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**21.019 CORONAVIRUS RELIEF FUND**

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**Coronavirus Relief Funds (CRF) to the Department of  
Natural and Cultural Resources**

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**State Compliance Supplement**

**Federal Authorization:** S.3548 — 116th Congress (2019-2020)  
21.019 Coronavirus Relief Fund

**State Authorization and Program Title:** Coronavirus Relief Funds (CRF) to the Department of Natural and Cultural Resources per S.L. 2020-97

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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**

S.L. 2020-97 provided direct aid to the Department of Natural and Cultural Resources to mitigate business disruptions due to COVID-19 at Arts Councils throughout the State.

The Arts Council distributed \$9,400,000 in grants to eligible local arts organizations on a per capita basis due to COVID-19.

## **II. PROGRAM PROCEDURES**

In order to receive an Arts Council CRF grant, an eligible local arts organization was defined as an Arts Council or other nonprofit arts organization located in a county with a population of less than 1,000,000, according to the 2020 county population projections of the Office of State Budget and Management. The organization must have arts and culture in the agency's mission statement; or have arts and cultural programming as a core activity (25% or more of budget most recently approved before September 1, 2020) and, must demonstrate the costs of business interruption caused by COVID-19 and/or increased expenses incurred by pandemic-related activities.

The Arts Council grant guidelines were announced statewide and were published on the Arts Council website at <https://www.ncarts.org/guidelines-north-carolina-cares-arts-grants>.

Once the application was submitted, Arts Council staff reviewed each document to determine eligibility and completeness. If the application was submitted by a subrecipient, staff checked to make sure that documented eligible expenses totaled the county allocation or more. Applications submitted directly to the Arts Council by beneficiaries were batched by county, and award amounts were calculated on a percentage basis. Staff submitted funding recommendation for each grant award to the North Carolina Arts Council executive committee and the Secretary of the Department of Natural and Cultural Resources for written approval, as per standard agency procedure. Electronic contracts were issued to all subrecipients and direct beneficiaries.

## **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 federal agency, noted as "Y," on the "Matrix of Compliance Requirements" located in Part 2 of the OMB 2020 Compliance Supplement; however, the State Agency may have added the Type and this is noted by "Y." If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by "N."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2020 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the "Matrix" in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

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A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	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	N	N	N	Y	N	N	Y	Y	Y

**A. Activities Allowed or Unallowed**

- a. **Compliance Requirement** - The grant contract defines the use of grant funds in accordance with the S.L. 2020-97 and should be used only for those purposes as specified in the grant contract.
- b. **Audit Objective** – To determine that all expenditures of grant funds are for the purposes stated in the grant contract.
- c. **Suggested Audit Procedures:**
- d. 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.

**B. Allowable Costs/Cost Principles**

- a. **Compliance Requirement** - The grant contract defines the use of grant funds in accordance with S.L. 2020-97 and should be used only for those purposes as specified in the grant contract.
- b. **Audit Objective** – To determine that all expenditures of grant funds are for the purposes stated in the grant contract.
- c. **Suggested Audit Procedures:**
- d. 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.

**C. Cash Management**

- a. No testing will be required at the local level.

**D. Reserved**

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### E. Eligibility

- a. **Compliance Requirement** - Certain local arts council subrecipients agreed to subgrant part of its allocation in a subgranting plan. The subgranting plan included a list of subgrant recipients and the funding estimates.
- b. **Audit Objective** – For arts organizations who subgranted funds, determine whether the subrecipient awarded subgrants to eligible local arts organizations or other nonprofit arts organization.
- c. **Suggested Audit Procedure:**
- d. For arts organizations who subgranted funds, review the Arts Council grant guidelines and the grant contract to verify the subrecipient subgranted to eligible local arts organizations or other nonprofit arts organizations.

### F. Equipment and Real Property Management

- e. No testing will be required at the local level.

### G. Matching, Level of Effort, Earmarking

- f. No testing will be required at the local level.

### H. Period of Performance

- g. **Compliance Requirement** - The period during which a grantee may use the grant funds is identified in the grant contract.
- h. **Audit Objective** – To determine that all grant funds spent during the grant period stated in the grant contract.
- i. **Suggested Audit Procedures:**
- j. Verify that grant funds are spent during the grant period stated in the grant contract by examining the date of expenditures.

### I. Procurement and Suspension and Debarment

- k. 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.

### L. Reporting

- a. **Compliance Requirement** - Reporting requirements are defined in the grant contract.
- b. **Audit Objective** – To determine that all required reports stated in the grant contract are accurate and submitted to DNCR by the required dates.
- c. **Suggested Audit Procedures:**
- d. Verify that the required reports are accurate and have been submitted to DNCR by the required dates.

### M. Subrecipient Monitoring

- a. **Compliance Requirement** - Certain local arts council subrecipients agreed to subgrant part of its allocation in a subgranting plan. The subgranting plan included a list of subgrant recipients and the funding

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estimates. Each subrecipient was required to obtain s documentation to support expenses of subgrantee local arts organizations or other nonprofit arts organizations.

- b. **Audit Objective** – For arts organizations who subgranted funds, determine whether the subrecipient monitored subgrantee local arts organizations or other nonprofit arts organizations.
- c. **Suggested Audit Procedure:**
- d. For subrecipient arts organizations who subgranted funds, review the Arts Council grant guidelines and the grant contract to verify the subrecipient monitored and obtained documentation to support expenses of subgrantee local arts organizations or other nonprofit arts organizations.

### N. **Special Tests and Provisions**

- a. **Compliance Requirement** - The grantee shall account separately for the grant funds received under this program to enable monitoring of state funds received, spent, and remaining.
- b. **Audit Objective** – To determine whether the grantee accounted separately for the grant funds received under this program.
- c. **Suggested Audit Procedures:**
- d. Review the grantee's accounting system to determine whether the grantee accounted separately for the grant funds received under this program.