

20.205

HIGHWAY PLANNING AND CONSTRUCTION

State Project/Program	STATE PLANNING AND RESEARCH (SPR) (Rural Planning Organizations and Planning Studies)
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U. S. Department of Transportation

Federal Authorization: 23 U.S.C. 505, as amended and 23 CFR part 420

State Authorization: N. C. Department of Transportation
Transportation Planning 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 of the External Audit Branch 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 (State Planning and Research) and WBS Number on the Schedule Expenditures of Federal and State Awards. Grantor and/or pass-through grantor, program title and CFDA number (20.205-8) 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 and local share. On NCDOT’s confirmation from the Grant Master List (GML), these moneys are shown as CFDA Number 20.205-8.

I. PROGRAM OBJECTIVES

NCDOT provides a portion of the federal “State Planning and Research” (SPR) funds to fund the Rural Planning Organizations (RPOs) and to fund planning studies based on a competitive application process.

The objectives of the RPO Program is to provide funding to Rural Transportation Planning Organizations (RPO) to: (1) assist the Department in developing comprehensive long range local transportation plans; (2) assist the Department and provide a forum for public

participation in the transportation planning process; (3) assist the Department in developing and prioritizing transportation projects for the State's 5/10 year work program and the Transportation Improvement Program; and, (4) provide transportation related information to local governments and other interested organizations and persons.

II. PROGRAM PROCEDURES

Programs are administered by NCDOT. Funds are provided to RPOs through a Lead Planning Agency (LPA), which may be a city, county, or Council of Government. LPAs pay a minimum of 20% of the total program costs based on an approved Planning Work Program (PWP), unless State funds are used to assist MPOs/RPOs with local match in accordance with NCGS 136-214. Funding is structured by agreements entered into between NCDOT and the LPA. The legal agreement specifies the terms and conditions of the projects.

RPOs are established in NCGS 136-211 and the duties of the RPOs are laid out in NCGS 136-212. Prior to each fiscal year, the Transportation Planning Division sends an Allocation Letter to the RPOs to inform them of their SPR funding for the fiscal year. Each RPO develops and submits an annual Planning Work Program (PWP) that reflects the funding allocation as well as a 20% local match. The PWP is reviewed and approved by NCDOT and submitted to Federal Highways Administration (FHWA) as part of the NCDOT's SPR workplan.

Some planning studies are funded with SPR funds. These studies are determined by a competitive call for planning projects. Both RPOs and Metropolitan Planning Organizations (MPOs) are eligible to apply for SPR funded planning study awards. There is an annual call for projects for the SPR funded planning projects. All awarded SPR planning projects funding should be incorporated into an RPO's PWP or an MPOs Unified Planning Work Plan (UPWP). The PWP approval letter indicates the amount of funding awarded and for the RPOs will indicate the total amount of SPR funding (the RPO program allocation and additional SPR planning studies funding) that should be reflected in a PWP that may require modification/amendment to incorporate the additional planning studies.

III. COMPLIANCE REQUIREMENTS

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 & Termination	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

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 Uniform Guidance Compliance Supplement (2 CFR 200, Appendix XI), to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. ACTIVITIES ALLOWED OR UNALLOWED

Compliance Requirement – Each RPO operates under an agreement and a prospectus between the LPA and the NC Department of Transportation (NCDOT). Each RPO develops and submits an annual PWP that is reviewed and approved by NCDOT. The annual PWP includes the following activities:

1. Surveillance and data collection activities that support the development and re-evaluation of Comprehensive Transportation Plans (CTP) in their regions.
2. Maintenance of roadway and traffic system inventories.
3. Planning activities that support the development and implementation of the CTP.
4. Activities which assist in the compliance with applicable state and federal laws including Title VI, Civil Rights Act of 1964.

Planning activities support the Strategic Planning Office (SPOT), the Transportation Improvement Program (TIP), Project Development, Multi-modal Planning and the Statewide Transportation Planning Program. As well as public involvement activities pertaining to the development and implementation of the statewide transportation plan, CTP, and TIP.

Audit Objective – Ensure that expenditures reflect work conducted for an approved PWP task.

Suggested Audit Procedure – Ensure invoice documentation matches the approved PWP.

B. ALLOWABLE COSTS/COST PRINCIPLES

Compliance Requirement - Any charges for materials provided by the LPA or a contractor must be net of sales taxes. Local units of government including cities, counties, and Council of Governments and others chartered by the General Assembly are eligible for grants. These local units of government should be eligible for sales tax refunds under North Carolina General Statute 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 NC Department of Revenue as a refund, is an ineligible charge. Thus, NCDOT does not reimburse for sales tax.

