

**STATE MAINTENANCE ASSISTANCE FOR URBAN
AND SMALL URBAN PROGRAM, DOT-9**

State Authorization: NCGS §136-41.1 through 136-41.4

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

Agency Contact Person – Program

Brennon Fuqua, MPA, PE, PMP, Director
Integrated Mobility Division
N.C. Department of Transportation 1550 Mail
Service Center
Raleigh, NC 27699-1550
(919) 707-4691
(919) 733-1391
bfuqua1@ncdot.gov

Address Confirmation Letters To

Eric Van Der Meyden
N.C. Department of Transportation
Financial Management Division 1514
Mail Service Center
Raleigh, N.C. 27699-1514
(919) 707-4245
Fax (919) 715-8718
ejvandermeyden@ncdot.gov

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.

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, (State Maintenance Assistance Program or SMAP), DOT number (“DOT-9”) and WBS number on the Schedule of Expenditures of Federal and State Awards. (Specifically, financial assistance must be properly identified by program name and the WBS number noted on the warrant.) This program disburses funds on an annual basis and the WBS number and program name are in the comments section of the warrant. 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 amount, Federal Pass-through, State share and local share. On NCDOT’s confirmation from the Grant Master List (GML), these moneys are shown as State number “DOT-9.”

I. PROGRAM OBJECTIVES

The objective of the State Maintenance Assistance Program (SMAP) is to assist urban, regional, and small urban areas in funding the non-federal share of net operating costs associated with existing and new public transportation services operated by fixed route and demand-response urban, small urban and regional transit systems.

II. PROGRAM PROCEDURES

The program is administered by the State. Recipients are transit systems in urban and small urban areas, as defined by the U.S. Census Bureau and regional transit systems that operate fixed route and demand-response transit systems. Funds are allocated annually based on a formula approved by the North Carolina Board of Transportation. Funds may be used for operating related items eligible for funding as part of the Federal Transit Administration's Section 5307 program, including:

1. Operating expenses as defined in Federal Fiscal Year 1997 for the Section 5307 program.
2. Preventive maintenance and ADA (American with Disabilities Act) complementary paratransit service costs, which are defined for federal grants as capital eligible expenses but considered operating expenses for SMAP funds.
3. The allocation cannot be used to match federal capital funds or as match for other state funds.
4. SMAP funds cannot exceed the amount of local funds (excluding farebox and other operating revenues).
5. The allocation must be expended in the State fiscal year of allocation (period ending June 30).

The application for funds must describe how the annual allocation will be spent and the anticipated amount to be spent. A certified statement signed by the mayor or commissioner of the urban or small urban area and a letter signed by the city or county manager indicating how the funds are to be expended and certifying the previous year's allocation was spent by the deadline. Any unspent funds must be returned to NCDOT prior to the Department disbursing newly allocated funds.

For transit authorities, the authority chairman signs the certified statement and letter. The SMAP eligibility calculations form and an actual revenues and expenditures form for the previous fiscal year, signed by the financial officer, are required to be submitted.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the State program. These Types are determined by the State agency noted by “Y.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the State program for the auditee.

CC	1	2	3	4	5	6	7	8	9	10	12	13	14
Cross-cutting requirements	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Conflict of Interest	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	Y	Y	Y	N	N	Y	Y	Y	N	Y	Y	N

1. Activities Allowed or Unallowed

Compliance Requirement - Funds must be expended in a manner consistent with the use of federal transit operating funds as specified in current Federal Transit Administration (FTA) Circular 9030.1E, Urbanized Area Formula Program Guidance, and 5010.1E, Award Management Requirements (www.fta.dot.gov):

1. Services/expenditures must conform to current Federal Transit Administration (FTA) Circulars 9030.1E and 5010.1E.
2. Planning and capital costs are not eligible. Preventive maintenance and complementary paratransit service costs as defined by FTA Section 5307 are considered eligible operating costs for the SMAP program.

Audit Objective - Determine that the State awards were expended only for allowable program activities, including the FTA definition of operating assistance (FTA Circular 9030.1E).

Suggested Audit Procedure

1. Test expenditures and related records for compliance with the program requirements.
2. Compare the total reported project cost with the financial needs to determine the allowability and acceptability of the claimed expenses with the appropriate transaction or activity.
3. Determine total amounts of eligible project costs for existing and new service. Determine that these shares are in accordance with that stipulated in the program guidance.
4. Determine whether maintenance assistance funds were correctly associated with the appropriate transaction or activity and percentage.

2. Allowable Costs/Cost Principles

Compliance Requirement - Eligible uses of the funds are limited to a system's operating expenses as defined in Federal Fiscal Year 1997 for the Section 5307 program. Costs must be reasonable, necessary and conform to any limitation or exclusion set forth by laws, agreements or circulars. Preventive maintenance and ADA (American with Disabilities Act) complementary paratransit service costs, which are defined for federal grants as capital eligible expenses, are considered operating expenses for SMAP funds. Supporting documentation must be adequate and accurate.

Audit Objective – Determine that the allowable costs are accurately and adequately documented.

Suggested Audit Procedure – Test documentation of transactions for accuracy, allowability and adequacy.

3. Cash Management

Compliance Requirement- The allocation is disbursed in the same manner as the ROAP program and requires an approved State budget. The payment is calculated using the North Carolina Board of Transportation approved formula with data from the year preceding the allocation year after receipt by NCDOT of the required documentation. The required documentation is a letter from the City or County Manager, a certified statement, and a signed system SMAP Eligibility Calculation form. The letter from the City Manager or County Manager (Chairman for transit authorities) should:

- a. Note that the requested allocation will be spent by June 30 of the state fiscal year per the program guidelines.
- b. Note that the prior fiscal year's allocation was spent by the June 30 deadline or detail the amount that was not spent by the deadline.

