

TOBACCO TRUST FUND COMMISSION

State Authorization: North Carolina General Statutes, Chapter 143, Article 75, Tobacco Trust Fund

**North Carolina Department of Agriculture & Consumer Services
North Carolina Tobacco Trust Fund Commission**

Agency Contact Person - Program

**Jeff Camden, Program Officer
Tobacco Trust Fund Commission
1080 Mail Service Center
Raleigh, NC 27699-1080
919-733-2160**

Address Confirmation Letters To

**William Upchurch, Executive Director
Tobacco Trust Fund Commission
1080 Mail Service Center
Raleigh, NC 27699-1080
919-733-2160**

Agency Contact Person – Financial

**Susan Hernandez, Administrative Officer
Tobacco Trust Fund Commission
1080 Mail Service Center
Raleigh, NC 27699-1080
919-733-2160**

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

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

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

I. PROGRAM OBJECTIVES

The **North Carolina Tobacco Trust Fund Commission (Commission)** was created in 2000 by the North Carolina General Assembly to receive and disburse funds from the Master Settlement Agreement (MSA) between the state and various cigarette manufacturers. The Commission recognizes that North Carolina’s prosperity has been historically supported by agriculture, specifically the tobacco-related segment of agriculture.

In 2011, the North Carolina General Assembly authorized the Commission to disburse up to \$2 million in grant funding to qualified applicants. Through its programs, the Commission seeks to mitigate the general decline in the tobacco-related segment of our economy.

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II. PROGRAM PROCEDURES

FUNDING PRIORITIES

Projects will be funded based on the availability of funds and how effectively the stated grant criteria are met. Projects must benefit and impact one or more of these areas:

- A population that is tobacco-dependent at the manufacturing level and/or farm level and is experiencing economic distress.
- A population that has been adversely affected by changes in the state’s tobacco industry
- A population that derives most of its income from agriculture

ELIGIBLE RECIPIENTS

Entities eligible to receive grants include and are limited to:

- Agencies and departments of the State of North Carolina
- Local government units such as county offices and towns
- Agencies and departments of the United States Government
- Non-Profit Organizations
- Members of the private sector

Grantees must deliver an appropriate service to members of the targeted populations as described under G.S. 143-715.

III. COMPLIANCE REQUIREMENTS

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

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

1	2	3	4	5	6	7	8	9	10	12	13	14
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Conflict of Interest	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

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1. Activities Allowed or Unallowed

02 NCAC 57 .0202 TYPES OF PROGRAMS Grants from Compensatory Programs shall compensate or indemnify grant beneficiaries for losses occurring in 1998 and after. Grants for financial assistance shall be for no more than one year at a time.

2. Allowable Costs/Cost Principles

Funds can be spent on project expenses that are consistent with the administrative code/application guidelines and are found in the approved project budget or budget revision.

3. Cash Management

The granting agreement will outline the standard accounting practices which the grantee will follow to facilitate review by the Commission staff or the State Auditor, or an outside auditor hired by the Commission. The grant agreement will also provide that the grantee shall put grant money in an interest-bearing account and that any interest earned on the grant money shall be returned to the Commission after the grant together with an accounting of such interest earnings.

If the Commission determines that grant funds are not being used for the purpose for which they were awarded, the Commission may cease making payments under the grant schedule until the problem has been resolved or may demand immediate return of any unspent money from the grant, with which request the grantee must comply. Grantees must pay back to the Commission any funds that the Commission determines have not been spent for the purpose for which they were granted as well as the statutory interest rate on those funds.

Grantees must return any grant money which remains unspent after the grant project along with any interest earned on grant money.

4. Conflict of Interest

The Commission is expressly exempt from the conflict of interest provision of N.C. Gen. State. 14-234, see N.C. Gen. Stat. 14-234(d)(4), but does have its own statutory procedures for making direct compensatory grants to individuals who are Commission Members, N.C. Gen. Stat. 143-717(h). Unlike direct compensatory grants, the Commission's enabling statute does not provide explicit procedures to follow when making QAP grants to a class or group to which a Commission member belongs. Commission members are also subject to the Governor's Ethics Order, Executive Order No. 1, 15:17 North Carolina Register 1553, either by being appointed by the Governor or because the appointing authority has agreed to have its appointees subject to the Order. The Order addresses conflicts of interest and apparent conflicts of interest.

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5. Eligibility

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Grantees must deliver an appropriate service to members of the targeted populations as described under G.S. 143-715.

6. Equipment and Real Property Management

Expenditures must meet program guideline requirements and adhere to approved application and/or revised budget.

7. Matching, Level of Effort, Earmarking

Grant projects may also be supported by in-kind contributions. This includes personnel, equipment, or travel that is directly associated with the implementation and completion of the project. TTFC supported grant funds may also be leveraged with other funders for successful competition. There is no matching requirement.

8. Period of Performance

Grants for financial assistance shall be for no more than one year at a time.

9. Procurement and Suspension and Debarment

If the Commission determines that grant funds are not being used for the purpose for which they were awarded, the Commission may cease making payments under the grant schedule until the problem has been resolved. The Commission may demand immediate return of any unspent grant money and interest from the grant, and the grantee must comply. Grantees must pay back to the Commission any funds that the Commission determines have not been spent for the purpose for which they were granted as well as the statutory interest rate on those funds.

Grantees may not be listed on the State's Suspension of Funding List or the federal Excluded Parties List.

10. Program Income

N/A

11. Reserve

12. Reporting

Grantees will submit written PROGRESS REPORTS, AT LEAST SEMI-ANNUALLY. These reports will describe the status of the project, progress toward achievement of project objectives, notable occurrences during the period and any significant problems encountered and the steps taken to overcome those problems. Grantees may be sent periodic surveys to request specific progress indicators. Failure to submit a report by the scheduled submission date may result in the withholding of any subsequent grant payment until the Commission is in receipt of the delinquent report. Commission staff may also conduct (un)announced site visits to the grantee's project location.

Upon completion of the project, a FINAL REPORT will be delivered to the Commission within 30 days of the contract end date. This Final Report will include a project evaluation and how the project's impact has assisted the Commission in achieving its statutory goals. The final report will also describe how the project's goals and objectives have been met.

13. Subrecipient Monitoring

Grantee to provide evidence to TTFC of subgrantee monitoring and evaluation of program expenditures for adherence to guideline requirements.

14. Special Tests and Provisions

N/A