

20.205-7

HIGHWAY PLANNING AND CONSTRUCTION

State Project/Program: SAFE ROUTES TO SCHOOL PROGRAM (SRTS)

U. S. Department of Transportation

Federal Authorization: 23 U.S.C. , Section 1404 of the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users Act (SAFETEA-LU)* signed into Public Law (P.L. 109-59) on August 10, 2005, 23 CFR and 49 CFR, MAP ACT

State Authorization:

**North Carolina 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 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.

Auditors may request documentation of monitoring visits by the State Agencies.

This compliance supplement must be used in conjunction with the OMB 2024 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

The Single Audit Compliance Unit within the NCDOT 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, and NCDOT identification numbers) and the dollar amounts presented versus our records. Any reports not received will be requested.

Grants must be properly identified by the program name Non-Infrastructure Transportation Alternatives Program 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 one dollar amount since we would need to call you for the breakdown; please report total award amount, Federal, State, and local share.

On NCDOT's confirmation from the Grant Master List (GML) published by NCDOT Fiscal Department, these moneys are shown as CFDA number 20.205-7.

I. PROGRAM OBJECTIVES

Safe Routes to School (SRTS) is a federally funded program that (1) enables and encourages children, including those with disabilities, to walk and bicycle to school, (2) makes bicycling and walking to school a safer and more appealing transportation alternative, thereby encouraging a healthy and active lifestyle from an early age, and (3) facilitates the planning, development, and implementation of projects and activities that will improve and reduce traffic, fuel consumption, and air pollution in the vicinity of elementary and middle schools.

II. PROGRAM PROCEDURES

Through a competitive application process, local units of government may use this program funding to launch Safe Routes education and promotion campaigns in elementary and middle schools. There is no local funding match required for programs fully funded with legacy federal transportation funds that do not have matching requirements. Some programs funded with newer federal transportation dollars do require a local match (20%) which is provided by the local grant recipient or another NCDOT funding source. Grant applications are comprehensive in nature and address non-infrastructure (education, enforcement and encouragement) aspects. Eligible recipients include state, local and regional agencies, and non-profit organizations. Primary beneficiaries must be K-8th grade students.

A funded jurisdiction must execute a local agreement with the NCDOT prior to receiving a funding award. This agreement will outline the responsibilities of each party, the terms of reimbursement and the deliverables. Selected entities will receive a formal Notice to Proceed from NCDOT. Costs incurred before this time are not a reimbursable expense. Funding is provided on a reimbursement basis.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as "Y," on the "Matrix of Compliance Requirements" located in Part 2 of the OMB 2024 Compliance Supplement; however, the State Agency may have added the Type and this should be noted by "Y." If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by "N."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2024 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the "Matrix" in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y

A. ACTIVITIES ALLOWED OR UNALLOWED

Compliance Requirements - Funds must be expended as specified in the reimbursement agreement and specifications which incorporate the project scope.

Audit Objective - Determine that expenditures were made as specified in the reimbursement agreement and scope of project.

Suggested Audit Procedure - Ascertain whether or not expenditures were for activities specified in the reimbursement agreement and letter giving notice to proceed with project.

B. ALLOWABLE COSTS / COST PRINCIPLES

Compliance Requirement - Local units of government, including cities and counties, are eligible. These local units of government should be eligible for sales tax refunds under G.S. 105-164.14 (b) or (c); if they cannot qualify, then these local units of government should take the steps necessary to become eligible. Sales tax paid which may be requested from the N. C. 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 and ascertain that no sales taxes were billed to the project.

C. CASH MANAGEMENT

The grant is funded on a reimbursement basis. Reimbursement requests are reviewed for appropriate documentation of payment prior to reimbursement.

No testing is required at the local level.

D. RESERVED**E. ELIGIBILITY- Not Applicable****F. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Compliance Requirement – NCDOT has adopted the policies and procedures for equipment and real property contained in the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200). Acquisition of real property is permitted if identified in the approved project scope and memorialized in the local agreement. Equipment purchase is not permissible under this program.