The certified statement is a fully executed and certified "State Maintenance Assistance for Urban, Small Urban and Regional Transit Systems" Statement. The certified statement must be signed by the Mayor or Commissioner (Chairman for transit authorities). Forms are available from the division website.

Audit Objective – Determine that the information contained in the City Manager's letter and "State Maintenance Assistance for Urban, Small Urban and Regional Transit Systems" Certified Statement and the system SMAP eligibility calculation form is accurately and adequately documented.

Suggested Audit Procedure – Identify a sample of transactions supporting the letter and statement for accuracy, adequacy, and timeliness.

- 4. Conflict of Interest** - N.CG.S. 143C-6-23 requires each non-state entity eligible to receive state funds to have a conflict-of-interest policy which addresses conflicts that may arise when members of its governing body or its managing employees are involved in the disbursement of state funds. The entity is required to have a copy of their entity's policy on file with the disbursing state agency before any funds are disbursed; this policy shall be approved by the entity's governing board and a notarized statement of the board's action shall be attached. All members of the board and management should be familiar with and follow the policy and the legislation. The entity should have written procedures of how the conflict-of-interest policy is enforced

Audit Objective – Determine that public officials have avoided a conflict of interest.

Suggested Audit Procedure – Review a sample of conflict-of-interest statements from public officials involved in the contract.

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

5. Eligibility

SMAP funds must be used to provide operating assistance to urban, small-urban, and urban regional fixed route and commuter bus systems with low overhead and paperwork. Regional Grant Specialist (RGS) staff reviews application documents to determine the type of entity an applicant is classified as during the application process.

No testing required as this is determined at the state level.

6. Equipment and Real Property Management

No testing is required at local the level. Equipment and real property purchases/management are not eligible for reimbursement for ROAP or SMAP.

7. Matching, Level of Effort, Earmarking

Matching

Compliance Requirement –

The amount of SMAP funds used by the transit system cannot exceed the amount of local assistance. Eligible uses of the funds are limited to a Systems Operating cost only. Auditor should report amounts received from NCDOT as well as expenditures.

Audit Objective - Determine whether the appropriate amount and percentage of contributions was provided.

Suggested Audit Procedure

1. Review financial records and determine the sources, amounts and acceptability of the nonfederal share, federal share, state share and local share.

2. Review financial records and determine the amount that can be claimed as the State share or State's matching share.

Level of Effort – Not applicable.

Earmarking – Not applicable.

8. Period of Performance

Compliance Requirement - Funds are to be applied to program expenditures for the fiscal year of the allocation.

Audit Objective - Determine if funds were expended in the correct fiscal year.

Suggested Audit Procedure

Review documentation submitted to NCDOT to ascertain that the funds were used in the correct fiscal year.

9. Procurement and Suspension and Debarment

Procurement

Compliance Requirement – Procurements for contractual services shall be conducted in accordance with North Carolina General Statute 143, Article 8. North Carolina General Statute 143-129 contains the key competitive bidding requirements. Prior to entering into a contractual agreement for services, the grantee must obtain approval from NCDOT. Procurement for goods is not allowed for ROAP or SMAP.

Audit Objective – Determine whether procurements for contractual services were conducted in accordance with North Carolina General Statute 143, Article 8.

Suggested Audit Procedure – Examine procurements and verify the grantee adhered to the competitive bidding requirement outlined in the North Carolina General Statutes, obtained written approval from NCDOT, and did not procure goods with State funds.

Debarment

Compliance Requirement – Grantees are prohibited from awarding contracts or grant agreements to entities debarred by any government agency, Federal or State. The entity's agents or contractors shall not be 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 grantees have not entered into contracts or grant agreements with entities that are debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in transactions by any Federal or State department or agency.

Suggested Audit Procedure – Examine procurements and subawards and ascertain that entities were not debarred by any government agency, federal or state by:

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

10. Program Income

Not applicable.

11. Reserve

12. Reporting

Compliance Requirement – The Annual Operating Statistics Report must be submitted for systems receiving federal or state administrative, operating, or capital funds.

Audit Objective – Determine that accurate and timely reports were submitted with required documentation.

Suggested Audit Procedure – Review a sample of operating statistics reflected in the Annual Report to underlying accounting and trip data records. Determine if reports were submitted to NCDOT according to published deadlines.

13. Subrecipient Monitoring

The initial budget detailing how the SMAP funds will be utilized will be signed by the Finance Officer, scanned, and submitted with the Certified Letter and Cover letter in the EBS Drop Box. The Final Budget detailing where the SMAP funds were spent will be completed, signed by the Finance Director at the end of the performance period and submitted into the EBS Drop Box no later than one month after the close of the performance period.

Audit Objective – Determine activities used by the Finance Officer to monitor use of the program funds is adequate.

Suggested Audit Procedures

1. Review any written procedures for periodic reporting of the use of the funds by agencies receiving the sub-allocation. Review written procedures to ensure periodic reporting periods for SMAP recipients are identified and adhered to.
2. Ascertain that efforts were made by the Finance Director/Officer to reallocate funds that have been sub-allocated to agencies, but not expended in a timely manner.

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3. Determine if funds sub-allocated to non-governmental entities were appropriately reported by the IMD subrecipient entirely to NCDOT. 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 non-governmental entities. Non-profit subrecipients are required to submit NC Grants reporting forms to IMD annually.

14. Special Tests and Provisions

Not applicable.