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III. Program Coverage & Testing Examples [in process]

IV. Pilot Program Evaluation

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1. NYSDOT Snow & Ice Control on State Highways Program Guidelines (Green Book)

2. Statewide Mass Transportation Operating Assistance Program Rules and Regulations (17 NYCRR Part 975)

continued on next page
A. Introduction

3. Purpose: These guidelines are to assist auditors performing audits of municipalities and public authorities under the NYSDOT State Single Audit Pilot Program [Chapter 21 of the State Transportation Law]. The guidelines provide useful information about programs, general and specific compliance requirements, audit coverage and reporting requirements for audits performed. Examples are provided to assist auditors in determining programs to include to meet the program testing requirements and in reporting on the results of the audit.

The guidelines do not supersede the laws, rules and regulations, contracts, grants, or agreements governing each state transportation assistance program. Auditors are responsible for developing an appropriate understanding of financial compliance requirements for all programs and program components tested. References to governing statute and regulations are provided in the appendixes for key programs and components. Program guidelines are provided as attachments for several of the key NYSDOT programs.

For state transportation assistance which is used to match non-pass through Federal programs such as mass transit matching grants, highway planning and construction and airport improvement program matching grants, the auditor should be aware of the applicable Federal program requirements which are summarized in OMB Circular A-133 Part III, G.

Conformance with these guidelines represents the minimum expectation of NYSDOT and does not substitute for the auditor's professional judgement, conformance with government auditing standards, including generally accepted auditing standards and the application by the auditor of appropriate auditing procedures necessary to provide an audit opinion.

4. Use in Conjunction with the NYS Code of Rules and Regulations (NYCRR)

17 NYCRR § 43.1 et. seq. [the regulations] provides the specific requirements for audits in accordance with Chapter 21 of the State Transportation Law. These guidelines provide further explanations of certain aspects the regulations and should only be used in conjunction with those regulations.

3. Periodic Update

NYSDOT will update this document annually.
B. Audit Coverage Guidelines for Testing NYSDOT State Funded Programs

The auditor should perform tests and report on specific compliance for programs tested. A minimum of one-third (33 1/3%) of total state transportation assistance funds expended in a given fiscal year is required to be either covered by the Federal Single Audit (see item 1. below), consist of low dollar programs (see item 2. below) or is to be tested by the auditor. Determination of programs to be tested is based on the auditor’s risk assessment. Programs with the following attributes may be excluded from specific compliance testing requirements:

1. NYSDOT programs which provide state matching share funds for Federal aid programs subject to the Federal Single Audit (FSA).

State matching share programs are covered under the Federal Single Audit pursuant to OMB Circular A-133. NYSDOT has certain monitoring responsibilities under §__.400 (d) of that Circular which require:

a) communication of the Federal Single Audit requirements;
b) obtaining and reviewing Federal Single Audit reports prepared in accordance with those requirements;
c) determining and performing additional monitoring or auditing procedures as considered necessary to provide assurance of compliance with Federal-aid requirements for Federal-aid pass through programs not audited as major programs under the Federal Single Audit;
d) following up on audit findings, as considered necessary to insure that corrective action has been taken and that questioned or ineligible costs are properly reflected in the subrecipients records.

The requirements for administering state matching share programs are inseparable from the requirements for administering the related Federal-aid. Except for those application, billing and reporting requirements that apply to state matching shares, and the requirements to report the state matching share amounts in accordance with § 43.2 of the NYSDOT State Single Audit Regulations, there are no other specific compliance requirements subject to testing.

**Suggested Audit Procedures:**
The auditor should determine that matching shares corresponding to Federal-aid are reported on the Schedule of State Transportation Assistance Expended in accordance with § 43.2 of the Regulations (17 NYCRR § 43-2.).

For each Federal-aid program assessed as major, the auditor should determine that applications, billing and reporting of state matching share programs is timely, in the proper form according to state program requirements, and conforms to the matching share requirements in Part III, Section G of the OMB Circular A-133 Compliance Supplement (4/99).

2. Programs which expend less than $100,000 in the audited year.
There are no specific compliance testing requirements as part of the NYSDOT State Single Audit Pilot for NYSDOT programs which expended less than $100,000 in the audited year. Annual amounts expended for such programs, as reported on the Schedule of State Transportation Assistance Expended, are considered covered for the purposes of meeting the 33 1/3% coverage guideline.

**Suggested Audit Procedures:**
The auditor should determine that amounts are properly recorded on the Schedule of State Transportation Assistance Expended.

Certain Other State Transportation Assistance Programs may be clustered for the purposes of determining coverage in accordance with the requirements of this sub-section. Program clusters are identified in Section D. of these guidelines.

Auditees determined to be low risk for the purposes of the Federal Single Audit will also be considered low risk for NYSDOT funded programs. In the case of low risk auditees, a minimum of twenty-five percent (25%) of State Transportation Assistance Program funds expended shall be either covered as a matching share to a Federal-aid program (see item 1. above), consist of low dollar programs (see item 2. above) or shall be tested.

