

**TRANSIT SERVICES PROGRAMS CLUSTER**

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

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<b>State Project/Program:</b>	<b>Statewide Match – DOT-11</b> <b>Rural Capital – DOT 14</b> <b>Urban State Match – DOT-19</b>
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**U. S. DEPARTMENT OF TRANSPORTATION**

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

**State Authorization:** NCGS 143 B  
NCGS 143 2B

**N. C. Department of Transportation  
Integrated Mobility Division**

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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 at the NCDOT’s Office of Inspector General (OIG) 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 (Public Transportation Division) and WBS number on the Schedule of Expenditures of Federal and State Awards. This information is available from the agreement with NCDOT; program name is in the second/third paragraph while the WBS number is on the upper right hand corner of the first page. Grantor and/or pass-through grantor, program title and CFDA number should also be included. Please do not combine like projects into

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one dollar amount since we would need to call you for the breakdown; please report award amount, Federal Pass-through, State share and local share.

On NCDOT's confirmation from the Grant Master List (GML) published by NCDOT Financial Management Division, these funds are shown as CFDA numbers 20.513, 20.516, and 20.521.

### I. PROGRAM OBJECTIVES

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

The objectives of the Section 5310 program are to improve mobility for elderly individuals and individuals with disabilities throughout the country. 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 are to improve 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 objectives of the New Freedom program are to provide additional tools to overcome barriers facing Americans with disabilities seeking integration into the work force and full participation in society. 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

The Division administers the following programs: Enhanced Mobility of Seniors and Individuals with Disabilities Program (Section 5310), Job Access - Reverse Commute (JARC) (Section 5316) and New Freedom (Section 5317).

Applications are entered by eligible recipients in DOT's [Enterprise Business Services](#) (EBS) portal annually, and when off-cycle funding opportunities are published by the Division. After applications are reviewed, the projects are presented to the Board of Transportation for final approval. Contracts are executed between the applicant and NCDOT. The contract outlines terms and conditions under which program funding is awarded and the obligations of each party are detailed. After contracts are executed, the applicant is notified of the award and becomes a subrecipient. The contract is a legally binding agreement through which grant funds are reimbursed to the subrecipient if all terms and conditions are met. Reimbursements are requested monthly or quarterly after adequate financial documentation supporting eligible grant project expenses and grant reports are submitted, reviewed and approved. Additional guidance is provided to subrecipients regarding the logistics of reimbursements on the Division's [website](#).

### III. COMPLIANCE REQUIREMENTS

**The federal granting agency has issued a compliance supplement that should be used in conjunction with this compliance supplement. 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 designated recipients of the funds and enter directly into agreement with the Federal Transit Administration.

**Audit Objective** – Determine whether Federal funds were reimbursed for only allowable activities approved in the subrecipient's application.

**Suggested Audit Procedures –**

Review the approved application to determine executed project activities were allowable under the funding program guidance.

#### 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](#).

**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 submitted by all grantees, with requests for reimbursement (claims) to ascertain that the claims are adequately supported.

#### C. CASH MANAGEMENT

**Compliance Requirement** - Project Agreements specify this as a set of cost reimbursement programs. 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.

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**Audit Objective** – Determine if advanced funds were paid to the vendor within three (3) days of being received from the Department.

**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** - There are three categories of eligible subrecipients of these program 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.

MDS staff reviews application documents to determine the type of entity an applicant is classified as during the application process. Applicants are required to submit proof of a current DUNS registration number. In reviewing the DUNS Registration Summary, the Business Type is listed under the Entity Registration Summary. If it is determined the applicant does not meet the requirement above as being classified as one of the three (3) types, the applicant is ineligible to apply for grant funding.

No further testing is needed.

### F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

NCDOT approves the subrecipient's application, and FTA receives a list of subrecipients. Section 14. Real Property, Equipment and Supplies of the contract between NCDOT and the subrecipient outlines the terms and conditions of project activities for which the subrecipient may be reimbursed. The Subrecipient understands and agrees that the Federal or State Government retains an interest in any real property, equipment, and supplies financed with Federal or State assistance (Project property) until, and to the extent, that the Federal or State Government relinquishes its Federal or State interest in that Project property. With respect to any Project property financed with Federal or State assistance under Agreements with PTD, the Subrecipient agrees to comply with all provisions included in the Agreement/Contract, except to the extent FTA or the Department determines otherwise in writing.

#### *Vehicle Maintenance*

**Compliance Requirement** -. The Subrecipient shall maintain vehicles and equipment at a high level of cleanliness, safety, and mechanical soundness in accordance with the minimum maintenance requirements recommended by the manufacturer and comply with the Department's State Management Plan ("SMP"). The Subrecipient shall register all vehicle maintenance activities into the Department's Asset Management System ([AssetWorks](#)) or an electronic version of same. The Department shall conduct frequent inspections to confirm proper maintenance pursuant to this subsection and the SMP. The

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Subrecipient shall collect and submit to the Department at such time and in such manner as it may require information for the purpose of the Department's Asset Management System (AssetWorks) and the Transit Asset Maintenance ("TAM") Plan.