Each RPO has to provide an annual indirect cost allocation plan each fiscal year, use the De Minimis rate, or not charge for indirect costs. If applicable, the approved indirect cost allocation plan is reflected in the PWP and quarterly invoices.

Audit Objective – Determine that the entity is eligible for the refund and that NCDOT did not reimburse any NC sales taxes eligible for refund and ensure indirect charges are consistent with the approved indirect cost allocation plan.

Suggested Audit Procedure - Review financial records including consultant invoices and receipts for items purchased to ascertain that no sales taxes were billed to the project. Review the indirect charges and the indirect allocation plan. Verify that purchased goods were either direct or indirect expenses, and not accidentally double-reimbursed as both.

Compliance Requirement - The entity is required to itemize support for all partial and final invoices including details of labor, labor additives, equipment, materials, contract labor, indirect costs and other qualifying costs.

Audit Objective – Determine that invoices submitted were correct.

Suggested Audit Procedures - Verify that invoices submitted were for valid expenses and were accurate. Confirm that documentation exists and supports invoices submitted.

C. CASH MANAGEMENT

The Department of Transportation pays on a reimbursement basis. RPOs provide certified invoices for payment, which are required quarterly. Invoices are combined with quarterly PWP narratives and are reviewed by TPD coordinators for task eligibility. RPO finance directors, however, self-certify the eligibility and accuracy of the invoice and charges for the RPO program.

Audit Objective – Ensure that actual expenditures match the invoice expenditures that were reimbursed.

Suggested Audit Procedure – Review actual expenditures to ensure they are consistent with the invoiced cost and reimbursement. Ensure expenditures have receipts and proof of payment.

D. RESERVED

E. ELIGIBILITY

NCDOT uses a portion of its federal State Planning and Research (SPR) funds to fund the Rural Planning Organizations (RPOs) and to fund planning studies based on a competitive application process. Eligible recipients of SPR funds are RPOs and MPOs. RPOs are established in NCGS 136-211 and the duties of the RPOs are laid out in NCGS 136-212. Some planning studies are funded with SPR funds. The planning studies are determined by a competitive call for planning projects. Both RPOs and Metropolitan Planning Organizations (MPOs) are eligible to apply for SPR funded planning study awards.

No testing required.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment

Compliance Requirement – With NCDOT approval, grant funds may be used to purchase equipment that supports the Rural Planning Organization Program as defined in the RPO's prospectus and annual Planning Work Program. NCDOT has adopted the policies and procedures for equipment contained in the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part

200.310-316). Refer to Part 3 of the Uniform Guidance Compliance Supplement (2 CFR Part 200, Appendix XI) for Suggested Audit Procedures.

Audit Objective – Ensure that equipment management and procurement comply with federal regulations and are consistent with PWP.

Suggested Audit Procedure – Review equipment procurement and maintenance expenditures and check against federal regulations and approved PWP.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

1. Matching

Compliance Requirement – State Planning and Research (RPO) Program funds require the LPA to pay a minimum of 20% local match from resources other than Federal or State funds, unless supplemented by State funds in accordance with NCGS 136-214.

Audit Objective – Ensure a minimum of 20% of planning funds expended with local funds.

Suggested Audit Procedure – Review documentation to ensure a minimum 20% of the PWP costs were funded with local funds. Each quarterly invoice will breakout the SPR funds and the local match. Where applicable, state funds may be used to supplement local match in accordance with NCGS 136-214.

2. Level of Effort

Not Applicable

3. Earmarking

Not Applicable

H. PERIOD OF PERFORMANCE

Compliance Requirement - The eligible project costs are to be completed within the specified time frame, which is the State Fiscal Year. Funds used for staff time and related expenses may not be carried over from one year to the next. Funds used for consultant services may extend beyond the fiscal year awarded, but Notice-to-proceed should have begun during the fiscal year the funds were awarded.

Audit Objective – Determine if costs were expended within the specified time frame according to the agreement or award letter.

Suggested Audit Procedure – Verify that project expenses occurred within the period of performance specified in the project agreement.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Procurement

Compliance Requirement – RPOs that intend to enter into consultant contracts must obtain prior approval from NCDOT. Requirements for procuring services from private engineering firms (PEF) can be found in the NCDOT procurement procedure for RPOs

(and MPOs) obtain PEF consulting services - [Procurement of Consultant Services by MPO](#).

PEF procurement of services are also governed by N.C. General Statutes 136-28.1(f), 143-64.31, 143-64.32, 143-64.33 (www.ncga.state.nc.us/gascripts/Statutes/Statutes.asp).

