

20.106

AIRPORT IMPROVEMENT PROGRAM

State Project/Program: STATE BLOCK GRANT PROGRAM (DOT 8)

U.S. Department of Transportation

Federal Authorization: Public Law 103-272

**North Carolina Department of Transportation
Division of Aviation**

**Agency Contact Person – Program
& Finance**

Betsy Beam, Manager of Finance and Grants
NC Department of Transportation
Division of Aviation
1560 Mail Service Center
Raleigh, NC 27699-1560
Phone: (919) 814-0560
Fax: (919) 840-9267
bbeam1@ncdot.gov

Address Confirmation Letters To:

Pam Nelms
N.C. Department of Transportation
Financial Management Division
1514 Mail Service Center
Raleigh, NC 27699-1514
Phone: (919) 707-4245
Fax: (919) 715-8718
pknelms1@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.

Grant Agreement must be properly identified by program name (“Airport Improvement Program”), CFDA number (“20.106”), and WBS number on the Schedule of Expenditures of Federal and State Awards. This information is available from the agreement with NCDOT on the first page. Grantor and/or pass-through grantor should also be included. On NCDOT’s confirmation from the Grant Master List (GML), these funds are shown as CFDA number 20.106.

I. PROGRAM OBJECTIVES

Airport Improvement Program (AIP). FAA’s Federal grant program is used for funding airport planning and development. Under this program, FAA provides funds directly to participating states that, in turn, prioritize, select, and fund AIP projects at small airports. The participating states also perform FAA’s oversight role at these airports. Legislation now allows up to ten qualified states to assume the responsibility for AIP grants

to airports, except for funds designated for use at primary airports. (Advisory Circular: 150/5100-21). Since 1990, North Carolina has been one of the states that participate in this program. The objective of the Airport Improvement Program is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics. Through the State Block Grant Program, NCDOT provides the flow-through federal financial assistance from the Airport Improvement Program to local governmental units for the purpose of planning, land acquisition, construction, navigational aids, terminal buildings, parking, access roads, fuel farms, and hangars for general aviation airports and heliports that will be open to the public.

II. PROGRAM PROCEDURES

States, counties, municipalities, U.S. territories and possessions, and other public agencies, including Indian tribes or Pueblos are eligible for airport development grants if the airport on which the development is required is listed in the National Plan of Integrated Airport Systems (NPIAS). Applications for grants must be submitted to the nearest Federal Aviation Administration (FAA) Airports District Office (ADO). Primary airport sponsors must notify FAA by January 31 or another date specified in the Federal Register of their intent to apply for funds that they are entitled to under [49 USC Subtitle VII Aviation Programs](#). A reminder is published annually in the [Federal Register Pub. L. No. 97-248 \(49 USC Chapter 31\)](#) or [Federal Register Notices \(FRN\)](#). Other sponsors are encouraged to submit early in the fiscal year and to contact the appropriate FAA Airports District Office representative for any local deadlines. Sponsors must formally accept grant offers no later than September 30 for grant funds appropriated for that fiscal year.

In North Carolina, local units of government including cities, counties, and airport authorities chartered by the General Assembly are eligible for airport grants. Airports/heliports receiving funds must be identified in the North Carolina Airport System Plan (NCASP). Additionally, airports receiving grants under the State Block Grant Program must be identified in the federal National Plan of Integrated Airport Systems (NPIAS).

The State Block Grant Program is a special Federal program administered by the North Carolina Department of Transportation, which receives the federal funds for certain categories of airports in a block and allocates the grants to specific projects meeting a state-designated priority system. Currently, all federally eligible airports in North Carolina participate in the State Block Grant Program except airports classified by the Federal Aviation Administration as Primary Commercial Service Airports (49 USC 47102(11)). These latter airports continue to work directly with FAA for project administration (under the Airport Improvement Program) but often have State supplemental funds approved to assist in the non-federal share of project costs. All airports eligible for State Block Grants must have their grants administered through the North Carolina Department of Transportation (NCDOT) and cannot opt to work directly with the Federal Aviation Administration. The NCDOT through the Division of Aviation is responsible for determining which airports will receive federal funds for various eligible projects. The application, approval, and grant management for Block Grants is identical to that of the State Airport Aid. The State Aid to Airports Program is the program providing State funds on a local matching formula basis. The final share is stipulated by the North Carolina Department of Transportation (NCDOT) and depends upon the size of