If there are no state transportation programs assessed as high risk by the auditor, or not otherwise required to be tested pursuant to these guidelines, or any other audit requirement for that program, the reporting requirements in § 43.5(b) & (c) are waived for that year.

The Commissioner of NYSDOT may, pursuant to the regulations, require coverage of certain programs. If such requirement is made, reasonable funding shall be provided, as determined by NYSDOT.

**Examples:**
The guidelines provide that annual expenditures for NYSDOT funded matching share programs (item 1.) and expenditures for smaller programs (items 2.) are credited toward the minimum testing requirements. For example, if Municipality A has total expenditures of NYSDOT state funded transportation assistance of $1.5 million in year 20xx, of which $200 thousand is the state matching share of Federal-aid programs and low dollar NYSDOT state funded transportation assistance programs amounting to $100 thousand, the thirty three and a third percent (33 1/3%) minimum requirement for specific compliance testing would apply to higher risk programs for that period amounting to $200 thousand ($1.5 million x 1/3 = $500 thousand less $200 thousand (state match) less 100 thousand (low dollar) = $200 thousand).
C. Matching Programs Covered Under Federal Single Audit

The following NYSDOT funded state transportation assistance programs have been determined to be Federal-aid matching programs for the purposes of the NYSDOT State Single Audit Pilot Program:

1. Marchicelli/Bond Match for Federal Aid Highway Projects (CFDA 20.205), Catalog of Federal Domestic Assistance
2. Matching Grants for the FAA Airport Improvement Program (CFDA 20.106)

D. Eligible Program Clusters

NYSDOT has determined that the following state transportation assistance programs may be clustered for the purposes of the NYSDOT State Single Audit Pilot Program:

1. Non-Federal Capital Projects Cluster
   a) Consolidated Local Streets and Highway Improvement Program (CHIPS) capital reimbursement component
   c) Suburban Highway Improvement Program (SHIPS) capital projects
   d) Legislative Member Items (capital projects only)
   e) State Aid for Local Bridges capital projects (non-matching funds)
   f) 100% State Funded Multi-modal, Member Items, or Special Projects for Rail, Aviation, Transit, Ports, Bikeways, Walkways, etc. may be included in this cluster if administered by: 1) the same municipal department or bureau which administers CHIPS capital projects; or 2) a public authority responsible for multiple modal activities within the same internal control environment involving the same internal control activities and procedures.

The auditee and the auditor have the option of using these clusters of programs in performing NYSDOT State Single Audit or they may use the specific programs.

Clustering should be clearly indicated using the titles suggested in both the Schedule of State Transportation Assistance Expended and the Schedule of Findings and Questioned Costs for State Transportation Assistance Programs Tested. Program details should be shown in the Schedule of State Transportation Assistance Expended under the Cluster Title. Upon prior written approval from NYSDOT, additional programs may be included in the indicated clusters or additional clusters of programs.
G. Low Risk Programs

Based on certain program characteristics, some NYSDOT programs can be categorized as having a low inherent risk. For example, lump sum payment arrangements such as fixed payment Snow & Ice agreements are not dependent on quantification of local government effort. The payment is set by the terms of the fixed price agreement and performance of work to the satisfaction of the NYSDOT’s Resident Engineers. Likewise, the payment for the Operations & Maintenance component of the Consolidated Local Street and Highway Improvement Program is set by programmatic allocation with minimal conditions, such as maintenance of effort and periodic reporting.

Lump sum payment arrangements on Snow & Ice agreements may require the municipality to prepare and maintain proper documentation of activities, to have an approved operational plan and to document certain deviations such as extra work assigned; changes in operating practices or routes; changes in union agreements; etc. Municipalities receiving CHIPS Operations & Maintenance component funds are required to file timely, complete and accurate annual certifications for receipts over a certain amount (see Appendix I-001-002). However, these characteristics would not ordinarily justify significant audit effort.

Other factors, which should be considered during the risk assessment, audit planning and detailed testing phases, include: 1) the complexity of the compliance requirements; 2) the prior experience with the entity’s compliance; 3) the knowledge of the compliance requirements by the entity’s management and staff; 4) the length of time the entity has been subject to the compliance requirements; 5) the adequacy of controls on compliance; 6) the amount reported as expended; 7) the length of time between audits; 8) the nature and timing of existing NYSDOT oversight; and 9) other factors which may be considered pertinent by the auditor.

H. General Compliance Coverage for All State Funded Programs Including NYSDOT

The Federal Single Audit requires the auditor to design the audit to provide reasonable assurance that the entity’s financial statements are free of material misstatements resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts. The auditor is also responsible for providing reasonable assurance about whether the financial statements are free of material misstatements resulting from non-compliance with laws and regulations and the provisions of grants and contracts. (See PL 104-156 § 7502 (c) requiring Government Auditing Standards audit coverage.)
There are numerous statutes and regulations that municipalities and public authorities in New York State are required to comply with regarding financial reporting and financial compliance matters in the administration of state transportation assistance funds. Governing statutes may include, but are not necessarily be limited to, General Municipal Law, Real Property Laws, Transportation Law, Highway Law and the Public Authorities Law for those types of entities. In addition, the Office of the State Comptroller has prescribed a uniform system of accounts and rules and regulations and has issued opinions on municipal and public authority accounting and financial compliance matters. Consistent with good auditing practice, the auditor needs to develop his or her understanding of those requirements that could have a material effect on the financial statements for all programs and the specific program expenditure amounts for programs tested.

