

HIGHWAY SAFETY CLUSTER:**20.600****STATE AND COMMUNITY HIGHWAY SAFETY****20.616****NATIONAL PRIORITY SAFETY PROGRAMS****State Project/Program: GOVERNOR'S HIGHWAY SAFETY PROGRAM****U. S. Department of Transportation****Federal Authorization:** Highway Safety Act of 1966, As Amended,
23 U.S.C. 401 Et. Seq. & 23 U.S.C. 410 (20.6xx)Surface Transportation Assistance Act of 1982, Sections 401-408,
Public Law 97-424; Motor Carrier Safety Act of 1991, Public Law
102-240; 49 U.S.C. App. 2301-2307; Transportation Equity Act for
the 21st Century, Public Law 105-178 (20.218); Moving Ahead for
Progress in the 21st Century (MAP 21) of 2013; Fixing America's
Surface Transportation Act (FAST Act) of 2016.**State Authorization:** N.C.G.S. 147-12**North Carolina Department of Transportation
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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 within the NCDOT Office of Inspector General reviews 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 (e.g. Orange County Sheriff's Office Region 5 Law Enforcement Liaison or UNC-CH Highway Safety Research Center Highway Safety Plan and Annual Report) and project number in the form of alphanumeric dash fiscal year dash number dash number (e.g. AL-20-03-01 or M2HVE-20-03-05) on the Schedule of Expenditures of Federal and State Awards. This information is available from the approved application contract your client made to NCDOT on the lower left-hand corner of the first page. Also, it is on the letter of approval from GHSP. Grantor and/or pass-through grantor, program title and CFDA number 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, pass-through entity, State share, and local share. On NCDOT's confirmation from the Grant Master List (GML), these moneys are shown as CFDA Numbers 20.600 and 20.616.

I. PROGRAM OBJECTIVES

The objective of the Governor's Highway Safety Program (GHSP) is to provide a coordinated highway safety program to reduce traffic crashes, deaths, injuries and property damage.

II. PROGRAM PROCEDURES

The Governor's Highway Safety Program (GHSP) provides funding directly to law enforcement and other agencies across the State as well as nongovernmental entities to support various programs like "Click It or Ticket" and "Booze It & Lose It". Many finance directors do not know about the existence of such funding because no paperwork goes through their office. If your client's confirmation details such payments, please check with their local law enforcement agency.

The NCDOT GHSP program is administered by the State. Recipients request funding through a program application stating a plan, budget, and goals that meet GHSP program objectives. Access to the application process may be found at www.ncghsp.org. Progress is monitored through on-site inspections, progress reports, and financial reports.

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.

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to [Subpart F](#) of 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

A. ACTIVITIES ALLOWED OR UNALLOWED

Compliance Requirement: All grant proposals complete with goals, objectives, and quarterly tasks are included in the application. The funded activities and expectations of the subrecipient are included in the application and agreement. Recipient monitoring by GHSP and quarterly reporting to GHSP are required.

A final grant agreement submitted to the NCDOT Highway Safety Officer (HSO) must be signed by the authorizing official (person with contracting authority) for the applicant agency or organization. The authorizing official, and in some cases the Project Director,

must also certify and ensure that all the conditions contained in the Subrecipient Certifications and Assurances, Reporting Requirements and Invoicing Requirements will be met, including any special conditions. The State Certifications and Assurances are provided in the [NHTSA Highway Safety Grant Management Resources](#) and is referenced annually to ensure that the most current requirements have been incorporated by the State.

