA. After the State executes its MPP grant agreement with FTA, the State then transfers its MPP assistance to the MPO by a subagreement to support the MPO's transportation planning activities, as set forth in the Unified Planning Work Program (UPWP). Eligible activities include, but are not limited to:

- (1) Development of Long-Range Statewide Transportation Plans and STIPs;
- (2) Joint development planning;

No testing is needed.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment is not an expense eligible for reimbursement. No testing is needed.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

Matching

Compliance Requirement – Federal and state participation cannot exceed the amount stated in the approved project budget. The PTD will assist urban areas by providing a

**METROPOLITAN PLANNING PROGRAM/STATE PLANNING AND RESEARCH PROGRAM
49 U.S.C. 5303 AND 5304**

10% match of the required non-federal portion for Section 5303 funded transit planning activities; local funds will be required to provide the entire 20% match for Section 5303 funds used for highway planning. The FTA 80% share columns under Section 5303 must be evenly divisible by eight (there should not be any cents when calculating the 80/10/10 split). Also, the Federal Section 5303 amount must not exceed exactly 80% of the total cost of each individual task. No State match will be provided for Section 5303 funds used for highway planning.

Audit Objective – Determine whether the minimum percentage of contributions for matching funds was provided. Auditor should report amount received from NCDOT as well as total expenditures.

Suggested Audit Procedure

1. Examine the agreement renewal letter and any subsequent budget revisions and amendments.
2. Ascertain the total project costs, including those eligible for NCDOT participation.
3. Review financial records and determine the amount which can be claimed as the Federal and State share. The Uniform Public Transportation Accounting System ([UPTAS](#)), revised May 2018, defines eligible reimbursable line item expenditures. (This is available from the Subrecipient or NCDOT.)
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 – Not Applicable

Earmarking – Not Applicable

H. PERIOD OF PERFORMANCE

Compliance Requirement - The federal funds are available for the state fiscal year of the Unified Planning Work Program (July 1 through June 30). All tasks must be completed within the period specified on the annual program budget that is provided following federal grant award. With approval of NCDOT, the period of performance may be extended an additional three months through September 30 for tasks that have been initiated, but not completed. Expenses incurred beyond September 30 are ineligible for reimbursement by the division. Period of Performance extensions are granted on a case by case basis under eligibility requirements established in PTD's [External Procedures in Section EX-202](#).

Audit Objective – Determine whether subrecipients charged only allowable costs incurred during the period of performance.

Suggested Audit Procedures –

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, SUSPENSION & DEBARMENT

Procurement

Compliance Requirement – Subrecipients must comply with the federal and state procurement guidelines. All procurements in excess of \$10,000 must be approved by NCDOT. Procurement guidelines are developed by the NCDOT and outlined in the Agreement between the grantee and NCDOT. Nonprofit agencies must develop a written procurement policy and guidelines as required by [FTA Circular 4220.1F](#). The guidelines must be approved by NCDOT. An award term is required in all awards for construction, alteration, maintenance, or repair of a public building or public work (2 CFR section 176.140). Further information about this requirement, including applicable definitions, is found in 2 CFR part 176, Subpart B.

1. Buy America

All steel, iron, and manufactured products used in the project must be produced in the U.S., as demonstrated by a Buy America certificate, but, 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 of the rolling stock and final assembly of the vehicle takes place in the U.S. ([49 CFR part 663.13](#)).

1. Buy America

- 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 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 \$150,000) made by FTA recipients with capital, planning, or operating assistance.
- 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 passengers in revenue service must conduct, or cause to be conducted, a pre-award audit before entering into a formal contract for the purchase of rolling stock, and certify that a post-delivery audit is complete before title to the rolling stock is transferred to the recipient, or the rolling stock is put into revenue service, whichever occurs first. Pre-award and post-delivery audits verify the accuracy of the Buy America certification, purchaser's requirements certification, and certification of compliance with or inapplicability of Federal motor vehicle safety standards [in 49 CFR part 571](#).

2. Procurement of Vehicles and Facilities

Purchase of vehicles and construction, rental or lease of facilities are not eligible expenses for reimbursement. No testing is needed.

3. Debarment

Compliance Requirement – Recipients are prohibited from procuring goods or services from a company, firm or organization that suspended or debarred by the [State of North Carolina Department of DOA Debarment listing](#) or the [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 - 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. Ascertain if the required suspension and debarment certifications were received for covered contracts.

K. RESERVE

L. REPORTING

1. **Compliance Requirement** – MPOs are required to submit quarterly progress reports to report project accomplishments and percentage of completion for each task code approved in the UPWP. The subrecipient shall submit progress reports in addition to requests for financial reimbursement within 30 days following the end of the quarter as specified in the annual agreement using the format prescribed by NCDOT.

Audit Objective – Determine whether reports are submitted timely and provide a reasonably accurate representation of the activity reported.

Suggested Audit Procedures –

- a. Obtain the progress reports and approved UPWP.

- b. Verify project information identified in the report including project number, WBS number, period of performance, FTA task code and task code description is accurate.
 - c. Ensure the accomplishments reported each quarter are reasonable and align with the task code descriptions in the approved (final) UPWP.
2. **Compliance Requirement** – At the time that the grantees submit an invoice, they must also complete and provide a DBE Payments Form documenting actual payment to a subcontracting firm. (CFR Parts 23 and 26 and the U.S. DOT DBE Final Rule, Federal Register dated June 25, 2013 - Participation by Disadvantaged Business Enterprises in Department of Transportation Programs). There are no DBE requirements for planning funds. The invoice template forms are located at [ncdot.gov/Public Transportation Division/Resources/Forms](http://ncdot.gov/Public%20Transportation%20Division/Resources/Forms). Additional required reports include DBE award form showing utilization of DBE/MBE/WBE, 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 23.11).

Audit Objective – Determine whether DBE reports are supported by adequate documentation.

Suggested Audit Procedures

1. Review grantee's DBE contract expenditures (as opposed to contract awards) as outlined in FTA Circular 5010.1C and 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. Participation by non-certified firms is not allowed.
3. **Compliance Requirement** – The Draft Unified Planning Work Program (UPWP) & Final UPWP reports must be submitted to PTD by deadlines established in each annual Call for Projects for review and comment. Deadline dates are subject to change annually. The Funding Sources Table and the FTA Task Narrative Table must be completed and included in the Draft UPWP submission. MPOs are required to identify all sources of funding, including Section 104(f) (PL) and SPR funds, in the Funding Sources Table in the "draft" submission. General UPWP requirement development is outlined in the [Circular 8100.1C](#)

Audit Objective – Determine whether the entity met the content and deadline requirements for submitting the Draft and Final UPWP report.

Suggested Audit Procedure – Obtain and review the Section 5303 UPWP guidance available on [NCDOT Connect – Urban Grant Applications – 5303 Applications](#). Verify the Draft and Final UPWP contained the required elements, were completed timely, and included the Funding Source Table and FTA Task Narratives.

M. SUBRECIPIENT MONITORING

Compliance Requirement - The subrecipient is required to submit programmatic progress and financial reports monthly or quarterly. FTA requires a Planning Status Report, Annual Financial and Program Status reports (SF-425), the Title VI Report ([FTA Circular 4702.1](#)), DBE Reports ([49 CFR 26](#)) and Reports on Nondiscrimination ([49 CFR 27](#)). If subrecipients pass grant funds to a third party, the PTD subrecipient is required to complete all required grant reports to the extent that it may involve collecting data from the third party.

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

N. SPECIAL TESTS & PROVISIONS

No special testing is needed.