

**South Carolina Department of Transportation  
Division of Intermodal & Freight Programs**



**Human Service Provider  
Compliance and Oversight Questionnaire**

**Fiscal Year(s): July 1, 2016 – present**

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**AGENCY NAME**

**OFFICE OF PUBLIC TRANSIT**

**955 Park Street**

**Columbia, SC 29202-0191**

**[gloverlp@scdot.org](mailto:gloverlp@scdot.org)**

**(803) 737-0831 Office**

**(803) 737-0145 Fax**

## AGENCY INFORMATION

**Type of Organization:**

\_\_\_\_\_

(Ex. Private Non Profit Corporation, 501 c3)

**Executive Director/General Manager:**

\_\_\_\_\_

**Board Chairman:**

\_\_\_\_\_

**Finance Director:**

\_\_\_\_\_

**Transportation Coordinator:**

\_\_\_\_\_

**Maintenance Coordinator:**

(name of individual or service provider used)

\_\_\_\_\_

## PROGRAM & FINANCE REVIEW AREAS

Questions should be answered in full sentences except where a Yes or No answer is acceptable.

### CONTROL ENVIRONMENT

An agency's overall control environment sets the tone of the organization and influences the control consciousness of its employees. To successfully address risks and achieve its objectives, agency management must institute various control activities, such as segregation of duties, physical controls, and a system of approvals.

<b>PROGRAM MANAGEMENT</b>	
<p>1. What is agency's mission?</p> <ul style="list-style-type: none"> <li>a. Services provided?</li> <li>b. Counties Served (list all)?</li> <li>c. Number of clients served daily?</li> <li>d. Number of federal projects or contracts (list all agencies)</li> </ul>	
<p>2. Please provide an overview regarding the status of your project(s)?</p> <ul style="list-style-type: none"> <li>a. Are projects on tract with the current scope and timeline:</li> <li>b. Do you feel additional time is needed?</li> <li>c. Will you be applying for additional funds to continue this project?</li> </ul>	
<p>3. Please state the types of funds your agency currently has.</p> <ul style="list-style-type: none"> <li>a. Please share the frequency of your invoices?</li> </ul>	
<p>4. Are you providing project summaries or updates regarding the status of your projects? How often and who are you submitting the document to?</p>	

<p>5. Please submit a copy of your preventive maintenance plan? If this document is more than 5 years old, please make plans to update document and provide a completion date.</p>	
<p>6. How does your agency track daily mileage and how are maintenance records tracked?</p> <p>a. Who provides the routine maintenance for your agency?</p> <p>b. Were procurement measures used to secure your maintenance/service agreement? If your agency does not have a contract, please explain why? (please provide copies of any supporting documentation)</p>	

**LEGAL AND GOVERNANCE**

Recipients must have the appropriate designation as a recipient of Federal funds and the legal capacity to receive federal and state grants. Recipients must have a designated body legally responsible for the overall organization, management and operation of the agency.

<p>1. What is the name of the designated body legally responsible for the overall organization, management, and operation of the transit system or transportation area?</p> <p>a. Does the agency conduct business under any other names? (Please provide documentation)</p>	
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<p>2. Board of Directors / Council?</p> <ul style="list-style-type: none"> <li>a. Is the Board/Council independent of agency management?</li> <li>a. Describe how the Board/Council performs its oversight responsibility.</li> <li>b. Does the Board/Council have sufficient knowledge, experience of the public transit system or transportation related services?</li> <li>c. Does the Board/Council actively challenge or question subcontractor submissions?</li> <li>g. What is the process for employees or others to provide sensitive information to the Board/Council? For example, information about investigations, potential and actual conflict of interest, litigation, misuse or abuse of OPT funded assets?</li> </ul>	
<p>3. Does the Board/Council approve the budget?</p> <ul style="list-style-type: none"> <li>a. Does the budget provide sufficient detail for the council to make decisions about the allocation of resources?</li> <li>b. Is the budget submitted to the board in sufficient time to allow a full review and analysis to allow Board/Council interaction?</li> <li>c. Is the budget discussed in one meeting and voted on at the next meeting?</li> </ul>	
<p>4. Does the Board/Council have a transit Committee? If not.</p> <ul style="list-style-type: none"> <li>a. Does the Board /Council have a transit advisory committee or in what manner is transportation related business communicated to the Board?</li> </ul>	