Audit Objective – Determine if grant funds were used to purchase equipment or real property.

Suggested Audit Procedures

1. Review invoices to determine if property was purchased.
2. Determine if real property acquisition was handled in accordance with the appropriate regulation and scope of project.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

1. Matching – Not applicable.
2. Level of Effort – Not applicable.
3. Earmarking – Not applicable.

H. PERIOD OF PERFORMANCE

Each grant discloses a period of performance in accordance with the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200.309). Refer to the Uniform Guidance Compliance Supplement (2 CFR Part 200, Appendix XI) for Suggested Audit Procedures. The project period of performance is established in the local agreement.

Audit Objective - Determine whether the subrecipient complied with the period of performance.

Suggested Audit Procedures

1. Examine the approved local agreement and any amendments to determine the period of performance.

I. PROCUREMENT, SUSPENSION & DEBARMENT

1. Solicitation of Bids

Compliance Requirement - LPAs must award construction contracts on the basis of the lowest responsive bid submitted by a bidder meeting the contracting agency's criteria for responsibility. Competitive bidding is required unless the contracting agency is able to demonstrate to FHWA that some other method is more cost effective or that an emergency exists (23 USC 112 (b)(1); 23 CFR sections 635.104 and 635.114). Contracting agencies also may procure construction services through competitive proposals by using design-build contracts (23 USC 112(b)(3); 23 CFR part 636) or construction manager/general contractor contracts (23 USC 112(b)(4)). For construction contracts, bidding documents must be advertised for at least 3 weeks, unless a shorter period is justified in the project files. Recipients may not negotiate with the potential contractors during the time between bid opening and contract award (such negotiations would be noted in the contract files). Awards must be made to the lowest responsible bidder. If the award was made to a bidder other than the low bidder, then the project files must contain justification (23 CFR sections 635.112(b), 635.113, and 635.114).

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.

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

Suggested Audit Procedure - Verify that municipality has properly solicited bids and that the contract was awarded to the lowest qualified.

2. Debarment

Compliance Requirement – It is the policy of NCDOT not to enter into any agreements with parties that have been debarred by any government agency. The entity's agents or contractors shall not be presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in transactions by any Federal or State Department or Agency.

Audit Objective – Determine that the entity has not entered into any agreements with parties that have been debarred by any government agency.

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

J. PROGRAM INCOME - Not applicable.

K. RESERVED

L. REPORTING

Compliance Requirement. NCDOT requires progress be monitored through on-site inspection, standard progress reports and financial reports. Written reports must be submitted prior to reimbursement with appropriate detail and documentation of activities and expenditures. Reports are submitted and reviewed by the local programs section of NCDOT prior to being approved for reimbursement. Reports are submitted as work progresses and as required under the local agreement.

Audit Objective – Determine that reports were received by NCDOT before reimbursement.

Suggested Audit Procedure - Ascertain whether or not the jurisdiction submitted written reports to NCDOT before reimbursement was issued.

M. SUBRECIPIENT MONITORING – Not Applicable

N. SPECIAL TESTS AND PROVISIONS

Compliance Requirement - For most federally participating highway projects, the LPA must abide by Equal Employment Opportunity, Prohibited Interests, Title VI - Civil Rights Act of 1964, Davis-Bacon Wage Scale, and MBE/DBE Policies and Guidelines.

The applicability of Davis-Bacon to a project is dependent on the relationship or linkage of the project to a Federal-aid highway. If the project is not “linked” to a particular Federal-aid highway and is eligible based solely on function (i.e., a transportation facility, such as an independent bike path, etc.), then the Davis-Bacon requirements do not apply. Davis-Bacon requirements apply to projects greater than \$2,000 that are physically located within the existing right-of-way of a Federal-aid highway, regardless of the transportation alternative project characteristics.

Audit Objective - Determine whether the program incorporates and complies with the program requirements described above policies.

Suggested Audit Procedures

1. Obtain an understanding of the recipient's program
2. Determine the linkage of the project to a Federal-aid highway and ascertain the above policy is incorporated.
3. Review contracts for compliance with the requirements.