STATE BLOCK GRANT PROGRAM

the airport, the location of the airport, and the category of project. Additional grants are made by the North Carolina Department of Transportation as part of the annual State Transportation Improvement Program (STIP). All project requests must be submitted to the Department of Transportation Division of Aviation (DoA) or designee. The requests are currently submitted via a web-based software portal (EBS/Partner Connect). These requests are reviewed and prioritized prior to approval by the Aviation Director with final approval by the Office of the Secretary of Transportation. In addition, if funds are available later, grants may be made for new or expanded projects later in the year. (Non-Primary Entitlement (NPE) projects do not require approval of the Secretary of Transportation.) The State must adhere to both the FAA/DoA Block Grant Memorandum of Agreement and the FAA’s Assurance for the [Aviation Block Grant Program](#).

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2020 Compliance Supplement; however, the State Agency may have added the Type and this is 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 2020 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit. If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

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

The Type of Compliance Requirements can be found on pages 5 and 6 Agency Matrix for Federal Programs ([OMB Compliance Supplement](#)). A State Agency may have included a Y, even if the compliance requirement normally does not pass to a subrecipient, or an N, indicating that the compliance requirement normally does not apply. However, if specific information comes to the auditor's attention that provides evidence that a compliance requirement could have a direct and material effect on the major program, the auditor should test it. This should arise infrequently.

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

Compliance Requirement – In general, grants can be made for the following purposes (1) airport master planning and site selection, (2) environmental impact studies, (3) land and building acquisition (including relocation of displaced persons and businesses), (4) development and implementation of airport noise studies and compatibility programs, (5) construction of eligible runways, taxiways, aircraft parking aprons, and roadways, (6) airport lighting systems, and (7) visual and electronic air navigational aids. The FAA Modernization and Reform Act of 2012 reauthorizations the AIP bill. Non-primary entitlement funds are a portion of the funds received by North Carolina Department of Transportation as part of the State Block Grant Program and may be used for terminal buildings and parking, fuel farms, hangars, and reimbursement for approved projects.

Detailed program guidance is provided in [FAA Order 5100.38D](#), Airport Improvement Program Handbook.

Note: A list of non-allowable items under the grant program can be found at in FAA Order 5100.38D, Chapter 3.

Audit Objective – Determine if the activities involved conform to the provisions of the Grant Agreement.

Suggested Audit Procedure - Review project records to determine that activities involved conform to the description contained in the Grant Agreement.

B. ALLOWABLE COSTS/COST PRINCIPLES

NOTE: State Block Grant Program is a Federal program under [49 USC 47128](#) and is subject to Federal cost principles under [2 CFR Part 200](#) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Final Rule.

Compliance Requirement - In general no costs expended prior to the issuance of a Grant Agreement by the Department of Transportation are eligible for reimbursement unless (1) they involve planning and project formulation costs necessary to develop the project application and its co-requisites of an approved Airport Layout Plan and appropriate environmental finding; (2) the acquisition of eligible land and the engineering and administrative costs associated with such acquisition; or (3) a project which has received prior approval from the Department of Transportation and which has been carried out in accordance with the State Aid to Airports Program Guidance Handbook.

Audit Objective - Determine that all costs billed to the grant are allowable.

Suggested Audit Procedure - Verify through a sample of invoices that costs are allowable.

Compliance Requirement - Local units of government including cities, counties, and airport authorities chartered by the General Assembly are eligible for airport grants. These local units of government should be eligible for sales tax refunds under [GS 105-164.14](#) (b) or (c). If they have 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

Compliance Requirement – Grantees of NCDOT are paid on either an advance or reimbursement basis. Grantees that receive advance funding should pay vendors within 3 business days of receipt of the NCDOT payment.

Audit Objective - For any reimbursement requests, determine whether supporting documentation was provided that showed costs matched the requested amount submitted to the NCDOT. For advance requests, determine whether the grantee followed procedures to minimize the time elapsing between the receipt of the NCDOT payment and determine if that payment to the vendor was paid within 3 business days of receipt of the NCDOT payment to the sponsor.

