

WATER RESOURCES DEVELOPMENT PROJECT GRANT PROGRAM

State Authorization: G.S. 143-215.70-.73

**NC Department of Environmental Quality
Division of Water Resources**

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The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in an engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

Auditors may request documentation of monitoring visits by the State Agencies.

I. PROGRAM OBJECTIVES

The primary objective of the Water Resources Development Project Grant Program is to provide financial assistance (cost-sharing) to local government sponsors of federal and non-federal water resources projects. The General Stature authorizing this program specifies the eight categories of eligible projects as well as the maximum percentage of the total cost that the State can award to local government sponsors for each category. See G. S. 143-215.71.

NOTE: The NC General Assembly placed a 50% matching limit on WRDG during their 2011 Session. This limit will remain in place until rescinded.

II. PROGRAM PROCEDURES

Before July 1 in each calendar year, the NC Department of Environmental Quality (DEQ) prepares a six-year water resources development plan as required by G.S. 143-215.73A. The plan lists and describes all projects based on their status and category. DEQ then assigns a priority to each project within one of the five categories for the next fiscal year, using the criteria given in G.S. 143-215.73A. DEQ may recommend no funding of certain projects for the upcoming fiscal year. The Director of the Budget, the Governor, then sends this plan to the General Assembly. He/she also sends with that plan a list of those projects to be included in his/her recommended biennial budget or in his/her recommended revised budget for the second year of the biennium. The General Assembly, if it desires to do so, then funds projects based on this plan from the Capital Improvements section of the State Budget. DEQ then notifies local government sponsors of the projects that were approved by the General Assembly and those that were not approved. In the special conditions attached to the capital appropriation

for water resources development projects, the General Assembly normally allows DEQ to adjust the allocations among projects where the actual costs are different from the costs estimated in the Water Resources Development Plan. Excess funds that cannot be used during the current fiscal year are allowed to be reallocated to other projects; including State-local (no federal funding) projects. Local government sponsors of State-local projects are asked to send in their applications by June 30 and December 31 of each fiscal year. If there are sufficient grant funds available, up to two grant cycles for State-local projects occur each fiscal year, with awards announced in the fall and spring. The steps to determine which of these local sponsors receive funding are as follows:

- DEQ determines the amount of funds, including excess funds, available for state-local projects.
- DEQ ranks State-local projects using the criteria in G.S. 143-215.72.
- DEQ awards grants to as many of the top-ranked projects as funds will allow.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

Compliance Requirements

State funds can only be granted to local government sponsors for the eligible purposes found in G. S. 143-215.71.

Audit Objectives

Determine whether local governments spent funds only for the eligible purposes.

Suggested Audit Procedures

Auditor should review project application, award notice, and test expenditures and related reports.

2. Allowable Costs/Cost Principles

Compliance Requirements

Only costs for the approved project are eligible to be cost-shared.

Audit Objectives

Determine whether the documented costs are project related.

Suggested Audit Procedures

Check that all items in project invoices apply to the approved project.

4. Conflict of Interest

Compliance Requirements

All local governments are required to comply with G.S. 14-234.

Audit Objectives

Make sure recipient adhered to its conflict of interest policy.

Suggested Audit Procedures

Verify existence of a written policy.

5. Eligibility

Eligibility is determined during review of project prior to grant award and then again during post-project inspection prior to grant payment. There is no need for the CPA to do further testing.

6. Equipment and Real Property Management

Compliance Requirements

If a piece of equipment is bought as a part of a project, grant recipient must determine and document the salvage value of that equipment at the completion of the project.

Audit Objectives

Ensure that salvage value of equipment is accounted for in final grant payment

Suggested Audit Procedures

Check that salvage value of equipment is subtracted from total project cost.

7. Matching

Compliance Requirements

Local government sponsor must document required amount of local match, either in cash or in in-kind services

Audit Objectives

Make sure grant recipient has provided local match

Suggested Audit Procedures

Check that the amount of documented local match equals or exceeds that which is required by the amount of the State grant.

Level of Effort – Not Applicable

Earmarking – Not Applicable

8. Period of Availability of State Funds

Compliance Requirements

State funds are made available over the fiscal year in which the grant was made plus one additional fiscal year. Funds may be extended beyond that period if the recipient requests such an extension in writing, and the Division of Water Resources (DWR) approves it in writing.

Audit Objectives

Determine whether State funds were obligated within the period of availability and obligations were liquidated within the required time period.

Suggested Audit Procedures

1. Review the award documents and document the availability period.
2. Test a sample of transactions that were recorded during the period of availability and verify that the underlying obligations occurred within the period of availability.

3. Test a sample of transactions charged to the State award after the end of the period of availability and verify that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period.

9. Procurement and Suspension and Debarment

Procurement:

Compliance Requirements

Follow State procurement guidelines as found in G. S. 143, Article 3.

Audit Objectives

Determine whether procurements were made in compliance with applicable laws, regulations, statues, or other provisions.

Suggested Audit Procedures

Test procurements, or a sample of them, to ascertain whether guidelines were followed.

11. Reserved

12. Reporting

Compliance Requirements

Grant recipients should follow the “Water Resources Development Grant Program Guidance” sent to them following announcement of grant award to report eligible expenditures. Unless modifications have been approved by DWR in writing, these expenditures should match those shown in the project application.

Audit Objectives

Determine whether the guidelines have been followed, with supporting documentation (invoices, etc.), to report eligible expenditures and determine whether all expenditures were included in project application.

Suggested Audit Procedures

Compare submission of reports with the guidelines and compare expenditures with those in project application.

14. Special Test and Provisions

Compliance Requirements

Real property costs include fee simple purchase, easements, rights-of-way, and any associated costs.

Audit Objectives

Determine whether the grant recipient complied with the real property acquisition, appraisal, and negotiation required by State law and regulations.

Suggested Audit Procedures

Test records to see if the just compensation offered the property owner was determined by the appraisal process required by State law.