The HSO Application/Agreement forms and contracts must contain required Terms and Conditions as well as required compliance with the federal Certifications and Assurances which pertain to subrecipients. These sections provide the terms and conditions governing the grant or contract and certifies that a subrecipient will comply with the applicable regulations, policies, guidelines, and requirements as they relate to the application, acceptance, and use of Federal or State funds for the project. All subrecipients are required to sign and submit the Agreement of Conditions (AOC). The AOC can be found on the GHSP website using the link: <https://connect.ncdot.gov/municipalities/Law-Enforcement/Pages/Law-Enforcement-Reporting.aspx>

The subrecipient or contractor must be aware of the requirements imposed upon them, see [2 CFR Part 200.331\(a\)\(2\)](#). Under the FAST Act, Appendix A of Part 1300 identifies the following certifications and assurances that are required to be imposed upon subrecipients (sub grantees) and contractors. They are:

- Non-discrimination
- Political Activity (Hatch Act)
- Certification Regarding Federal Lobbying
- Restriction on State Lobbying
- Certification Regarding Debarment and Suspension
- Buy America Act
- Prohibition on Using Grant Funds to Check for Helmet Usage

Audit Objective: Determine whether subrecipients are performing the activities described in the application and abiding by the conditions of the grant agreement.

Suggested Audit Procedures: Review the grant application and agreement for expectations. Review the activities of the subrecipient to ensure compliance.

B. ALLOWABLE COSTS/COSTS PRINCIPLES

Compliance Requirement: Funds must be expended as specified within the grant application and grant agreement. Certain specific costs which will not be approved or that require prior approval have been identified in the NHTSA Resource Guide, available at: <https://www.nhtsa.gov/highway-safety-grants-program/resources-guide>. For additional information refer to 23 CFR Section 1300.13 and Part 1300 Appendix A.

1. The following costs are allowable or allowable with specific conditions:
 - a. *Equipment* – Purchase of the following types of equipment is subject to compliance with any applicable standards and performance specifications and inclusion on the applicable Conforming Products List (CPL) established by NHTSA, the Research and Innovative Technology Administration (RITA), the American College of Surgeons, or by other nationally recognized standard-

setting agencies or by State standards and performance specifications, as long as they are at least as stringent as applicable national standards and performance specifications:

- (1) Police traffic enforcement, speed-measuring devices, such as RADAR's and LIDAR's.
 - (2) Alcohol/drug testing devices and costs for re-certification of such devices;
 - b. *Travel* – Travel for out-of-state individuals benefiting the host State's highway safety program.
 - c. *Training* – Training of personnel and the development of new training curricula, materials and supplies, including portable skid platforms and driving simulators if they are used for a NHTSA-approved training program. (Out-of-state travel for training must be preapproved by GHSP.)
 - d. *Program Administration* – Consultant services, alcoholic beverages to support police "sting" operations (e.g., undercover police-directed operations to detect unlawful practices associated with underage drinking laws), and meetings and conferences.
 - e. *Demonstration Projects* - For *State and Community Highway Safety* (CFDA 20.600) funds - supplementing demonstration projects implemented under Section 403 (23 USC 402(g)(2)).
 - f. *Cooperation with Neighboring States* cooperating with neighboring States for highway safety purposes that benefit all participating States (23 USC 402(c)).
 - g. *Public Communications* – Advertising space.
2. The following costs are unallowable:
- a. *Facilities and Construction*: Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with prior written approval of the Federal awarding agency or passthrough entity. (Refer to 2 CFR 200.439.
 - b. *Equipment*: body-worn cameras, uniforms, flashlights, traffic vests, spike strips, drones, truck scales, traffic signal preemption systems, automated traffic enforcement systems radars, and, for the impaired driving funds under National Priority Safety Programs (CFDA 20.616) speed measuring devices.
 - c. *Training*: an individual's salary while pursuing training, and overtime for police officers attending drug recognition training.
 - d. *Program Administration*: research costs, expenses to defray activities of Federal agencies, alcoholic beverages for consumption purposes or techniques for determining driver impairment, entertainment costs, and commercial drivers' compliance requirements. Drug impaired activities, equipment and drug-impaired training is not allowed with funds transferred to the State under 23 USC 154 or 164.
 - e. *Lobbying*: No Federal funds may be used for any activity specifically designed to urge or influence a State or local legislator to favor or oppose the adoption of

any specific legislative proposal pending before any State or local legislative body. Such activities include both direct and indirect (e.g., grassroots) lobbying activities, with one exception. This does not preclude a State official whose salary is supported with NHTSA funds to engage in direct contact with State or local legislative officials, in accordance with customary State practice, even if it urges legislative officials to favor or oppose the adoption of a specific pending legislative proposal (23 CFR part 1300, Appendix A).

f. *Promotional Items*: costs for promotional items are not allowable.