Key financial compliance elements that NYSDOT expects will be considered during the audit include the following items to the extent they are identified in laws, rules and regulations and the written program guidelines of NYSDOT:

1) timely, complete, and accurate reporting and representations to NYSDOT;
2) allowable and allocable activities and costs;
3) matching and level of effort;
4) acquisition, use and disposition of equipment and real property;
5) acquisition and use of other goods and services; and
6) other special tests and provisions.

Appendix I outlines key financial compliance requirements, general and specific, that NYSDOT considers important to state transportation assistance funds expended. The guidance in Appendix I should be followed for programs tested. Auditors need to explain in their work papers any significant deviation in compliance matters tested under the NYSDOT State Single Audit Pilot Program.
G. Program Specific Compliance Coverage

Compliance guidance for auditors for specific programs tested is provided in Appendix I. Specific guidance for some programs may not be provided. It is the auditee’s responsibility in such cases to identify and inform the auditor of the statute, rules, regulations and program guidance establishing the key compliance requirements for such programs. Compliance guidance is currently provided for the following programs:

- Consolidated Local Street and Highway Improvement Program
  - Capital Reimbursement Component
  - Operations and Maintenance Component
- State Transit Operating Assistance Program
  - Specified Systems
  - Sponsor-Operator Systems
  - Sponsor-Contractor Systems
- Municipal Snow & Ice Control on State Highways
  - Time and Materials Contracts
  - Indexed Lump Sum Contracts
  - Fixed Lump Sum Contracts
- State Multi-Modal Program
  - Suburban Highway Improvement Program
  - State Discretionary Funds (SOF) for Non-MTA Transit Capital Projects

H. Guidelines for Charging Eligible Audit Costs [in process]

I. Reporting

The municipality or public authority is required to prepare a “Schedule of State Transportation Assistance Funds Expended” for their fiscal year. The schedule must include the NYSDOT Program Title and Expenditure Amounts during the period, and should include the DOT contract or grant identifying numbers. The schedule should be accompanied by appropriate notes describing the entity and the basis of accounting used. For certain programs, where it may not be cost beneficial to accumulate annual expenditure amounts (e.g. CHIPS Operations and Maintenance Component), the entity may report on amounts received during the period with appropriate disclosure in the notes.

The “Schedule of State Transportation Assistance Funds Expended” may be incorporated in the Federal Schedule of Expenditures from Federal Awards.

Required audit reports include the following:

/ Report on the “Schedule of State Transportation Assistance Expended”.

/ Report on Compliance for Programs Tested and Controls Over State Transportation Assistance Expended Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
A Schedule of Findings and Questioned Costs for State Transportation Assistance Expended. Where appropriate, findings of questioned costs should refer to the NYSDOT contract or grant number.

A reporting format meeting Government Auditing Standards is acceptable, including reports combined with those required by the Federal Single Audit. Appendix II contains sample report formats for a separate schedule type of reporting.

J. NYSDOT Program Contacts [in process]
001-01 Consolidated Local Streets and Highway Improvement Program (CHIPS) - Capital Component

Program Objectives and Overview: Legislation passed in 1991 restructured the CHIPS program to provide that state-aid would be split into a direct grant component and a capital project reimbursement component. The direct grant component provides state funds to support municipal highway operations and maintenance with minimal restrictions. The capital project component requires that specific capital projects be identified for use of the funds with NYSDOT.

Revenue from both components is recorded in Uniform Accounting System Account 3501 “Consolidated Highway Aid” in the fund that normally finances such expenditures (County Road Fund; Town Highway Fund; Village General Fund). Capital expenditures are recorded in Account 5112.2 “Permanent Improvements”.

Eligible capital project costs are reimbursed after submission and approval of a claim to NYSDOT. Payments are made four times a year and are limited based on a formula calculated by NYSDOT for each municipality.

The threshold above which capital projects financed in whole or in part by CHIPS must be let to outside contractors is $100,000. Contracts below $100,000 can be done by the municipality’s own workforce.

Statutory/Regulatory References: Highway Law § 10-c

Suggested Procedures

1. Obtain details from the municipality on their capital project development procedures, authorized projects and authorized funding limits.

2. Select a sample of capital projects, and

   a) Determine that capital projects are approved and authorized in accordance with the municipality’s procedures (e.g. authorizing resolutions).

   b) Determine that projects over $100,000 are properly let to outside contractors pursuant to Highway Law § 10-c.

   c) Determine that annual allocations are not exceeded.
d) Determine that reimbursement request forms submitted to NYSDOT are properly reviewed and authorized in accordance with the municipality’s procedures, are entered in the municipal accounting records in accordance with the requirements of the Uniform Accounting System, and represent actual costs incurred supported by source documentation.