## PROCUREMENT

<p>1. What are the written procedures for procuring items, i.e. purchasing services, fuel, insurance, etc.?</p> <ul style="list-style-type: none"><li>a. Do you follow the SC Consolidated Procurement Code?</li><li>b. Who is responsible for approving procurements?</li><li>c. Does OPT have a copy of your POS bid or agreement?</li><li>d. Was this procurement approved by OPT?</li><li>e. Does the contract have renewal options?</li><li>f. When will the options expire?</li><li>g. Are you happy with your purchase of service funding and agreement, or would you prefer a vehicle and provide your own service?</li><li>h. Do you feel it's economically feasible to purchase transportation services or could you provide the services cheaper?</li><li>i. Could your current fleet adequately accommodate transportation related services for your agency or would you rather have someone else provide your services?</li></ul>	
<p>2. Are you familiar with the SC Consolidated Procurement Codes or does your agency need technical assistance.</p>	

## SUSPENSION/DEBARMENT

Recipients are required to comply with this federal requirement. Recipients are prohibited from contracting for goods and services from individuals or organizations that have been suspended or debarred from receiving federally assisted contracts. The debarment and suspension certification clause must be included in all procurements of \$10,000 and more. Subrecipients can search the list on the Internet at <http://www.sam.gov>.

1. Are you currently in compliance with this area?	
2. If you have concerns or reasons to feel you may have contracts with a vendor that has been debarred or suspended, please contact OPT staff immediately.	

### **INFORMATION TECHNOLOGY**

Recipients should use information technology to improve productivity and provide financial and performance information. SCDOT, OPT funded equipment must be used to support the transit programs. All recipients must have a disaster recovery program. Procedures should be in place to protect hardware and software

1. Does your agency currently have technology related items that were purchased using Sections 5310, 5316, or 5317 funds? If yes, when were they purchased?	
2. Are the items still beneficial to the program? Have they met their useful life? Have they been disposed of and if yes, did you notify OPT?	

### **FINANCIAL REVIEW AREAS**

#### **FINANCIAL MANAGEMENT**

Subrecipients must exhibit sound financial practices and must have sufficient local resources to carry out proposed projects. Subrecipients must also have financial management systems and policies to account for and report federal and state financial assistance. Subrecipients must comply with OPT State Management Plan requirements, as applicable.

Subrecipients must have documentation for expenses in which they are seeking reimbursements. Subrecipients who charge indirect costs must have an approved cost allocation plan developed in accordance with the 2 CFR 200 Subpart E Cost Principles.

Subrecipients must comply with the contractual requirement to obtain an audit. Subrecipients who expend more than \$750,000 from all sources of federal funds in the sub-recipient’s fiscal year must have an audit performed that complies with 2 CFR 200 Subpart F Audit Requirements. Subrecipients not meeting the federal scope must comply with the requirements of the South Carolina Office of the State Auditor and have a financial statement audit performed. Audit reports relating to the SCDOT Office of Public Transit administered funds must be submitted to the attention of Jeanine S. McCall, CPA, and Program & Oversight Manager. Agencies are to resolve audit findings in a timely manner.

Subrecipients must comply with OPT’s record retention policy to include maintaining financial records and supporting documentation in compliance with 2 CFR 200 Subpart D Post Federal Award Requirements. Subrecipients must retain documentation for three years from (1) the date of submission of the final report; (2) the time litigation, claims and audit findings have been resolved, if such action was started before expiration of the 3 year period; and (3) the date of assets disposal.

For indirect cost rate proposals, cost allocation plans and supporting documentation must be retained for three years from the time documents are submitted for negotiation. If plans are not submitted for negotiation, then documentation must be kept for three years from the end of the fiscal year covered by the proposal, plan and other documentation.

