

RURAL INFRASTRUCTURE PROGRAM

State Authorization: North Carolina General Statute 143B-472.127

**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

The Rural Infrastructure Program provides grants to local governments to assist with public infrastructure projects that will lead to the direct creation of new, full-time, private-sector jobs. The program requires a cash match of 5% of the grant request amount.

Eligible applicants are units of local government with priority given to Tier 1 and Tier 2 counties.

Grants are available to assist with planning, materials, labor, and administration costs to complete public infrastructure improvements, including:

- construction, upgrade or repair of public drinking water or wastewater treatment plants
- construction, upgrade, extension, or repair of public water or sewer lines
- publicly owned natural gas lines (requires an executed Pipeline Construction, Operating and Resale Agreement)
- installation or extension of public broadband infrastructure
- construction of publicly owned access roads not funded or owned by the Department of Transportation
- construction of public rail spur improvements

The program includes claw-back provisions requiring repayment of the grant if the jobs committed are not created and/or maintained for six consecutive months during the grant period.

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II. PROGRAM PROCEDURES

The Rural Economic Development Division administers the Rural Infrastructure Program. Applications are accepted on a bimonthly basis and awards are made by the Rural Infrastructure Authority during regularly scheduled meetings. Once a grant is awarded, a contract is executed between the local government grant recipient and Commerce, and a Legally Binding Commitment is executed between the business and the local government. The contract defines the responsibilities and obligations of each party, the contract project period, project description, and the grant amount. The Legally Binding Agreement secures the repayment of funds by the business if the required number of jobs are not created and maintained as required.

Progress reports are due biannually on January and July 15 for each year that the grant is open. A final report is due once all job creation requirements are met.

To request funds, grant recipients should provide copies of eligible invoices associated with the infrastructure project and a completed payment request form.

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	N	Y	Y	N	Y	N	N

1. Activities Allowed or Unallowed

Compliance Requirement

Rural Infrastructure grants are awarded local governments assist with publicly-owned infrastructure projects that will lead to the creation of new, full-time jobs.

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Suggested Auditing Procedures

1. Auditors should test to ensure that activities charged to the grant are reasonable for the award and conform to limitations or exclusions noted in the award. Auditors should test to activities are adequately documented.

2. Allowable Costs/Cost Principles

Compliance Requirement

Eligible costs include: planning, engineering, materials, and construction costs associated with the construction, repair and/or replacement of public infrastructure as defined in the contract. Costs should be incurred during the contract period.

Suggested Auditing Procedures

1. Auditors should test expenditures and ensure that all funds were expended on the eligible costs list. Verify that funds were not expended on costs that are specifically prohibited under the program.

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

1. Auditors should review contracts to ensure that the beneficiary or contractor is not an employee or agent of the non-state agency (recipient) who exercises any function or responsibility with regard to the non-state agency (recipient) has received written waiver of the conflict of interest provision of the contractor.

8. Period of Availability of State Funds

Compliance Requirement

The contract between Commerce and the grant recipient specifies the period of availability of the Rural Infrastructure funds. The project period is normally two years but may be extended through a grant amendment.

Suggested Auditing Procedures

1. Auditors should review evidence of invoices which may include copies cleared checks, wire transfer or ACH receipt, and/or credit card receipts and ensure that eligible expenditures were not incurred prior to the effective date or subsequent to the termination date of the grant.

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9. Procurement and Suspension and Debarment

The grant recipient acknowledges by execution of the contract and agrees to comply with 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

1. Auditors should test that the organization has policies, that the policies are compliant, and are being allowed.

12. Reporting

Compliance Requirement

The grant recipient acknowledges, by execution of the contract, and agrees to comply with the following reporting requirement:

Progress reports are due on January and July 15 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

1. Auditors should test that the reporting requirements are understood and met in accordance with the organization's guidelines.