001-02 Consolidated Highway Improvement Program (CHIPS) - Operations & Maintenance Component

Program Objectives and Overview: Legislation passed in 1991 restructured the CHIPS program to provide that state-aid would be split into an operations & maintenance component and a capital project reimbursement component. The operations & maintenance component provides state funds to support municipal highway operations and maintenance with minimal restrictions. The capital reimbursement component requires that specific capital projects be identified for use of the funds with NYSDOT.

Revenue from both components is recorded in Uniform Accounting System Account 3501 “Consolidated Highway Aid” in the fund that normally finances such expenditures (County Road Fund; Town Highway Fund; Village General Fund). Capital expenditures are recorded in Account 5112.2 “Permanent Improvements”.

Reserved Fund Balance Account 879 “Reserve for Highway Capital Projects” is used when the governing board has decided to use the direct grant component of CHIPS for a capital purpose and the revenue is received in one fiscal year and is to be expended in the following fiscal year. For the purposes of the CHIPS direct grant component, capital construction is defined as work which has a service life of ten years or more.

Municipalities are required to submit forms TE 231b and 232b annually to NYSDOT for the operations and maintenance component to support that local operations and maintenance expenditures (level of effort) was not diminished in the current year from the prior two fiscal years because of the direct grant program.

Statutory/Regulatory References: Highway Law § 10-c

Suggested Procedures
1. Determine that forms TE 231b and 232b required to be submitted during the audited year have been completed and filed with NYSDOT and that information reported has been compiled from the municipalities Uniform Accounting System and reviewed by appropriate municipal officials in accordance with the municipality’s established procedures. § 10-c of the Highway Law requires filing of the above reports by the first day of the third month following the end of the municipalities fiscal year, where such entity received five thousand dollars or more from this component during their fiscal year.

5. Determine that capital projects funded with CHIPS operations & maintenance
component monies are accounted for in the Uniform Accounting System Account 879 “Reserve for Highway Capital Projects” for any revenue received in one fiscal year to be expended in the following year.
002 Snow & Ice Control on State Highways

Program Objectives and Overview: Municipalities may enter into agreements with NYSDOT to provide snow and ice control on state highways. Terms, Reimbursement Procedures and Documentation for the Snow and Ice Control Program (Green Book) is published by NYSDOT and includes sample forms, procedures and general requirements pursuant to the Highway Law, § 12.

Payment provisions may be one of three types: Time & Materials; Indexed Lump Sum; or Fixed Lump Sum. Four elements are required regardless of the type of payment provision:

1) a properly executed copy of the current agreement and extensions;
2) a signed copy of the “Operational Plan”;
3) an operations map showing the covered routes; and
4) completed forms SI-1/SI-7 (S&I Equipment Operator’s Daily Reports) and form SIR-3 (S&I Equipment List).

The cooperative “Operational Plan” is completed annually by the municipality and NYSDOT Residency. The responsible NYSDOT Residency and Regional Maintenance Engineer monitor and certify the services provided are in accordance with the operational plan. For all payment methods, Snow and Ice Equipment Operator’s Daily Reports (form SI-1/SI-7) are kept for seven years for liability purposes; periodic reports to NYSDOT should be filed timely and amounts should be properly recorded in the Uniform Accounting System.

-01 Time & Materials - Major billing items include: 1) specific equipment rental rates (see NYSDOT Equipment Rental Rate Schedule); 2) wages and benefits of operational and supervisory personnel (excluding administrative and clerical overhead personnel); 3) snow and ice control materials (sand and other abrasives, salt, calcium chloride, magnesium chloride and other de-icing compounds); 4) administrative and clerical overhead of 15% of wages and benefits of operational and supervisory personnel excluding administrative and clerical overhead personnel; and 5) salt domes and other capital costs as approved by NYSDOT.

Prior to July, 2000, materials may be billed either as used (common stockpiles) or as purchased (dedicated stockpiles). Beginning July, 2000, all material shall be billed as used only. There is a guaranteed minimum of sixty-seven percent (67%) of the estimated expenditures. Any amount claimed in excess of 115% of the annual estimated expenditures (see Green Book Chapter 3.0) must be justified to NYSDOT.
-02 Indexed Lump Sum - Payments are derived from an estimated annual expenditure amount (generally a three year base period average) which is adjusted for the level of activity measured as an index of the NYSDOT residency’s activity for plowing and spreading miles (see Green Book Chapter 4.0).

-03 Fixed Lump Sum - Total payments are derived from an estimated annual expenditure amount, generally a three-year base period average (see Green Book Chapter 5.0).

Risk Alert

For time and materials agreements, municipalities should submit required claims and supporting forms timely. (Municipalities are not required to submit claims for lump sum agreements.) For time and materials agreements, unreasonable materials usage compared to state residency usage (obtainable from the NYSDOT Resident Engineer) or usage on local roads; materials usage reported on all roads in excess of purchases; and equipment rental rates in excess of authorized rates can result in significant overpayment. Keeping of S&I Equipment Operators Daily Reports is important for defense of any personal injury or tort claims. For municipalities using dedicated material piles, a certification is required to be filed with NYSDOT showing the end of season inventory, projected materials needed and amounts to be purchased and charged. NYSDOT, through the Green Book, is encouraging the use of common stockpiles. Though not required, it is recommended that municipalities periodically inventory all materials piles at the end of each snow & ice control season.