<b>ACCOUNTING SYSTEMS AND POLICIES</b>	
1. What method of accounting is used to record transactions? <i>For example cash, accrual or modified accrual method of accounting.</i>	
2. What accounting system software is used?	
3. How often are financial statements prepared for and reviewed by: <ul style="list-style-type: none"> <li>a. management?</li> <li>b. board of directors/council?</li> </ul>	
4. Who prepares month end and/or year end accruals? <ul style="list-style-type: none"> <li>a. Is a checklist used to ensure proper expenses are accrued?</li> </ul> <i>Establish a checklist for YE accruals to ensure funds earned but not received and expenses incurred but no invoice has been received and recorded in the proper period.</i>	



## BUDGET CONTROLS

<p>1. Does the agency have written procedures for preparing and revising budgets?</p> <p><i>Establish a checklist or procedures that establish guidelines for when an amendment and/or revision is needed. Include preparer and authorizing signature lines.</i></p>	
<p>Is the budget approved by: senior a management? the Board / Council?</p> <p><i>Budget for OPT administered funds should contain sufficient line item details by category to allow for sound approval. There should be a formal signature line for everyone to sign indicating approved.</i></p>	
<p>3. Pertaining to the budget:</p> <p>a. How often are budget reviews performed? <b>(budget to actual)</b></p> <p>b. Who is responsible for comparison of budget to actual of revenues and expense line items?</p> <p><i>•The budget should be prepared in sufficient detail and used as a monitoring tool for performance. •A review of budget to actual should be performed at least quarterly. •Budgets for OPT administered funds should be formally reviewed by the end of the third quarter in preparation for. . .</i></p>	

## GRANT MANAGEMENT

<p>1. How does the agency ensure that ineligible expenses, as defined by the OPT Grant Agreement and State Management Plan are identified?</p> <p>For example, at a minimum, OPT disallows certain food items, depreciation for federally funded assets and lobbying activity expenses for reimbursements.</p>	
<p>2. The request for reimbursement that is submitted to OPT:</p> <ul style="list-style-type: none"><li>a. Is the form prepared on a monthly basis?</li><li>b. Who prepares the form?</li><li>c. Who reviews and authorizes?</li></ul>	

<b>FINANCIAL REPORTING</b>	
1. What procedures ensure that transactions are supported by proper documentation and that Request for Reimbursement can be traced to invoices and accounting reports?	

## CASH MANAGEMENT

1. Bank Reconciliations.
  - a. Who receives the bank statements?
  - b. How often are bank reconciliations performed?
  - c. Is the bank statement balance adjusted for outstanding deposits and checks?
  - d. Are bank statement deposits tied to the cash receipts journal or the general ledger cash account?
  - e. Are bank statement cleared checks, withdrawals and bank fees tied to the cash disbursement journal or general ledger cash account?
  - f. Are journal entries prepared for bank statement transactions that have not been recorded in the general ledger cash account?
  - g. After adjustments have been posted is the bank reconciliation ending cash balance tied to the GL cash account ending balance?
  - h. Is the reconciliation signed by the preparer?
  - i. Is the reconciliation reviewed and signed by the reviewer?

- *Bank reconciliation should be performed by someone independent of AR and AP functions.*
- *Bank Statement should be received unopened by Executive Director or Finance Director (depending on size of the agency) who should review for large and unusual amounts, appropriate signatures and forward to staff responsible for the bank reconciliation.*
- *Bank reconciliation should be signed off by the preparer and reviewer.*

## ACCOUNTS RECEIVABLE

<p>1. Who is responsible for:</p> <ul style="list-style-type: none"> <li>a. Opening and recording the mail?</li> <li>b. Preparing bank deposits slips?</li> <li>c. Making deposits?</li> <li>d. Recording deposits</li> </ul> <p><i>Mail should be opened by someone other than the cashier, accounts receivable or any person responsible for cash receipts functions.</i></p>	
<p>2. Does the person receiving the mail:</p> <ul style="list-style-type: none"> <li>a. Place restrictive endorsements on all checks received? <i>For example; place For Deposit Only on back of checks.</i></li> <li>b. Prepare a list of the money and checks received?</li> <li>c. Forward the list to accounting?</li> </ul> <p><i>List should not be given to accounting staff who prepares deposit slips or records deposits. Staff size permitting, the list should go to the person who prepares or reviews the bank reconciliation.</i></p>	
<p>4. Is the AR general ledger account:</p> <ul style="list-style-type: none"> <li>a. Reconciled at year end?</li> <li>b. Are all variances identified?</li> </ul>	