Audit Objective: Determine whether Federal awards were expended only for allowable costs in accordance with the grant application and agreement.

Suggested Audit Procedures: Select a sample of federally funded transactions, if any, and perform procedures to verify that the transactions were for allowable costs in accordance with the grant application and agreement.

Additionally, local units of government, non-profit organizations, hospitals and institutions of higher education are eligible for highway safety grants. These grantees may be eligible for sales tax refunds under GS 105-164.14 (b) or (c); if they have not qualified, then they 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 tax 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.

C. CASH MANAGEMENT

Compliance Requirement: Reimbursement of costs under a final grant agreement is contingent upon the following conditions:

- The availability of appropriated funds
- Actual costs having been incurred (services provided, hours worked, etc.) in accordance with the approved project budget and during the period of performance for the grant
- Compliance with the cost principles established in the Office of Management and Budget (OMB) circulars and other Federal regulations referenced in the grant agreement

The grant is funded on a reimbursement basis. Non-HSO subrecipients use an electronic Grants Management System to submit a Claim for Reimbursement form (referred to as "claim") to "bill" the HSO for costs incurred under the terms of grant agreements.

GHSP reviews the claims and supporting documentation submitted by the subrecipients and verifies that the costs were incurred and paid for prior to submitting request for reimbursement. *No testing is required at the local level.*

D. RESERVED

E. ELIGIBILITY

No testing is required at the local level. Eligibility is determined at the Highway Safety Office level when grant applications are reviewed. Eligible subrecipients include state agencies, community-based organizations, local and national interest groups, State and local traffic safety related non-profit organizations and local governments. All funded projects are data driven as required by Federal law.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Compliance Requirements:

1. Subrecipient Property Records Requirements: Subrecipients can purchase equipment approved in the application/agreement. The subrecipient must/shall only use equipment for its intended use. Property management requirements include, but are not limited to, the maintenance of accurate property records. Such records will include:
 - a. A description of the property
 - b. Manufacturer's serial number, model number, or other identification number
 - c. Acquisition date
 - d. Location, use, and condition of the property
 - e. Unit acquisition cost
 - f. Disposition date in accordance with 2 CFR Part 200.313(e) (including date of disposal and sales price or the method used to determine current fair market value).

Subrecipients must/shall maintain an inventory control system to ensure adequate safeguards to prevent loss, damage, or theft of the property. Subrecipients must/shall institute adequate maintenance procedures to keep the property in good condition. The subrecipient may follow their own existing property management standards if they exceed the Federal requirements.

2. GHSP uses a centralized inventory control system to identify and track all grant-funded equipment classified as controlled property. All equipment purchases in excess of \$5,000 requires prior approval from NHTSA. Equipment valued at \$5000 or more requires GHSP staff to complete the Non-Expendable Property Record Form (GHSP -12) when processing claims containing reimbursement for controlled property. Controlled property, or property purchased at \$5,000 or more, will be entered into the inventory control system. GHSP staff will physically verify the existence and traffic-safety use of each item of controlled property, typically during monitoring visits.

Equipment shall be used by the subrecipient in the program or project for which it was acquired as long as needed including after the project or program is no longer supported by Federal funds. Prior written approval must be received from the NHTSA Regional Office by the GHSP for the disposition of equipment with a useful life of one year and a value of \$5,000 or more unless the equipment has exceeded its useful life as determined under State law and procedures. See 2 CFR Part 200.313(e) for Federal requirements.

