

SPECIAL APPROPRIATIONS

State Compliance Supplement

State Authorization and Program Title:	Special Appropriations by the General Assembly through the Department of Natural and Cultural Resources
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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

Each session, the General Assembly enacts Appropriation Bills that usually include special provisions granting funds to grantees (local governments and private, non-profit organizations). These provisions are intended to assist grantees by providing funds for day-to-day operations or special projects.

II. PROGRAM PROCEDURES

The authorization for Special Appropriations comes from the General Assembly in the Appropriation Bill and/or the Joint Conference Committee Report on the Base, Expansion, and Capital Budgets that supports the Appropriation Bill. These are available at the North Carolina General Assembly’s website: <http://www.ncga.state.nc.us>.

When a Special Appropriation is made to a local government or non-profit through the Department of Natural and Cultural Resources (DNCR), DNCR contacts them. Prior to awarding the funds, DNCR collects a Request for Payment from Appropriations Form from all grantees. Additionally, non-profit grantees must submit a Conflict of Interest Policy, No Overdue Tax Debt Certification form, a Tax-Exempt Status Letter from the IRS, by-laws, Articles of Incorporation, and List of Board of Directors. A grant contract is developed and executed with each grantee. The grant contract includes a scope of work and line item budget defining the grant period and use of grant funds in accordance with the Appropriation Bill and/or the Conference Committee Report. The contract also defines the reporting requirements.

Following collection of all required documentation and the execution of the grant contract, grant funds are awarded/distributed to grantee. Depending on the type of

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grant project, grant payments were made quarterly or when the DNCR received from the grantee supporting documents such as executed contracts and invoices to demonstrate encumbrances for items identified in the Grant Contract. DNCR monitors and oversees grants through a combination of periodic e-mails, calls, visits, and review of reports, invoices and deliverables.

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	Y	N	Y	Y	N	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.

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1. Activities Allowed or Unallowed

Compliance Requirement - The grant contract defines the use of grant funds in accordance with the Appropriation Bill and/or the Conference Committee Report. State funds allocated by the General Assembly should be used only for those purposes as specified in the grant contract.

Audit Objective – To determine that all expenditures of grant funds are for the purposes stated in the grant contract.

Suggested Audit Procedures:

Verify that the expenditure of grant funds is for the purposes stated in the grant contract by examining each expenditure or if there are numerous expenditures, by examining a test sample.

2. Allowable Costs/Cost Principles

Compliance Requirement - The grant contract defines the use of grant funds in accordance with the Appropriation Bill and/or the Conference Committee Report. State funds allocated by the General Assembly should be used only for those purposes as specified in the grant contract.

Audit Objective – To determine that all expenditures of grant funds are for the purposes stated in the grant contract.

Suggested Audit Procedures:

Verify that the expenditure of grant funds is for the purposes stated in the grant contract by examining each expenditure or if there are numerous expenditures, by examining a test sample.

3. Cash Management

No testing will be required at the local level.

4. Conflict of Interest

For non-profit grantees, DNCR obtains each entity's policy addressing conflicts of interest that might arise involving the entity's management employees and the members of its board of directors or other governing body. No testing will be required at the local level.

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5. Eligibility

The authorization for Special Appropriations comes from the General Assembly in the Appropriation Bill and/or the Joint Conference Committee Report on the Base, Expansion, and Capital Budgets that supports the Appropriation Bill. No testing will be required at the local level.

6. Equipment and Real Property Management

Compliance Requirement - There is no requirement for vesting, use and disposition to a grantee of a title to equipment or real property. The grant contract should identify whether real property acquisitions are allowed.

Audit Objective – To determine whether the grant contract allowed for the purchase of real property.

Suggested Audit Procedures:

Review the grant contract, to determine whether it allowed for the purchase of real property. Verify that the expenditure of grant funds is for the purposes stated in the grant contract by examining each expenditure or if there are numerous expenditures, by examining a test sample.

7. Matching, Level of Effort, Earmarking

There is no requirement for matching funds or earmarking funds unless stipulated by grant contract.

8. Period of Performance

Compliance Requirement - The period during which a grantee may use the grant funds is identified in the grant contract.

Audit Objective – To determine that all grant funds spent during the grant period stated in the grant contract.

Suggested Audit Procedures:

Verify that grant funds are spent during the grant period stated in the grant contract by examining the date of expenditures.

9. Procurement and Suspension and Debarment

DNCR determines whether a grantee and subgrantee is suspended or debarred by the Federal and State government prior to awarding funds to the grantee. No testing will be required at the local level.

12. Reporting

Compliance Requirement - Reporting requirements are defined in the grant contract.

Audit Objective – To determine that all required reports stated in the grant contract are accurate and submitted to DNCR by the required dates.

Suggested Audit Procedures:

Verify that the required reports are accurate and have been submitted to DNCR by the required dates.

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13. Subrecipient Monitoring

Compliance Requirement - The grantee shall not subgrant any of the work contemplated under the grant contract without prior written approval from DNCR.

Audit Objective – To determine whether the grantee subgranted funds to a subrecipient.

Suggested Audit Procedures:

If the grantee subgrants funds to a subrecipient, determine whether the grantee received approval from DNCR.

14. Special Tests and Provisions

Compliance Requirement - The grantee shall account separately for any state funds received to enable monitoring of state funds received, spent, and remaining.

Audit Objective – To determine whether the grantee account separately for any state funds received from DNCR.

Suggested Audit Procedures:

Review the grantee's accounting system to determine whether the grantee accounted separately for the state funds received from DNCR.