**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 in [Trapeze](#) 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 percentage of funds contributed. (*For more information, see [FTA Circular 9070.1G](#) dated July 7, 2014;; 2016 State Management Plan, and FTA Circular 5010.1E, dated July 16, 2018. These circulars may be accessed at [www.fta.dot.gov](http://www.fta.dot.gov).*

**Audit Objective** - Determine that the disposals of realty and equipment followed required 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. Examine documents to determine whether dispositions received a Fair Market Value (FMV) assessment prior to disposal.
3. Examine documents to 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.

### *Proceeds from the Disposition of Vehicles and Equipment*

**Compliance Requirement** - Proceeds retained from the disposition of vehicles and related equipment as established by NCDOT must be used for transportation purposes. The funds cannot be included in 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 with NCDOT disposal procedures and the proceeds from the disposition of vehicles and equipment were deposited to the proper account, reported to NCDOT, and used to further public transportation activities correctly.

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**Suggested Audit Procedure** – Review documents to ascertain that proceeds were accounted for properly. Review budget documents and internal transfers to determine if funds were used for public transportation purposes. Select a sample of disposed vehicles to verify proper disposal steps were implemented

### 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 EBS will be for 80 percent federal, 10 percent state and 10 percent local share. However, subrecipients 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 matching requirement is not passed down to subs of the subrecipient.

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.
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 allowable sources as identified in the approved local share certification form submitted to NCDOT.

#### *Level of Effort*

No testing is required at the local level as this requirement is not passed down to the subrecipient.

#### *Earmarking*

No testing is required at the local level as this requirement is not passed down to the subrecipient.

### H. PERIOD OF PERFORMANCE

**Compliance Requirement** - Grantees must be technically and financially prepared to begin and complete a project during the period of performance as 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. NCDOT determines the period of performance for each project. Expenditures of approved project activities must occur within the designated period as outlined in the agreement.

**Audit Objective** – Determine whether project activities were completed within the period of performance 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, SUSPENSION AND DEBARMENT

**Compliance Requirement** – Subrecipients must comply with the federal and state procurement guidelines. All procurements that exceed \$10,000 must be approved by PTD prior to purchase or receipt of services. Procurement guidelines are developed by the NCDOT based on the requirements found in [2 CFR 200.318](#). Nonprofit agencies must develop a written procurement policy and guidelines as required by [FTA Circular 4220.1F](#). These guidelines must be approved by NCDOT. Subrecipients are not required to pass reporting requirements to their subcontractors.

*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).

- 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

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- (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).

**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.

### *Suspension and Debarment*

**Compliance Requirement** – No subrecipient nor vendors from which goods or services will be procured can be suspended or debarred by the State of North Carolina or Federal Government at the time good or services are procured.

**Audit Objective** – Determine whether the subrecipient or any vendor for which grant project related expenses have been incurred was suspended or debarred by any government agency during the grant period.



### 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 a contractor or vendor was suspended or debarred during periods when agreements were active between the subrecipient and contractor or vendor.

### J. PROGRAM INCOME

**Compliance Requirement** – Subrecipients are required, per the Agreement, to use project property for appropriate project purposes, which may include the generation of program income, both during and after the award period. Any program income must be used to support public transportation activities for the duration of the useful life of that property, as required by FTA or NCDOT.

**Audit Objective** – Determine if 5310 Quarterly Program Income reports were submitted by subrecipients per the [Master Timeline](#) and if the Program Income was accurately reported.

**Suggested Audit Procedure** – Secure a sample of 5310 Quarterly Program Income reports and review the reports for accuracy. Review associated documentation of program income.

### 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** – Secure a template of each required report for these program funds and trace quantitative information reflected in the reports to underlying accounting records. *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. This requirement is included in the external procedures entitled [Business Guide](#), found on the Division website and distributed to subrecipients via the Division’s CTP email account.

**Audit Objective** – Determine whether the subrecipient is subject to G.S. 143C-6-23 reporting requirements.

### **Suggested Audit Procedure**

1. For subrecipients subject to the reporting requirements, select a sample of the reports submitted
2. Review a selection of submitted reports and associated documentation and ascertain compliance with applicable reporting requirements.

### *DBE Reports*

**Compliance Requirement** - Grantees must submit the Semi-Annual Uniform Report of DBE Awards or Commitments and Payments June 1 and December 1 of each year. —49 CFR 53. Participation by Disadvantaged Business Enterprises in Department of Transportation Programs. Additional required reports include Project Progress Reports and reports of significant events (FTA Circular 5010.1E). 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 Subrecipients are not required to pass this reporting requirement to their subcontractors.

**Audit Objective** - Determine 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 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**

**Compliance Requirement** - The receipt of federal and state funds brings oversight expectations. Systems receiving program funding from NCDOT have oversight requirements. Oversight requirements include periodic program and financial reporting, on-site visits, attendance at required trainings and periodic compliance reviews. 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.

No testing needed.

## **N. SPECIAL TEST AND PROVISIONS**

No testing needed.