Some municipalities enter into sub-agreements with other municipal subdivisions for snow and ice control. For the purposes of the NYSDOT State Single Audit Pilot Program, performance of work and preparation of billings under these sub-agreements should be monitored and reviewed by the prime municipal contractor.

There is an expenditure category in the uniform accounting system for control of snow & ice on state highways. For time and material type agreements, analytical procedures can be performed comparing material usage and costs on state highways between municipal and NYSDOT residency forces and for different roads and highways in the municipality. NYSDOT is primarily concerned with obtaining audit assurances that resources in the program are being used on activities for state highways only.
Statutory/Regulatory References: Highway Law § 12

Suggested Procedures

For All Payment Types

1. Determine that the municipality has a properly executed copy of the agreement.

2. Determine that the municipality has a copy of the operational plan, in effect and signed by the municipality and NYSDOT, for the period(s) audited or annual updates.

3. Determine that the municipality has retained on file the original signed S&I Equipment Operator's daily reports (SI-1/SI-7).

4. Determine that expenditure amounts are properly recorded in the Uniform Accounts.

5. Determine that the municipality has properly accounted for and maintains supporting documentation (original invoices, bidding documents, etc.) for the total original costs, depreciation and improvements, including the agreed upon local share, for storage coverage facilities constructed at the municipal facility as approved by NYSDOT.
-01 Time and Materials Agreements

2. Determine that expenditures recorded in the uniform accounting system conform with the amounts claimed.

3. Determine that claims and supporting forms required are submitted timely.

4. For dedicated material stockpiles, determine that periodic inventories are performed and documented and required approvals are obtained from NYSDOT for materials purchased.

5. Determine that any subcontract payments are made within the terms of an agreement entered into in conformance with the Green Book.

6. Determine that amounts billed conform with estimated annual expenditures and that necessary justifications are filed and approvals obtained for billings exceeding 115% of annual estimated expenditures.

7. Determine that any prior billing adjustments required have been offset against current billings.

8. Inquire with the superintendent regarding the following factors to ascertain they have occurred and been properly communicated to NYSDOT in accordance with the Green Book:
   – changes in scope of work
   – changes in equipment used
   – changes in operating practices such as one-person plowing from two-person plowing, materials used or the use of automated spreaders.

-02 Indexed Lump Sum Agreements

1. Determine that performance of extra work items ordered by the NYSDOT Resident Engineer and paid on standard voucher are properly supported and documented.

-03 Fixed Lump Sum Agreements

1. Determine that performance of extra work items ordered by the NYSDOT Resident Engineer and paid on standard voucher are properly supported and documented.
003 State Transit Operating Assistance

Program Objectives and Overview:

NYSDOT has published the Rules and Regulations for the Statewide Mass Transportation Operating Assistance Program (17 NYCRR Part 975) (Blue Book).

There are specified and formula based systems. Specified systems, which are the larger public authorities and some downstate counties, receive subsidy payments for transit services provided based on specific legislative appropriation. They are required to submit an annual report on passenger and mileage statistics which NYSDOT utilizes to evaluate program accomplishment and to recommend future appropriations.

The formula systems include systems operated by the municipality, a component unit public corporation or contracts with private operators. Some private operators, generally those contracting directly with NYSDOT for inter-city routes, or larger contract carriers, may be subject to caps based on return on revenue and investment. Formula municipal systems are required to show fare reduction or reinvestment in the transit system if they earn a surplus.

For all systems, a major risk is the validity of the reported passenger and mileage statistics. This encompasses the filing of accurate reports with NYSDOT and recording and accumulating statistics in conformance with the governing regulations. For example, eligible vehicle mileage statistics must be based on published routes and schedules or demand responsive routes. Deadheading between the garage and the first pick up point is not allowed. Return trip mileage from the drop-off point to the garage on commuter runs is eligible. All eligible routes and demand responsive services are required to exclusively benefit residents of New York State.

Systems may use statistical methods to estimate total passengers are required to support a ten percent (10%) precision and ninety-five percent (95%) confidence level in their sampling technique.

Formula systems who elect to participate in the program are required to submit applications between the second and seventeenth day of the first month of each quarter. All systems must file an annual report, signed by the Chief Executive Officer, within 120 days of the completion of the operators fiscal year. Those systems receiving Federal funds may apply to NYSDOT for permission to use the reports filed with the cognizant Federal agency. Otherwise reports are to be in a form prescribed by NYSDOT. Some differences exist between the NYSDOT regulations and FTA Section 15 reporting of passenger statistics. For example, FTA allows each entrance and egress on the transit property as a trip. NYSDOT allows only contiguous passenger trips.
NYSDOT currently receives annual appropriations to conduct audits of transit operators who receive STOA. It is expected that this program will continue to audit private operators who may be under contract directly with a municipality or NYSDOT. For municipal systems that have private operators audited by NYSDOT the scope of the NYSDOT State Single Audit Pilot Program is limited to those municipal controls on oversight of the private operators including obtaining, reviewing and approving of submitted reports and statistics from the private operators and ongoing monitoring of compliance. Any NYSDOT audit reports of private operators will be sent to the municipal sponsor.