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**ASSET MANAGEMENT  
FIXED ASSETS –  
SATISFACTORY CONTINUING CONTROL**

For OPT funded equipment, vehicles and facilities, sub-recipients must obtain prior written approval from SCDOT, OPT before selling, leasing, or disposing of vehicles, equipment or facilities that have a remaining federal interest. Sub-recipients must have procedures to prevent loss, damage, or theft of FTA-funded property and inventory.

Subrecipients must use FTA-funded equipment and facilities to provide transportation services to clients of Human Services agencies and the general public. The number of spare vehicles must be appropriate to the size and age of the fleet, the amount of peak demand, and the projected ridership growth.

1. What procedures are established to prevent unauthorized access to or the destruction of documents and assets?
  - a. Where is the document maintained?

2. Who maintains the fixed asset schedule /listing?
  - a. How do you account for assets purchased with FTA or OPT funds?
  - b. Are all assets purchased with FTA and/or OPT administered funds tagged or stamped with an identification number?

3. What depreciation method and useful (service) life standards are used for federally funded vehicles?

*Must use the following FTA and OPT useful life standards :*

- Van                                    4 yrs or 100,000 miles*
- Light Duty - Cut-aways Goshen*  
*5 yrs or 150,000 miles*
- Medium Duty - Mid size bus*  
*7 yrs or 200,000 miles*
- Heavy Duty - Small bus*  
*10 yrs or 350,000 miles*
- Heavy Duty - Large bus*  
*12 yrs or 500,000 miles*  
*SMP page 111*

4. At a minimum, do fixed asset property records contain the following federally required information for assets costing \$5,000 or more?
- a. Description with sufficient detail?
  - b. Serial Number of VIN?
  - c. Asset ID/Fleet Number if applicable
  - d. Year/Model/Manufacturer
  - e. Funding Source
  - f. ADA accessible vehicles
  - g. FTA grant and/or OPT contract number
  - h. % of federal participation/interest
  - i. Condition and
  - j. Location
  - k. Purchase price and date
  - l. Useful life and method of depreciation
  - m. Accumulated depreciation and depreciation expense
  - n. Book value

- *OMB and FTA circulars require documentation of a-j.*
- *In addition, generally accepted accounting principles (GAAP) requires documentation of k-n*
- *Sub-recipients should maintain this information in one document. If not in one document the policy and procedures should identify the information that is kept elsewhere and where the information is maintained. For example federal /OPT grant number, condition, location and identification of ADA accessible vehicles is maintained by the Maintenance Director on the Vehicle Inventory Listing while the financial information is included in the fixed asset master and depreciation schedule.*



<p>5. Does maintenance's vehicle procedures and finance's fixed asset procedures include the OPT requirement to notify OPT if a vehicle is <b>out of service</b> for more than 30 days?</p> <p>a. When is maintenance required to provide this information to finance. For instance, within 24 hours of meeting the 30 day requirement etc.</p> <p><i>Written procedures should ensure that vehicles out of service for more than 30 days are identified and reported to agency accounting within a specific time frame and should identify who is responsible for notifying OPT. It is a federal (FTA) requirement to stop depreciation on such vehicles and restarted once it's put back on the road.</i></p>	
<p>6. Does maintenance's vehicle procedures and finance's fixed asset procedures include the requirements to notify FTA and OPT when assets with a federal or OPT remaining interest are involved in an accident?</p> <p>a. Who is responsible for notifying appropriate funding sources?</p> <p>b. Who is responsible for notifying finance so depreciation can be stopped, as is applicable?</p> <p>c. Do procedures ensure notification to funding sources when insurance proceeds are received for assets that have a FTA and/or OPT interest?</p>	