Upon completion or termination of a traffic safety grant or sub grant, or if it is determined by the HSO that equipment is no longer needed for the purpose for which it was acquired, the equipment may, at the option of the HSO, become the property of the HSO. Permission for any other disposition must be obtained from HSO before any action can be taken regarding the equipment. Other possible disposition actions include, but are not limited to:

- Transfer from Federal inventory to State inventory
- Declaration of inoperability and relegation to salvage or sale at auction
- Declaration that equipment is damaged beyond repair or salvage
- Sale at auction and return of proceeds to HSO for reconciliation with Federal funding

The NHTSA Regional Office may authorize to transfer the title to equipment acquired under 23 USC Chapter 4 to the Federal government or to a third party when the third party is eligible under Federal statute. Any such transfer is required to comply with the conditions of 23 CFR §1200.31 (e).

Audit Objective: Determine whether equipment purchase, inventory, maintenance, use, and disposition meet GHSP and Federal criteria.

Suggested Audit Procedures: Review equipment purchases to ensure compliance with both State and Federal guidelines. Review procurement documentation to ensure compliance with both State and Federal guidelines. Review inventory tracking forms to ensure compliance with State guidelines. Review disposition documentation to ensure the grantee complied with State and Federal guidelines and the conditions set forth in the agreement with the HSO. If the equipment is still in use, verify it remains in the agency's inventory.

Please refer to the DOT Cross-Cutting Supplement for additional testing procedures

G. MATCHING, LEVEL OF EFFORT, EARMARKING

MATCHING

Compliance Requirement: The grant recipient must provide the percentage of participation stated in the applicable grant agreement. These totals are automatically calculated by the Grants Management System with the submission of each claim for reimbursement to GHSP.

1. *State and Community Highway Safety (CFDA 20.600)* – The specific matching requirements are unique to each subrecipient and are found in the provisions of contracts or grant agreements pertaining to the program.
2. *National Priority Safety Programs (CFDA 20.616)* - The specific matching requirements are unique to each subrecipient and are found in the provisions of contracts or grant agreements pertaining to the program.

Audit Objective: Determine if the grant participant meets their percentage of participation.

Suggested Audit Procedures:

1. Perform tests to verify the percentage of participation and compare to the amount stated in the contract.
2. Verify that match funds are from an allowable source.

EARMARKING – No testing is required at the local level

LEVEL OF EFFORT – No testing is required at the local level

H. PERIOD OF PERFORMANCE

Compliance Requirement: Awards specify a time 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 whether 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 award to ensure that the underlying obligation occurred within the period of performance as stated in the award agreement.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Refer to 2 CFR § 200.318 - General Procurement Standards <[2 CFR 200.318](#)>

Please refer to the DOT Cross-Cutting Supplement for testing procedures

J. PROGRAM INCOME

Refer to 2 CFR § 200.80 for the definition of program income. <[2 CFR 200.80](#)>

Refer to 2 CFR § 200.307 for guidelines related to program income. <[2 CFR 200.307](#)>

Compliance Requirement: Many traffic safety grants are intended to provide financial start-up for projects so that they can become self-sustaining. Some projects conduct activities that generate income to cover present and future costs. When subrecipients earn money for their services or products, they may be earning what is defined in the Federal regulations as “program income”. Income earned by the subrecipient with respect to the conduct of the grant (e.g. sale of publications, registration fees, service charges, etc.) must be accounted for fully and applied to project purposes or used to reduce costs.

The HSO must approve a subrecipient’s request to earn program income. There must be an indication in the HSO HSP project description that the grant will generate program income and the total income earned must be reported by the HSO in the Annual Report

(AR). There also must be a clause in the grant agreement which states that the grant will earn program income and the subrecipient must/shall expend the monies to fulfill the objectives of the program area under which it was generated.

Program income may be used to meet cost sharing or matching requirements only upon written approval of the NHTSA Regional Office. And such use shall not increase the commitment of Federal funds.

Subrecipients must record the receipt of program income as a part of the grant project transactions in accordance with the grant agreement. Program income must be documented in writing and submitted with the subrecipient claim form.

Subrecipients must also record and report the expenditure and disbursement of program income revenues as a part of the grant transactions in accordance with the grant agreement. Program income expenditures must be documented in writing and submitted with the subrecipient claim form.