**Statutory/Regulatory References:**
- Transportation Law § 18-b
- General Municipal Law § 119-r
- 17 NYCRR Part 975

**Suggested Procedures**

**-01 Formula: Municipal Operated System**

1. Determine that required quarterly and annual reports are filed on a timely basis, data reported has been reviewed and that forms are signed by the required municipal officials.

2. Review published route schedules and published information about demand responsive services for conformance with Part 975 requirements.

3. Review procedures for accumulating passenger and vehicle mileage statistics. Determine that the municipality's procedures eliminate ineligible deadheading mileage and take into account adjustments for free passenger transfers.

   If statistical methods are used to estimate total passengers, review the methods to assure the required ten percent precision and ninety-five percent confidence levels are achieved.

4. Analyze total mileage data for fixed routes and compare with estimates based on published routes and schedules.

5. If actual mileage is not used, determine that there is a functioning process to eliminate runs not made.

6. Verify the accuracy of summary reports to daily passenger reports.

7. Determine that funds received or accruable are properly recorded in the appropriate accounts in the uniform accounting system.
-02Formula: Municipal Contracted System

1. Determine that required quarterly and annual reports are filed on a timely basis, data reported has been reviewed and that forms are signed by the required municipal officials.

2. Determine if the system is an approved alternate distribution system. If yes, consider the risk of possible overstating statistics for specific operators on the overall plan (for example, are there possible offsets to any ineligible statistics).

3. Determine if recent audits have been performed of the contract operator and review the scope and results of those audits. Determine if the other auditor reviewed the methods and procedures for compiling mileage and passenger statistics including conformance with Part 975 of the NYCRR. If necessary, review procedures for accumulating passenger and vehicle mileage statistics. Determine that the procedures eliminate ineligible deadheading mileage and take into account adjustments for free passenger transfers.

4. If statistical methods are used to estimate total passengers, review the methods to assure the required ten percent precision and ninety-five percent confidence levels are achieved.

5. Review and evaluate the municipality’s procedures regarding the verification of reported data.

6. Obtain and review the municipalities agreements with the contracted operators. Determine that the agreement conforms with General Municipal Law § 103 and complies with the requirements of Part 975 of the NYCRR.

7. Determine that the municipality has procedures to review the contracted operators status for operating authority for the routes covered in the contract.

8. Determine that funds received or accruable are properly recorded in the appropriate accounts in the uniform accounting system.

-03Specified Systems

1. Determine that annual reports are timely submitted to NYSDOT.

2. Determine that the system has procedures to accumulate and review the eligibility of statistics in accordance with NYCRR part 975.
004 Suburban Highway Improvement Program

Program Objectives and Procedures: By the Laws of 1993, the Suburban Highway Improvement Program (SHIPS) was authorized. The program is a $140 million, four year program for seven counties in the Hudson Valley Region (Westchester, Rockland, Putnam, Dutchess, Columbia, Orange and Ulster (Transportation Law § 10-g)) with a funding level of $90 million, and two counties on Long Island (Nassau and Suffolk (Transportation Law § 10-f)) with a funding level of $50 million.

Specifically, the purpose of the program is to finance capital projects which reconstruct, replace, recondition, restore, rehabilitate and preserve State, county, town, city and village roads, highways, parkways and bridges or projects within the right-of-way of these facilities. These projects are intended to restore such facilities to their intended functions and to address current and future capacity needs.

The SHIPS projects were identified and negotiated between the Legislature and local municipalities, approved by NYSDOT and signed into law in a Memorandum of Understanding (MOU) between the legislative leaders and the Governor. Reimbursement of eligible expenses on approved projects are made to municipalities four times per year on a quarterly basis.

SHIPS projects funds will be accounted for in a Capital Projects Fund using revenue account 3502-Suburban Highway Improvement Program (SHIP).

The projects are “first instance” funded by the municipality, with reimbursement requested afterward from DOT. Municipalities must submit formal written certification stating that the municipality’s own level of funding for capital projects, excluding SHIPS projects, was not diminished and that project disbursements were made during the specified authorized reimbursement period.

Statutory/Regulatory References: Highway Law § 10-f & 10-g.

Suggested Audit Coverage and Procedures

1. Obtain details from the municipality/project sponsor on their capital project development procedures, authorized projects and authorized funding limits.

2. Examine the capital project documents and records to:

   a) Determine that reimbursement request forms submitted to NYSDOT are certified, properly reviewed and authorized in accordance with the municipality’s/project sponsor’s procedures, are entered in the municipal accounting records in accordance with the requirements of the Uniform Accounting System, and represent actual costs incurred supported by source documentation.
b) Determine that the municipality/project sponsor has complied with its technical project documentation, review requirements.

c) Determine that program funds have been solely to fund actual expenditures made on or after April 5, 1993 for new capital projects within or between modes including but not limited to the costs of acquisition, preliminary engineering, construction and construction supervision and inspection. Also, ensuring that ineligible costs, such as material, equipment purchase and general administrative and overhead disbursements not directly related to an approved project, are not claimed.

   a. Determine that interest costs on sponsor-issued debt used to finance the project are not requested as reimbursable costs of the capital project.
State Multi-modal Program

Program Objectives and Procedures: By the Laws of 1996, the Governor and the Legislature authorized a four year $350 million Multi-Modal Program. The Multi-Modal Program provides reimbursements for authorized rail, port, airport, and state and local highway and bridge projects funded by proceeds of New York State Thruway Authority bonds.