Audit Objective – Determine that the entity complied with PEF procurement procedures and received written approval by NCDOT before execution of a consultant contract. Ensure PEF is not suspended or disbarred. Ensure PEF is prequalified in work codes advertised in the entity's RFP.

Suggested Audit Procedure - Ascertain whether or not the entity received written approval by NCDOT before execution of a consultant contract. Ensure PEF is not suspended or disbarred. Ensure OIG has reviewed cost proposal by documentation of review letter.

Compliance Requirement – RPOs that intend to procure goods and services (other than PEF consulting services) must follow the NCDOT procurement procedures and federal procurement regulations.

Audit Objective – Determine that the entity complied with procurement procedures and federal procurement regulations.

Suggested Audit Procedure – Review procurement documentation to ensure eligibility and that the procurement followed NCDOT procurement procedures and federal procurement regulations.

J. PROGRAM INCOME

Not Applicable at Local Level, no testing required.

K. RESERVED

L. REPORTING

1. **Compliance Requirement** - The following reports must be submitted in accordance with the most recent version of the RPO Manual:

- a) Expenditure Reports are submitted quarterly.
- b) Certified invoice for payment are submitted quarterly.
- c) Annual RPO Performance Report.

Current and future reimbursement is dependent on submitting the requisite documentation in a timely manner.

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 – Ascertain that reports were accurately prepared, and documentation supports the reports. Ascertain that reports were completed and submitted timely.

M. SUBRECIPIENT MONITORING

State Planning and Research RPO Program Funds: The NC Department of Transportation passes this requirement down to the Local Level for all RPOs who pass funds through to sub recipients. The list of RPOs that pass funds through to sub recipients can change each year, but sub recipients are limited to the individual members of the respective RPOs. Testing is required for any LPA that passes funds through to sub recipients. Refer to Part 3 of the Uniform Guidance Compliance Supplement (2 CFR Part 200, Appendix XI) for Sub recipient Monitoring suggested audit procedures.

N. SPECIAL TESTS AND PROVISIONS

Administration of Engineering and Design-Related Service Contracts

Compliance Requirements In general, state DOTs and LPAs must use qualifications-based selection procedures (Brooks Act) when acting as contracting agencies to procure engineering and design-related services from consultants and sub-consultants for projects using federal highway funds (23 USC 112(b)(2); 23 CFR Part 172). Requirements applicable to engineering and design-related services contracts include:

- 1) Contracting agencies (state DOTs and LPAs) must have written policies and procedures for each method of procurement used to procure engineering and design services. State DOT policies and procedures, or recipient LPA policies and procedures, must be approved by FHWA. LPAs that are subrecipients may adopt written policies and procedures prescribed by the awarding State DOT or prepare and maintain their own written policies and procedures approved by the State DOT (23 CFR section 172.5(b)).
- 2) Contracting agencies (state DOTs and LPAs) are required to accept the indirect cost rates for consultants and sub-consultants that have been established by a cognizant agency in accordance with the Federal Acquisition Regulation (48 CFR Part 31) for one-year applicable accounting periods if such rates are not currently under dispute. Consultants and sub-consultants providing engineering and design-related services contracts must certify to contracting agencies that costs used to establish indirect cost rates are in compliance with the applicable cost principles contained in the Federal Acquisition Regulation (48 CFR Part 31) by submitting a "Certificate of Final Indirect Costs" (23 USC 112(b)(2)(C); 23 CFR section 172.11(c)(3)).
- 3) Contracts for a consultant to act in a management support role on behalf of a contracting agency or subrecipient for engineering or design related services must be approved by FHWA before the consultant is hired unless an alternative approval procedure has been approved by FHWA (23 CFR section 172.7(b)(5)).

Audit Objectives Determine if consultants performing engineering and design-related services for projects using federal highway funding were procured using FHWA- approved qualifications-based selection procedures.

Suggested Audit Procedures

- a)** Verify that the State DOT, or recipient LPA, has written policies and procedures for procurement of engineering and design services and that those procedures have been approved by FHWA. For subrecipient LPAs, verify that they are using written policies and procedures prescribed by the awarding State DOT or that the subrecipients' written policies and procedures have been approved by the State DOT.
- b)** Verify that contracting agencies are accepting the appropriate indirect cost rates.
- c)** Verify that consultants and sub-consultants have submitted to the contracting agency a "Certificate of Final Indirect Costs."
- d)** Verify that contracts for consultants acting in a management support role have been approved by FHWA or are covered by an FHWA-approved alternate procedure.