

**NC LAND AND WATER FUND
(FKA CLEAN WATER MANAGEMENT TRUST FUND)**

State Authorization: Chapter 143B, Article 2. Part 41 of the North Carolina General Statutes

**NC Department of Natural and Cultural Resources
Div. of Land and Water Stewardship – NC Land and Water Fund (f.k.a. Clean Water Management Trust Fund)**

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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 North Carolina Land and Water Fund (NCLWF – formerly known as the Clean Water Management Trust Fund) was established by the General Assembly in 1996 (G.S. 143B-135.231). NCLWF receives a direct appropriation from the General Assembly in order to issue grants to local governments, state agencies and conservation non-profits to help finance projects that protect North Carolina’s natural, cultural and historic resources. The primary purpose of NCLWF is to fund projects that: (1) enhance or restore degraded waters, (2) protect unpolluted waters, (3) contribute toward a network of riparian buffers and greenways for environmental, educational, and recreational benefits, (4) provide buffers around military bases, (5) acquire land that represents the ecological diversity of North Carolina, and (6) acquire land that contributes to the development of a balanced State program of historic properties.

II. PROGRAM PROCEDURES

NCLWF revenues are allocated to fund projects for the protection and restoration of significant cultural and natural resources in North Carolina as well as supporting the

establishment of buffers around military bases to protect the military mission. The NCLWF's Board of Trustees (Board) has full discretion and responsibility over the allocation of NCLWF money to grants. However, only North Carolina State agencies, local governments or other political subdivisions of the State, or nonprofit corporations whose primary purpose is the conservation, preservation, and restoration of North Carolina's cultural, environmental or natural resources are eligible to apply and receive funding.

The Board and staff have developed an application as the vehicle for prospective recipients to apply for funding. The application deadline for 2020 is February 3. These applications are the primary decision-making tool used by the Board to determine a given application's merit for NCLWF funding.

At predetermined times, the Board meets to review applications and/or to conduct other business of the NCLWF. The Board, based on the application's merits, can elect not to fund an application, it can elect to tentatively award all or a portion of the application up to a specific dollar amount (based on further investigation and the execution of a grant agreement), or it can defer the decision pending further information.

Once an application is awarded as a grant, NCLWF staff execute a grant agreement with the grant award recipient. Each party's rights and responsibilities are itemized in the grant agreement. Grants are paid out on a reimbursement basis.

The NCLWF operates with a limited set of program guidelines. As such, auditors are directed to the NCLWF's above-referenced enabling legislation for guidelines. Auditors are further directed to the grant agreement(s) between the NCLWF and the grantee and, if applicable, conservation easements, for specific direction on all aspects of compliance. An easement is an interest in land owned by another party which gives the easement holder (the State) the right to use the land for a specific purpose. In the case of NCLWF, the landowner's rights to use the property for certain purposes are reduced in order to ensure the conservation values of the property are permanently preserved. Relevant forms and policies are available on our website: www.nclwf.nc.gov.

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.

CC	1	2	3	4	5	6	7	8	9	10	12	13	14
Cross-cutting requirements	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
N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Notes

- A The presence of “CL” in the supplement number indicates that the program is a cluster. See the compliance supplement for composition of the cluster.
- B The presence of "Y" on the matrix indicates this type of compliance requirement may apply to the State program. The auditor should use the compliance supplements in Section C in planning and performing the tests of compliance required by state agencies. The presence of a dash (-) indicates the program normally does not have activity subject to this type of compliance requirement. Auditors should determine the compliance requirements applicable to the program. The auditor is responsible for reviewing applicable laws, regulations, contract and grant agreements, notifications from awarding agencies and any other applicable documentation in order to determine compliance requirements which could have a direct and material effect on major programs.

1. Activities Allowed or Unallowed

Compliance Requirements

The Grant Agreement between NCLWF and the grantee specifies activities allowed or not allowed.

Audit Objectives

Make sure the recipient complied with the grant award.

Suggested Audit Procedures

Verify elements of the grant agreement and scope against records or evidence of actual performance. This is generally found in Appendix A of the grant agreement.

2. Allowable Costs/Cost Principles

Compliance Requirements

The Grant Agreement between NCLWF and the grantee specifies allowable costs. NCLWF is not to be invoiced for sales taxes for which a refund will later be requested.

Audit Objectives

Determine whether costs covered by grant were allowable.

Suggested Audit Procedures

Check expenditure records against the grant agreement.

3. Cash Management

Compliance Requirements

The Grant Agreement between NCLWF and the grantee specifies cash management practices.

Audit Objectives

Determine whether cash management practices are in compliance with the Grant Agreement.

Suggested Audit Procedures

Check cash management practices against those called for in the Grant Agreement.

