

SPECIAL APPROPRIATIONS

State Authorization: Disaster Recovery Act of 2016, House Bill 2

The Disaster Recovery Act of 2016 will assist affected areas recovering from the damage caused by Hurricane Matthew, the western wildfires and Tropical Storms Julia and Hermine.

**North Carolina Department of Commerce
Fiscal Services Division**

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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

Disaster Recovery funds are appropriated from the General Fund by the North Carolina General Assembly to the Department of Commerce as authorized in a legislative act to assist local governments recover from the damage caused by Hurricane Matthew, the western wildfires and Tropical Storms Julia and Hermine. Grants are available to local governments to construct new infrastructure required to support the development of new residential structures in areas outside the 100-year floodplain or repair or replace existing infrastructure. For purposes of this subdivision, infrastructure includes water, sewer, sidewalks, storm drainage, and other, similar projects that provide assistance or relief for Hurricane Matthew, the western wildfires, or Tropical Storms Julia and Hermine.

II. PROGRAM PROCEDURES

The Rural Economic Development Division administers the Disaster Recovery program.

Applications have been accepted on a rolling basis since April 3, 2017. Upon approval of an application, a contract is executed between the local grant recipient and Commerce. The contract defines the responsibilities and obligations of each party, the contract project period, project scope, and the amount of grant assistance. The grant recipient's application and support documentation become a part of the contract.

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To request funds grant recipients, provide copies of invoices associated with the project cost, a completed payment request form, and copies of the expenditure of other funds into the project during the project period.

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 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	N	Y	N	N	Y	Y	Y	N	Y	N	N

1. Activities Allowed or Unallowed

Compliance Requirement

Disaster Recovery grants are awarded local governments assist with recovery from the damage caused by Hurricane Matthew, the western wildfires and Tropical Storms Julia and Hermine.

Suggested Auditing Procedures

Ensure that the grantee completes the disaster recovery project approved by the Rural Economic Development Division.

Verify elements of the contract and project scope agree with the records or evidence of actual performance.

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2. Allowable Costs/Cost Principles

Compliance Requirement

Eligible costs include: planning, engineering and construction costs associated with the construction, repair and/or replacement of public infrastructure including water, sewer, road, storm water, public buildings, sidewalks and other public infrastructure.

Eligible costs must be documented in the application, and initiated and/or undertaken in

Suggested Auditing Procedures

Determine whether costs were allowable.

4. Conflict of Interest

Compliance Requirement

In addition to legislation enacted by the General Assembly (North Carolina General Statutes 14-234) for local governments, N.C.G.S. §133-32 and Executive Order 24 prohibit the offer to, or acceptance by, any state employee of any gift from anyone with a contract with the state, or from any person seeking to do business with the State.

Suggested Auditing Procedures

Verify existence of a written policy and adherence to it.

Verify that the grantee adhered to the measures to prevent conflicts of interest described in the grantee's policy.

8. Period of Performance

Compliance Requirement

The contract between Commerce and the grantee specifies the period of availability of the State's Disaster Recovery grant specific funds. The total project period is normally two years as stated in the contract.

Suggested Auditing Procedures

Ensure compliance with the grant period.

Verify expenditures are for costs described in the application and within the guidelines established in the Contract.

9. Procurement and Suspension and Debarment

The Grantee acknowledges and agrees that, with regard to the Grant funds, it will be subject to the audit and reporting requirements prescribed by N.C.G.S §159-34, Local Government Finance Act - Annual independent audit; rules and regulations.

Suggested Auditing Procedures

Ensure compliance with the contract.

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Verify existence of procurement requirements, if any, in the contract. If present, review grantee's records to ensure compliance.

12. Reporting

Compliance Requirement

As a condition on the receipt of State funds, non-profit entities shall comply with the following:

Progress reports are due on January 15th and July 15th for each year that the grant remains open. The final report and job verification documentation are due at the time of project completion or no later than 30 days after the grant end-date, whichever is sooner. The reporting schedule remains in effect for the duration of the grant including time extensions.

Suggested Auditing Procedures

Verify compliance with the reporting requirements in the Contract.