<p>7. Are there written disposal procedures for property acquired with FTA or OPT funded assets? If yes:</p> <ol style="list-style-type: none"> <li>a. Do procedures comply with funding source requirements to obtain funding source written approval prior to disposal?</li> <li>b. Is maintenance aware of agency disposition procedures for property acquired with FTA and OPT administered funds?</li> </ol> <ul style="list-style-type: none"> <li>• <i>Written disposal procedures should reference FTA and OPT requirements to obtain funding source written approval prior disposal</i></li> <li>• <i>Vehicle must have reached its useful (service) life, if not that the agency must submit a reasonable justification for disposal.</i></li> <li>• <i>Disposal form should include signature authority and can be used as supporting documentation for request for disposals to OPT.</i></li> </ul>	
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<b>ACCOUNTS PAYABLE - VENDORS</b>	
<p>1. Are there written procedures for processing accounts payable?</p> <ol style="list-style-type: none"> <li>a. When were procedures last updated?</li> <li>b. How does appropriate staff access procedures?</li> <li>c. Is procurement independent of receiving and accounts payable functions?</li> <li>d. Is maintenance independent of receiving?</li> </ol>	

<p>2. Are requisitions and/or purchase orders used? If yes are:</p> <ul style="list-style-type: none"> <li>a. P.O.s used for all purchases?</li> <li>b. If no, for purchases over certain dollar amount?</li> <li>c. Blanket purchase orders used?</li> </ul>	
<p>3. Pertaining to purchase orders:</p> <ul style="list-style-type: none"> <li>a. Who prepares purchase orders?</li> <li>b. Who authorizes purchases orders?</li> <li>c. Who maintains a purchase order log and tracks open purchase orders?</li> </ul>	
<p>4. Pertaining to open purchase orders:</p> <ul style="list-style-type: none"> <li>a. How often are they reviewed?</li> <li>b. Are they reviewed for the length of time opened and partial deliveries are properly documented?</li> <li>c. Is follow up with vendors performed to ensure items are received by program year end?</li> <li>d. Who ensures P.O.'s are cancelled for received items?</li> </ul>	

## INSURANCE – SATISFACTORY & CONTINUING CONTROL

Subrecipients must maintain a combined single limit of **insurance coverage of at least \$1 million on FTA-funded vehicles** and must submit proof of insurance annually. Subrecipients must carry enough insurance to replace any FTA funded facility or equipment such as bus washers, bus lifts, etc. **(All vehicles purchased with FTA funds or agencies receiving funds for operational cost are required to provide proof of insurance. Please provide OPT staff with proof of insurance.)**

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|---|--|
| <ol style="list-style-type: none"><li>1. What are the written procedures for obtaining insurance?<ol style="list-style-type: none"><li>a. Who determines the level of coverage considered to be adequate</li><li>b. Who reviews the coverage and how often?</li><li>c. Who determines if premiums are reasonable?</li></ol></li></ol> |  |
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## CHARTER BUS

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|--|--|
| <ol style="list-style-type: none"><li>1. Do you operate a charter service?<ol style="list-style-type: none"><li>a. If yes, describe the charter service and what exemption is the charter service operating?</li><li>b. If no, proceed to the school bus section</li></ol></li></ol> |  |
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- |  |  |
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| <ol style="list-style-type: none"><li>2. Did you follow the procedures required by the exception?<ol style="list-style-type: none"><li>a. Provide paperwork documenting compliance with the procedures</li></ol></li></ol> |  |
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<b>SCHOOL BUS</b>	
<p>1. Does your agency provide school bus transportation?</p> <ul style="list-style-type: none"><li>c. If yes, describe the service?</li><li>d. If no, proceed to the next section</li></ul>	