Specifically, the purpose of the program is to finance project costs for the construction, reconstruction, improvement, reconditioning and preservation of:

a) rail freight facilities and intercity rail passenger facilities and equipment;

b) the ports of Albany, Ogdensburg, Oswego, and the gateway metro port in Buffalo;

c) municipal airports, privately owned airports and aviation capital facilities, excluding airports operated by the state or operated by a bi-state municipal corporate instrumentality for which Federal funding is not available provided the project is consistent with an approved airport layout plan; and

d) state, county, town, city and village roads, highways, parkways and bridges.

Multi-Modal projects will be accounted for in a Capital Projects Fund or in an Enterprise Fund. Capital Projects fund revenue will be recorded in a subsidiary revenue account code in the Uniform Accounting System Account 3505 - Multi-Modal Program and expenditures will be classified by functional unit based on the type of project being undertaken. Enterprise funds should capitalize assets and recognize revenue using account 3505.

The capital reimbursement portion of the Multi-Modal Program will follow the revenue recognition requirement as set forth in GASB codification G60.109 which states “where expenditure is the prime factor for determining eligibility, revenue should be recognized when the expenditure is made (goods delivered, services received).” At the time a claim is submitted to the State, revenue should be accrued equal to the costs eligible for reimbursement. Any eligible capital expenditures made between the filing dates with NYSDOT and the fiscal year end should not be accrued. The total of the accrued revenues recorded should not exceed the limit calculated by NYSDOT as the municipality’s share of the capital reimbursement program.

Eligible capital project costs are reimbursed after submission and approval of a reimbursement request claim to NYSDOT. Payments are made four times a year and are limited to project costs on approved project identified by the State Legislature in a Memorandum of Understanding.
The threshold above which capital projects financed in whole or in part by the Multi-Modal Program must be let to outside firms is $100,000. Contracts below $100,000 could be done by the municipality’s own workforce. For work done by outside contracts, the municipality is subject to the requirements of General Municipal Law § 103 which requires the contracts $20,000 or greater must be awarded after public advertisement for sealed bids.

**Statutory/Regulatory References:** Transportation Law § 14-k added by Laws of 1996, Chapters 637 and 638.

**Suggested Audit Coverage and Procedures**

1. Obtain details from the municipality/project sponsor on their capital project development procedures, authorized projects and authorized funding limits.

2. Examine the capital project documents and records to:

   a) Determine that a fully executed contract and municipal resolution (if required) exists between NYSDOT and the project sponsor, and approved by the State Comptroller for: (1) all privately owned projects regardless of mode; (2) all rail or port projects; (3) all municipal highway/bridge and aviation projects over $1 million.

   b) Determine that reimbursement request forms submitted to NYSDOT are certified, properly reviewed and authorized in accordance with the municipality’s/project sponsor’s procedures, are entered in the municipal accounting records in accordance with the requirements of the Uniform Accounting System, and represent actual costs incurred supported by source documentation.

   c) Determine that the municipality/project sponsor has complied with its technical project documentation, review requirements.

   d) Determine that program funds have been solely to fund actual expenditures made on or after **April 1, 1996** for new capital projects within or between modes including but not limited to the costs of acquisition, preliminary engineering, construction and construction supervision and inspection. Also, determine that ineligible costs, such as material, equipment purchase and general administrative and overhead disbursements not directly related to an approved project, are not claimed.

   e) Determine that interest costs on sponsor-issued debt used to finance the project are not requested as reimbursable costs of the capital project.
State Discretionary Funds (SDF) for Non-MTA Transit Capital Program

Program Objectives and Overview: Moneys appropriated by the state are made available for the projects undertaken by mass transit systems other than those mass transit operating agencies which receive money from the MTA dedicated tax fund. These funds cover the payment of the costs of mass transportation capital projects and facilities, including replacement of buses meeting Federal standards; and acquisition design and construction, including engineering and consultant costs of mass transit bus projects and facilities approved by the Commissioner of Transportation. Such funding may be a part of a project which is partially Federally funded but shall not be used in substitution for the required non-Federal matching shares of the Federally funded portion.

Statutory/Regulatory References: Transportation Law § 18b and Annual Appropriation Bills

Suggested Audit Coverage and Procedures:

1. Test a sample of expenditures for conformance with the NYSDOT project agreement.

2. Through a review of billings to NYSDOT and FTA and the related expenditures, determine that expenditures on projects which are partially Federally funded are not used in substitution for the required non-Federal matching share of the Federally funded portion.
State Industrial Access Program

**Program Objectives and Overview:** Funded annually through appropriation in the State Budget, the Industrial Access Program (IAP) was created to assist economic development statewide by providing or improving highway, bridge and rail transportation access to industrial developments. These funds are for the reimbursement of the project sponsor’s (municipalities and public benefit corporations) eligible expenses. This includes the cost of final design and engineering, right-of-way acquisition, construction or reconstruction, and inspection. Associated improvement, such as curbing, lighting, storm drainage, signage, grade crossings are evaluated on a project-by-project basis. These funds may be used in conjunction with other economic development assistance programs as long as they are not used for the repayment of the loan portion of an IAP award.