Suggested Audit Procedure – Select a sample of reimbursement requests and trace supporting documentation showing that the costs for which reimbursement was requested matches what was paid by the NCDOT.

Suggested Audit Procedure - The primary risk lies with advance payments to the airport sponsors. If any were advanced payment requests, then verify that the vendor was paid by the sponsor airport within three business days of receiving payment from the NCDOT.

D. RESERVED

E. ELIGIBILITY

N/A at the local level. Eligibility is determined between FAA and the Division of Aviation.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Under this program, FAA is authorized by 49 USC 47107(c), as amended, to allow recipients to reinvest the proceeds from the disposition of real property acquired with Federal awards for noise compatibility or airport development purposes.

NOTE: Equipment purchased with State Block Grant funds is subject to Federal regulations as applicable under OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ([2 CFR Part 200.310-316](#)) and [FAA AC No. 150/5100-10A](#).

EQUIPMENT

N/A at the local level. Eligibility is determined between FAA and the Division of Aviation.

REAL PROPERTY MANAGEMENT

1. **Compliance Requirement** – Under this program, FAA is authorized by [49 USC Subtitle VII](#), Aviation Programs, as amended, to allow recipients to reinvest the proceeds from the sale of real property acquired with Federal awards for noise compatibility or airport development purposes.
2. **Compliance Requirement** - Grantees must obtain permission of the Department of Transportation and Federal Aviation Administration to dispose of land acquired with State Block Grant Program funds or other federal sources. If approved, the grantee must attempt to obtain fair market value for the property and the proceeds must be expended on the airport in a manner acceptable to the Department of Transportation and Federal Aviation Administration. In addition, any balance of funds from previous land disposals is considered encumbered and must receive similar approval for dispersal. ([AIP Handbook Table 5-39](#))

Audit Objective - Determine if appropriate permission and fair market value was obtained. Determine the handling of funds from the sale.

Suggested Audit Procedure

1. Review minutes of the local government and other financial records to determine if land was disposed of during the period or if the local government was holding encumbered funds from past land disposals.
2. Review records to determine if the disposal was approved and what encumbrances, if any, were placed on the proceeds.

3. Review records of the expenditure of any encumbered funds to assure that they were disbursed in accordance with the terms of the encumbrance. Auditor should report amounts received from NCDOT as well as expenditures.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

All match funding must be provided in compliance with the requirements of [2 CFR Part 200.310-316](#). The grantee's share of project costs on an AIP grant (also known as cost share) is defined in [49 USC 47109](#) and set forth in the grant award. The non-Federal share varies by airport size and is generally 25 percent for large and medium hub airports and 10 percent for all other airports.

Acceptable match, whether cash or in-kind, must be allowable and eligible. In addition, match must be provided by the recipient; or provided as cash by a third party; or provided as in-kind by a third party; or any combination of cash and in-kind provided by the recipient and/or a third party.

Compliance Requirement -The share of allowable costs for a grant to be borne by FAA and other parties is established in the Grant Agreement. Matching ratios are specified in each Grant Agreement.

Audit Objective - Determine the level of participation.

Suggested Audit Procedure - Review the agreement for participation (usually expressed as a percentage) and test sample transactions for adherence to the agreement.

Compliance Requirement – In-kind contributions are allowable if specified in the project budget in the Grant Agreement. The requirements for In-kind contributions may be found in [CFR 49, Subtitle A, Part 18.24](#).

Audit Objective – Determine that the amount or percentage of contributions or matching funds was provided.

Suggested Audit Procedure – Verify that any In-kind match was from an allowable source and that values placed on the In-kind contribution are in accordance with [CFR 49, Subtitle A, Part 18.24](#).

H. PERIOD OF PERFORMANCE

Each Grant Agreement discloses a period of performance in accordance with the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ([2 CFR 200.309](#)). Refer to the Uniform Guidance Compliance Supplement ([2 CFR Part 200, Appendix XI](#)) for Suggested Audit Procedures. Awards specify a period during which the grantee may use the funds. The grantee may charge to the award only costs resulting from obligations incurred during the funding period.

Audit Objective – Determine that State funds were obligated within the period of performance as specified in the Grant Agreement.