## CIVIL RIGHTS

<b>ADA</b>	
<p>1. Does the agency have a written ADA policy?</p> <p style="margin-left: 40px;">a. When was the policy last updated?</p> <p style="margin-left: 40px;">b. What is the process for resolving complaints?</p>	
<p>2. Have any complaints of discrimination due to disability been received from riders or employees?</p> <p style="margin-left: 40px;">a. Describe the complaints.</p>	
<p>3. Are facilities accessible?</p>	
<p>4. Do you take steps to ensure that planning new or rehabilitating facilities, includes compliance with ADA requirements?</p>	
<p>5. Are drivers trained to address reasonable accommodations requests?</p> <p style="margin-left: 40px;">a. How often does the training occur?</p>	
<b>TITLE VI</b>	
<p>1. Does the agency have a written Title VI policy?</p> <p style="margin-left: 40px;">a. When was the policy last updated?</p> <p style="margin-left: 40px;">b. What is the process for resolving complaints?</p>	
<p>2. Have complaints concerning discrimination in the delivery of service been received since the last review or grant application?</p> <p style="margin-left: 40px;">a. If yes, how were the complaints identified and resolved?</p> <p style="margin-left: 40px;"><i>Obtain from the agency a list of Title VI complaints, investigations or lawsuits filed. Obtain a copy of agency procedures for filing a Title VI complaint.</i></p>	

**EEO EQUAL EMPLOYMENT OPPORTUNITY**

Subrecipients may not discriminate against any employee or applicant for employment because of race, color, creed, national origin, sex, age, or disability. Subrecipients that receive capital or operating assistance in excess of \$1 million or planning assistance in excess of \$250,000 and employ 50 or more transit-related employees must submit to the state an EEO plan. Program updates are due every three years. Subrecipients must take affirmative action to ensure that applicants are employed and that employees are treated without regard to race, color, creed, national origin, sex, disability, or age. Subrecipients must post in conspicuous and accessible places and make available to employees and applicants for employment notices setting forth an EEO policy.

1. Who is responsible for ensuring that EEO obligations are fulfilled?  a. Who are EEO matters reported to?	
2. What conspicuous and accessible place is the EEO statement posted?  <i>An EEO statement must be posted in a conspicuous place where employers and applicants will see it.</i>	

**TRAINING & TRAVEL**

1. Are there written procedures for training? Is the agency familiar with the Rural Transportation Assistance Program (RTAP)?	
2. How is training determined? a. Required by State Law? b. Required by funding source? c. Determined by system weaknesses? d. Determined by low performance reviews?	
3. Training for transit employees: a. Is a check list used to identify FTA required training? b. Is a check list used to identify State required training? c. How is training documented? d. Who is responsible for monitoring to ensure required or needed training is successfully completed? e. How is oversight documented?	

<p>3. Who authorizes training?</p> <ul style="list-style-type: none"><li>a. Who maintains the employee files?</li><li>b. Are the following items included:<ul style="list-style-type: none"><li>Driver's License</li><li>Driver's Record</li><li>Training Records and Updates</li><li>Safety Related Information</li></ul></li></ul>	
<p>5. What documents are required to be submitted to verify training was attended?</p> <ul style="list-style-type: none"><li>a. What is the time period documents must be submitted?</li></ul>	



## **GLOSSARY**

### **INTERNAL CONTROL**

Non-federal entities receiving Federal funds, either directly or through the South Carolina Department of Transportation (SCDOT) Division of Intermodal & Freight Office of Public Transit (OPT) are required to establish and maintain internal controls to ensure compliance with Federal and State laws, regulations and program compliance requirements.

An agency's overall control environment sets the tone of the organization and influences the control consciousness of its employees. To successfully address risks and achieve its objectives, agency management must institute various control activities, such as segregation of duties, physical controls, and a system of approvals.

The focus of internal control is on the five components, that if present, may reasonably assure compliance with federal and state program compliance. OMB Circular A-133 Compliance Supplement gives a description and examples of the following five components.

#### 1. Control Environments

An agency's control environment sets the tone of the organization and influences the actions of employees and board members. It provides discipline and structure as a means of achieving agency objectives. Management must ensure segregation of duties; physical controls, authorizations, approvals and management reviews are adequate to reduce agency risk.

#### 2. Risk Assessment

Involves the entity identifying and analyzing internal and external risk that could hinder or prevent the agency from achieving its objectives. An entity must determine compliance objectives, organizational structure and processes that will be used to manage risk. Risk assessment will be based upon agency risk tolerance (philosophy) of risk aversion, risk neutral or risk seeking.