**Statutory/Regulatory References:**
- Annual Appropriations
- Chapter 55 of the Laws of 2000
- Capital Project Budget

**Suggested Audit Coverage and Procedures:**

1. Current IAP agreements require an audit of the project within 120 days of NYSDOT acceptance. The audit is to be completed at the sponsor’s expense by a Certified Public Accountant in accordance with Government Auditing Standards. The State shall make final payment to the sponsor with respect to the project upon completion of said audit and its acceptance by NYSDOT. Upon certification by NYSDOT that all work is acceptable, the final payment voucher and all funds retained will be approved for payment based on the audit.

2. In lieu of a project-specific audit, NYSDOT will accept fully tested audit coverage under the NYSDOT State Single Audit Pilot Project where the following conditions are met:
   
   a) The sponsor notifies NYSDOT within the required time frame (120 days from NYSDOT acceptance) that the IAP project will be specifically tested for compliance with the contractual program requirements under the NYSDOT State Single Audit Pilot Project;
   
   b) A fully executed repayment agreement is in place as required by the program guidelines.
3. The auditor’s procedures should confirm that:

   a) Costs charged are for NYSDOT approved projects and are for allowable items as defined in the program guidelines and the approved NYSDOT agreement (e.g. legal and audit expenses are not allowable).

   b) Costs charged were incurred after the effective date of the NYSDOT project agreement for expenses actually accrued or paid by the sponsor.

   c) For completed projects, the sponsor is in compliance with the terms of the NYSDOT repayment agreement.

   d) Matching shares are provided in accordance with the approved NYSDOT project agreement and are not used to meet repayment requirements.
Additional Programs to be Included in this Guide

005 State Local Bridge Program
Statutory/Regulatory References

007 Special Aviation Transportation Program
Statutory/Regulatory References: Transportation Law Art 2 § 14-j

010 State Legislative Member Item Initiatives
Statutory/Regulatory References

[Program Clusters to be Included in this Guide]

100 Non-Federal Highway Dept. Capital Project Program Cluster

CHIPS
SHIPS
Legislative Member Items: Capital projects administered by the Local Highway Dept.
State Aid for Local Bridges
Multi-modal
Appendix II.
State Transportation Single Audit
Draft Report Samples

Note: The samples presented are for a separate report in conformance with Draft Part 43 of the NYCRR. They are intended to conform with the AICPA’s SOP 98-3 and Government Auditing Standards. Other forms of reporting in conformance with those standards is permissible.

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Page 30  Sample Report on Compliance and Controls Over State Transportation Assistance Expended Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Page 32  Format for Schedule of State Transportation Assistance Expended

Page 33  Suggested Notes to Schedule of State Transportation Assistance Expended

Page 34  Format for Schedule of Findings and Questioned Costs for State Transportation Assistance Expended
INDEPENDENT AUDITOR’S REPORT

Compliance
We have audited the compliance of [auditee] with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended [date]. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of [auditee]’s management. Our responsibility is to express an opinion on [auditee]’s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above, that could have a direct and material effect on the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the [auditee]’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on [auditee]’s compliance with those requirements.

In our opinion, [auditee] complied in all material respects with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended [date].

Internal Control Over Compliance
The management of [auditee] is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered [auditee]’s internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with Draft Part 43 of NYCRR. Our consideration of the internal control over compliance would not necessarily disclose all
matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants, that would be material in relation to state transportation assistance programs tested, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of State Transportation Assistance Expended
We have audited the financial statements of [auditee] as of [date] and for the year ended [date], and have issued our report thereon dated [date]. Our audit was performed for the purpose of forming an opinion on [auditee]’s financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of [auditee]’s management and the New York State Department of Transportation. However, this report is a matter of public record and its distribution is not limited.
Schedule of State Transportation Assistance Expended for the Year Ended [date]

<table>
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<th>Program Title</th>
<th>NYSDOT Contract/Ref. Number</th>
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[32]
A. **General:**

The accompanying Schedule of State Transportation Assistance Expended of [auditee] presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

B. **Basis of Accounting:**

The accompanying Schedule of State Transportation Expended is presented using the accrual basis of accounting.

C. **Indirect Costs:**

D. **Matching Cost:**

E. **Amounts Paid to Subrecipients:**
Summary of Audit Results:

Internal control over state transportation assistance expended:

/ Material weakness(es) identified No
/ Reportable condition(s) identified that are not considered to be material weakness(es)? None reported

Type of auditors’ report issued on compliance for programs tested: Unqualified

Summary of Audit Findings: N/A

Identification of State Transportation Assistance Programs Tested:

Name

Compliance Findings and Questioned Costs:

No matters were reported