Suggested Audit Procedure

1. Review the grant agreement to determine any requirements related to the period of performance of the funds.
2. Test a sample of transactions charged to the State award to ensure that the underlying obligation occurred within the period of performance as stated in the award agreement.

I. PROCUREMENT, SUSPENSION & DEBARMENT

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. ([Page 5 Section 3 of the Memorandum #2018-06, NC Department of State Treasurer, March 2018](#))

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

Suggested Audit Procedure – Verify that bids were properly solicited and that the contract was awarded to the lowest qualified bidder.

J. PROGRAM INCOME

Grants from NCDOT to counties, municipalities, and airport authorities are not funds that generate income during the grant period. Therefore, this requirement is not applicable at the local level.

K. RESERVED

L. REPORTING

Compliance Requirement - “Quarterly Status Report” - Submitted quarterly beginning after notification of grant approval (Notice to Proceed) until project has been completed. This is verified and completed by the Division of Aviation; therefore, no audit procedures are needed at the local level ([FAA Form 5370-1](#)).

M. SUBRECIPIENT MONITORING

No grants are awarded to subrecipients from the local level. Therefore, no audit procedures are needed at the local level.

N. SPECIAL TESTS AND PROVISIONS

Compliance Requirement – [Title 49 USC, Subtitle VII Aviation Programs, Part C, Chapter 481](#) requires that all revenues generated by a public airport be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport system and are directly and substantially related to the actual air transportation of passengers or property. This section also provides that the limitation on the use of revenue generated by the airport shall not apply if the governing statutes controlling the owner’s or operator’s financing that was in effect before September 3, 1982, provided for the use of any revenue from the airport to support not only the airport but also the airport owner’s or operator’s general debt obligations or other facilities. Program guidance is provided in [FAA Order 5190.6A, Airport Compliance Requirements, Chapter 4, Section 5](#). The policy can be obtained from [FAA’s Airports Federal Register Notices page](#).

Audit Objective - Determine whether the airport owner or operator accounted for all revenue and expenditures in compliance with the provisions of 49 USC Subtitle VII as noted above.

Suggested Audit Procedures

1. Review the policy for using airport revenue.
2. Test revenue use transactions (e.g., analysis of airport fund transfers, loans from the fund, interest payments to and from the fund, and expenditures) to verify that airport revenue is used for the capital or operating cost of the airport, or for the excepted costs specified in 49 USC Subtitle VII Aviation Programs.
3. Perform tests of airport revenue generating activities (e.g., leases, telephone contracts, etc.) to ascertain that all revenue generated by the airport is accounted for.
4. Perform tests of transactions to ascertain that payments from airport revenues to the sponsors, related parties, or other governmental entities are airport-related, properly documented, and are commensurate to the services or products received by the airport. It is normal and permissible for municipal airport sponsors to use the services of its other municipal departments to obtain support services for the airport. However, the auditor should inquire as to whether the sponsor, other governmental entities, or related parties may receive airport-generated revenue without providing commensurate services or products to the airport.

Compliance Requirement – ([2020 Compliance Supplement](#)) All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) (40 USC 3141-3144, 3146, and 3147).

Non-federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally

Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (section 36(i)(5)); OMB Circular A-110 (2 CFR part 215, Appendix A, Contract Provisions); 2CFR part 176, subpart C; and 2 CFR section 200.326).

This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1235-0008). The U.S. Department of Labor, Employment Standards Administration, maintains a Davis-Bacon and Related Acts web page (<https://www.dol.gov/agencies/whd/government-contracts/construction>). Optional Form WH-347 and instructions are available on this web page.

Audit Objective - Determine whether the non-federal entity notified contractors and subcontractors of the requirements to comply with the Wage Rate Requirements and obtained copies of certified payrolls.

Suggested Audit Procedures - Select a sample of construction contracts and subcontracts greater than \$2,000 that are covered by the Wage Rate Requirements and perform the following procedures:

- a. Verify that the required prevailing wage rate clauses were included in the contract or subcontract.
- b. For each week in which work was performed under the contract or subcontract, verify that the contractor or subcontractor submitted the required certified payrolls. (Note: Auditors are not expected to determine whether prevailing wage rates were paid).