

20. 319

**HIGH-SPEED RAIL CORRIDORS AND INTERCITY
PASSENGER RAIL SERVICE**

State Project/Program:

**HIGH-SPEED RAIL CORRIDORS AND INTERCITY
PASSENGER RAIL SERVICE**

U. S. Department of Transportation

Federal Authorization:

**High-Speed Rail Corridor Development program (49 USC 26106),
Intercity Passenger Rail Service Corridor Capital Assistance program (49 USC Chapter 244),
Congestion Grants program (49 USC 24105),
Fiscal Year 2009 Capital Assistance to States – Intercity Passenger Rail Service Program (Pub. L. No. 111-8 (123 Stat. 934)), and**

**N. C. Department of Transportation
Rail 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, CFDA number (20.319) 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 and program title 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 amounts, Federal Pass-through, State share and local share. On NCDOT’s confirmation from the Grant Master List (GML), these moneys are shown by CFDA number 20.319.

I. PROGRAM OBJECTIVES

The High-Speed Intercity Passenger Rail (HSIPR) Program is intended to develop and expand high-speed and intercity passenger rail service in the United States. The objectives of this program are twofold. In the long-term, the program aims to build an efficient, high-speed passenger rail network connecting major population centers that are 100 to 600 miles apart. In the near-term, the program will begin to lay the foundation for this high-speed passenger rail network by investing in intercity passenger rail infrastructure, equipment, and intermodal connections.

II. PROGRAM PROCEDURES

The HSIPR Program is funded both through annual appropriations **and the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5, 123 Stat. 208), under the title “Capital Assistance for High-Speed Rail Corridors and Intercity Passenger Rail Service.”**

III. COMPLIANCE REQUIREMENT

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 2021 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 2021 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 &	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	Y	Y	Y	Y	N	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 [Subpart F](#) of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

A. ACTIVITIES ALLOWED OR UNALLOWED

Activities are defined in the agreement between NCDOT and the grantee

1. **Compliance Requirement** - grantees can bill NCDOT for allowed activities defined in agreement between NCDOT and grantee. Grantee must provide supporting information and documentation records to support costs billed. Billing rates must be approved by the Department of Transportation. (NCDOT Rail Division staff reviews and approves project billing for appropriate activities and use.)

Audit Objective - Determine if grantee was eligible for payment for the appropriate activities.

Suggested Audit Procedure – Review supporting documents to make determination if grantee was eligible for payment of appropriate activities based upon agreement between NCDOT and grantee.

B. ALLOWABLE COSTS/COST PRINCIPLES

1. **Compliance Requirement** - In-house equipment used by grantees can be billed at rates only on documented historical cost records. If the grantee does not have historical cost records to support rates, rates must be approved by the Department of Transportation. (NCDOT approves rates using General Managers' Association of Chicago, U.S. Corps of Engineers, or Blue Book rental rates.)

Audit Objective - Determine if grantee used the appropriate equipment rates.

Suggested Audit Procedure – Ascertain that municipality used the equipment rental rate (for in-house equipment) based upon historical cost records or state-approved rates.

2. **Compliance Requirement** – State governments regional and local governments, for-profit organizations such as railroads are eligible for grants. These local units of government should be eligible for sales tax refunds under N.C.G.S. 105-164.14 (b) or (c). If they are not qualified, 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.

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 including contractors' sales tax affidavits and ascertain that no sales taxes were billed to the project.

C. CASH MANAGEMENT

The Department of Transportation pays on a reimbursement basis. No testing is required.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Compliance Requirement – NCDOT has adopted the policies and procedures for equipment and real property contained in OMB Uniform Guidance §§200.310 to §200.315 or 49 CFR Part 18.32. This information can be found at <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/> and www.gpoaccess.gov/cfr/index.html respectively - No testing is required at the local level.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

Matching

Compliance Requirement - The State (including federal and state funds) reimbursement cannot exceed the amount stated in the program agreement, program award letter and approved project budget. The remaining share must come from other public sources.

Level of Effort – No testing is required at the local level.

Earmarking – No testing is required at the local level.

H. PERIOD OF PERFORMANCE

Compliance Requirement – Funding for grants under ARRA must be expended by September 30, 2017 (ARRA, 123 Stat. 208; June 23, 2009, *Federal Register* (74 FR 29916)). Refer to Par 3 of the Uniform Guidance Compliance Supplement (2 CFR Part 200, Appendix XI) for Suggested Audit Procedures.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

1. Procurement

Project is subject to Fiscal Year 2008 Appropriations Act Buy American Procurement requirements.

Buy American domestic source requirements require that all steel or iron permanently incorporated in a project be produced in the United States. References are listed below:

- a. The project should include documentation from procurement records as to the domestic content of steel or iron purchased for the project.
- b. Any Buy American waivers should be provided in guidance from NCDOT.
- c. Buy American compliance should also be tested for previous violations of the Buy American Act.

Project is subject to Disadvantaged Business Enterprise participation goals from NCDOT. The project received a zero percent goal, so no testing is required.

2. Solicitation of Bids

Compliance Requirement - 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. Bid tabulation and governing agency resolution recommending award is required for contract award to the lowest responsible bidder.

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

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

J. PROGRAM INCOME

Program Income testing should include verification of disposition of material netted from project replacement of current infrastructure. Income gain should be based on fair market value of the property derived as a new asset for the grantee from the grant activities.

No testing is required

L. REPORTING

Reporting to FRA is required: - Not passed to recipient/local level.

ARRA Monthly Employment Report Form FHWA-1589 – verify form was filed by the seventh (7th) of the month for the preceding reporting period.

ARRA Monthly Employment Report Form FHWA-1587- Report that is completed by participating contractors. Verify form was filed by the seventh (7th) of the month for the preceding reporting period.

OMB 1512 Reports – The US Office of Management and Budget (OMB) requires quarterly reporting for any ARRA funded project. Verify form was filed by the tenth (10th) of the month for the preceding reporting period. It should be noted that a subset of the data from the **OMB 1512** report comes from the **1587** and **1589** reports.

FRA Progress Reports – Standard Quarterly FRA report required for each grant. Verify report was filed thirty days after the quarter end.

SF-425 Form – Standard Financial Reporting form. Verify report was filed thirty days after the quarter end.

HIGH SPEED RAIL

1511 Certification – verify form was filed after any changes were made in the vetting, or project scope.

1201 Certification – verify form was filed after any change in the maintenance of effort.

This requirement is not passed down to the recipient/local level. No testing is required.

M. SUBRECIPIENT MONITORING

This requirement is not passed down to the recipient/local level. No testing is required.

N. SPECIAL TESTS AND PROVISIONS

This requirement is not passed down to the recipient/local level. No testing is required.