#### 3. Control Activities

Consist of written policies and procedures that help ensure company directives are carried out successfully. Policies and procedures should be clearly stated, communicated, supported by management and the board of directors and easily accessible to those responsible for carrying out job duties. Includes segregation of duties between performance and review, supervision that includes monitoring responsibilities, safeguarding assets, computer controls, knowledgeable staff, and an active board of directors.

#### 4. Information and Communication

Entails the identification, capture and exchange of information in a time manner that enables employees to carry out their responsibilities. It comprises the ability of an entity to establish an accounting systems which can indentify Federal, State and Local portions of transactions separately, can maintain source documents that support items and amounts reported, can provide timely reports that accurately reflect activities, and can provide channels of communication. Job duties and responsibilities are identified, reviews of activities and employees performance are conducted and appropriate and timely action is taken.

#### 5. Monitoring

The process of assessing whether internal controls are performing as intended over time. The use of reconciliations, meetings, management reviews, periodic site visits from non-agency personnel. Includes an active board that reviews of all monitoring activities, reviews and audit reports, and provides an assessment of the adequacy of corrective action.

### **ADUDTOR REQUIREMENTS**

OMB Circular A-133 requires auditors to obtain an understanding of an entity's internal control of federal programs before planning an audit in order to support a low assessed level of control risk for major programs, planning the test of controls and performing test of controls. Auditors are to obtain an understanding of each type of compliance objectives and characteristics. Auditors will need to exercise professional judgment in determining appropriate and cost effective internal controls given the environment and circumstances.

### **PROCUREMENT**

All recipients of federal funds must comply with the provisions of **FTA Circular 4220.1F**. Recipients must obtain South Carolina Department of Transportation (SCDOT), Office of Public Transit (OPT) prior approval for certain purchases of equipment or vehicles and for all transportation service contracts. In addition to other requirements, recipients must have written procurement procedures, a written code of ethical conduct, and written protest procedures. Subrecipients may adopt local procurement policy if it is more restrictive than state procurement requirements. If agencies adopt local or state procurement policy, they must ensure that federally required clauses are included in the documentation.

Procurement procedures should include the development of an independent cost estimate before bids or proposals are received, provide for OPT approval prior to the bid release, ensure that RFP's are written to allow for fair and open competitive bidding and are to ensure awards are made to responsible contractors. Additionally, procedures should ensure that procurement history is sufficiently documented along with a cost or price analysis. In compliance with Federal requirements, procurements are not to provide preferences for in-state or local contractors but are to be conducted in a manner that

provides for full and open competition. Resulting contracts are to include all applicable federally required clauses.

### **SUSPENSION/DEBARMENT**

Federal requirement prohibits the contracting for goods and services from individuals or organizations that have been suspended or debarred from receiving federally assisted contracts. SCDOT Division of Intermodal & Freight Office of Public Transit encourages all Subrecipients to include in their procurement procedures the requirement to review the Excluded Parties Listing System before entering into any third-party contracts. Subrecipients should include in the file the documentation of the date the list was reviewed and who reviewed the list.

SCDOT Division of Intermodal & Freight Office of Public Transit requirements provide that third-party contracts  $\geq$ \$10,000.00 must include debarment/suspension provisions and all potential bidders/proposers must register with [www.sam.gov](http://www.sam.gov). The contract file must include a copy of the firm's listing from debarment and suspension certification. Subrecipients must provide written notice immediately to SCDOT Division of Intermodal & Freight Office of Public Transit if they learn that their certification or the certification of any contractors is no longer valid.

The Government Services Administration publishes the *List of Parties Excluded From Federal Procurement and Non Procurement Programs*. Recipients can search the list on the Internet at <http://www.sam.gov>.

### **CODE OF STANDARD**

Written code of standards or ethical conduct should address the conduct of employees and/or board members engaged in determining who receives awards and/or responsible for the administration of contracts. Real or perceived conflicts of interest should be clearly defined. Those involved in the procurement process should sign annual disclosure forms concerning conflict of interest. Additionally, employees, officers and/or board members with real or perceived conflicts of interest should be prohibited from participating in the selection, award or administration of contracts and the conflicts of interest should be properly documented and maintained. Written code should include disciplinary actions for violations.