For projects that **accumulate** program income, each claim form must contain or have attached information entitled "Program Income." The following information must be included:

- a) The amount of program income earned in this period (supported by an entry for reporting program income received),
- b) The previously accumulated program income by cost category where it was expended (supported by previous entries for reporting program income received),
- c) The amount of program income previously expended by cost category,
- d) The amount of program income expended in the current period by cost category (supported by entries for reporting program income disbursed), and,
- e) The remaining program income balance by cost category, if any.

Donations (monetary or in-kind) are considered program income if the grantee or subrecipient receives funds directly generated by a grant supported activity or earned as a result of the grant agreement during the relevant time period.

Audit Objective: Determine if the subrecipient is generating program income and subject to the requirements described above.

Suggested Audit Procedure: Review the grant agreement to determine whether the grant is expected to earn program income. Review financial records to ensure any program income generated by the subrecipient is documented in claims for reimbursement and applied to project purposes or used to reduce costs.

K. RESERVED

L. REPORTING

1. Financial Reporting:

Compliance Requirement: The following financial reports must be submitted for this program. These forms may be found at www.ncghsp.org.

- a. Out-of-State Travel Request (GHSP-07)

- b. Summary Statement (GHSP-08) (online)
- c. Detail of Expense (GHSP-08-A/GHSP-08-B/GHSP-08-D/GHSP-08-E) (online)
- d. Quarterly Progress Report (GHSP-09)
- e. Final Accomplishment Report (GHSP-10)
- f. Monthly Enforcement Data Report (GHSP-11)

Audit Objective: 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: Review the report instructions and process of preparing reports to ascertain that accurate information is being compiled and reported.

2. Non-Governmentals: Reports made by non-State entities

Compliance Requirement: North Carolina General Statute 143C-6-22 "Use of State Funds by non-State Entities," and North Carolina Administrative Code Chapter 9, Subchapter 03M "Uniform Administration of State Awards of Financial Assistance" addresses reporting requirements for nongovernmental entities.

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 entity's reporting level and applicable reports that should be submitted to NCDOT to comply with 09 NCAC 03M.
2. Determine whether reports were accurately prepared and filed timely.

M. SUBRECIPIENT MONITORING

Compliance Requirement: A pass-through entity must have in place a framework for evaluating the risks posed by applicants before they receive subawards. This evaluation may incorporate results of the evaluation of the applicant's eligibility or the quality of its application. If the pass-through entity determines that an award will be made, special conditions that correspond to the degree of risk assessed may be applied to the subaward. 2 CFR 200.205. If outlined in the grant application/agreement, a subrecipient is allowed to subcontract with another individual or entity. That entity or individual is likewise bound to all conditions and requirements of the original subrecipient.

Audit Objective: Determine whether the pass-through entity conducted a pre-award risk assessment on subawards to determine level of monitoring required.

Suggested Audit Procedure: Test the pass-through entity's subaward review and approval documents to determine whether, a documented pre-award risk assessment was conducted, and a monitoring plan implemented as required.

For additional requirements for pass-through entities refer to *CFR 200.330, 331, and 501(h)*

N. SPECIAL TESTS AND PROVISIONS

Compliance Requirement: All out of state travel and any proposed agreements for contractual services must receive approval by GHSP.

Audit Objective: Determine that GHSP has given prior approval as required.

Suggested Audit Procedure:

1. Review minutes and other financial records of grantee to determine if any out of state travel or contractual service agreements occurred.
2. Verify that any out of state travel was approved through Form GHSP-07.
3. Ensure that all service contracts received appropriate approval prior to execution.

Compliance Requirement: Reports and publications must be approved by GHSP. Any printed material must contain the name of the GHSP.

Audit Objective: Determine that any printed material produced had prior approval and GHSP is acknowledged.

Suggested Audit Procedure:

1. Interview responsible officials to determine if any written materials were produced.
2. Ensure that written materials were properly approved.