4. Conflict of Interest

Compliance Requirements

In addition to legislation enacted by the General Assembly (Chapter 443, Section 7.5, 1997 Session Laws) for not-for-profit entities and North Carolina General Statutes 14-234 for local governments, the Grant Agreement between NCLWF and the grantee specifies the measures necessary to guard against a conflict of interest issue.

Audit Objectives

Make sure recipient adhered to its conflict-of-interest policy.

Suggested Audit Procedures

1. Verify existence of a written policy and adherence to it.
2. Verify written policy does not contradict anything in the Grant Agreement.

5. Eligibility

Compliance Requirements

Per G.S. 143B-238: The following are eligible grant recipients: A State agency, a local government, or a non-profit whose primary purpose is the conservation, preservation, or restoration of our State's cultural, environmental, or natural resources.

Audit Objectives

Determine whether the recipient meets the above qualifications.

Suggested Audit Procedures

Verify the status of the organization as a unit of government or a qualified 501c(3).

6. Equipment and Real Property Management

Compliance Requirements

The Grant Agreement between NCLWF and the grantee specifies equipment and real property management guidelines. Often when NCLWF participates in the purchase of property interests, it requires that the grantee convey a conservation easement on the property to the State of North Carolina. If so, further real property management guidelines are contained in the conservation easement.

Audit Objective

Make sure recipient is in compliance.

Suggested Audit Procedures

Review recipient documentation to see that it adheres to the requirements found in the Grant Agreement.

7. Matching, Level of Effort, Earmarking

Compliance Requirements

The Grant Agreement between NCLWF and the grantee specifies requirements for matching. The recipient match is ordinarily either spelled out in the Scope of Work, Budget, or in the "Agreement" section of the Grant Agreement.

Audit Objectives

Ensure compliance with Grant Agreement requirements.

Suggested Audit Procedures

Review Grant Agreement to determine existence of a matching requirement. If present, review recipient's accounting records to ensure compliance.

Level of Effort - Not Applicable

Earmarking - Not Applicable

8. Period of Performance

Compliance Requirements

The Grant Agreement between NCLWF and the grantee specifies the period of availability of State funds. This period may be extended through a contract amendment signed and executed by both parties.

Audit Objectives

Ensure compliance with the grant period.

Suggested Audit Procedures

Verify expenditures are for costs incurred during the grant period as defined in the grant agreement.

9. Procurement and Suspension and Debarment

Compliance Requirements

The Grant Agreement between NCLWF and the grantee specifies the requirements, if any, for procurement, suspension and debarment.

Per G.S. 143C-6-23: If the recipient is a non-State entity, they must adhere to the rules in this Subchapter that establishes reporting requirements for non-State entities that receive, use, or expend State funds and ensure the uniform administration of State grants by all grantor State agencies, grantee, and subgrantees.

Audit Objectives

Ensure compliance with the Grant Agreement.

Suggested Audit Procedures

Verify existence of procurement requirements, if any, in the Grant Agreement. If present, review recipient records to ensure compliance.

Verify that all recipients are not on the Federal or State Debarment list and that non-State entities are not on the NC Grants suspension list.

10. Program Income

Compliance Requirements

The Grant Agreement between NCLWF and the grantee specifies the allowable uses for program income, if any.

Audit Objectives

Ensure compliance with the Grant Agreement.

Suggested Audit Procedures

Verify allowable uses for program income in the Grant Agreement. Then review recipient records to determine if uses of program income and are in accordance with those specified in the Grant Agreement.

11. Reserve

12. Reporting

Compliance Requirements

Reporting requirements enacted by the General Assembly for non-profit organizations are found in North Carolina General Statutes 143-6.2. Similar legislation for local governments and public authorities is found in General Statutes 159-34. The Grant Agreement between NCLWF and the grantee also specifies reporting requirements regarding project progress and status.

Audit Objectives

Ensure compliance with the Grant Agreement.

Suggested Audit Procedures

Verify compliance requirements in the Grant Agreement. Then review recipient records to ensure compliance.

13. Subrecipient Monitoring

Compliance Requirements

This condition is not common in NCLWF applications. However, if any exist, the Grant Agreement between NCLWF and the grantee will specify any subrecipient monitoring requirements.

Audit Objectives

Ensure compliance with the Grant Agreement.

Suggested Audit Procedures

Verify compliance requirements in the Grant Agreement. Then review recipient records to ensure compliance.

14. Special Tests and Provisions

Real Property Acquisition and Relocation Assistance

Compliance Requirements

The Grant Agreement between NCLWF and the grantee specifies requirements for the acquisition of real property.

Audit Objectives

Ensure compliance with the Grant Agreement.

Suggested Audit Procedures

Verify existence of real property acquisition and relocation assistance requirements, if any, in the Grant Agreement. If present, review recipient records to ensure that acquisition or relocation assistance expenditures were used in accordance with the Grant Agreement.