

66.046 CLIMATE POLLUTION REDUCTION GRANTS

State Project/Program: CLIMATE POLLUTION REDUCTION GRANTS

**Federal Authorization: Environmental Protection Agency
Clean Air Act: Sec. 137**

**North Carolina Department of Natural and Cultural Resources Office of
the Secretary - Atlantic Conservation Coalition 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.

This State compliance supplement must be used in conjunction with the OMB 2026 Compliance Supplement which is scheduled to be issued in May 2026. The OMB supplement will include “Part 3 - Compliance Requirements,” for the types that apply, and “Part 6 - Internal Control.” If a federal Agency issued guidance for a specific program, this will be included in “Part 4 - Agency Program”. The OMB Compliance Supplement is Section A of the State Compliance Supplement. If the final OMB 2026 Compliance Supplement differs materially from this guidance, procedures will be updated accordingly.

I. PROGRAM OBJECTIVES

The Atlantic Conservation Coalition (ACC) is a partnership of state agencies and nonprofit organizations working together to protect and restore vital coastal habitats, peatlands, and forests across the eastern United States. Funded by the US Environmental Protection Agency (EPA) Climate Pollution Reduction Grant (CPRG), in support of Executive Order 305, the ACC aims to reduce greenhouse gas (GHG) emissions by leveraging the carbon sequestration power of natural and working lands through a regional approach and advancing nature-based

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solutions. The North Carolina Department of Natural and Cultural Resources (DNCR) is the prime recipient, with coalition members South Carolina, Maryland, Virginia, and The Nature Conservancy being considered subrecipients. As the prime recipient and pass-through entity, DNCR is responsible for issuing subawards, conducting risk assessments, monitoring subrecipient performance and financial activity, collecting audit reports where applicable, and enforcing corrective actions on any findings.

The grant implements 24 climate mitigation projects organized under two measures: Measure 1 focuses on protecting and restoring high-carbon coastal habitats and peatlands; Measure 2 addresses protection, use, and restoration of forested lands and sustainable forestry management. Both measures are subject to the same federal compliance requirements under this award. Applicable compliance types include Activities Allowed or Unallowed (A), Allowable Costs/Cost Principles (B), Equipment and Real Property Management (F), Period of Performance (H), Reporting (L), and Subrecipient Monitoring (M). The grant period runs from October 1, 2024 through September 30, 2029, with a total federal award of \$421,238,074, funded 100% by EPA under the Inflation Reduction Act.

No pre-award costs were authorized or incurred under this award. Funds are disbursed on a reimbursement basis; subrecipients submit invoices for allowable costs incurred and are reimbursed by DNCR. DNCR draws down federal funds via ASAP only after subrecipient costs have been reviewed and approved. The period of performance applies equally to DNCR and all subrecipients — no costs may be incurred outside the October 1, 2024 through September 30, 2029 period of performance without prior written EPA approval. No-cost extensions require a written request to EPA at least 10 calendar days before the period of performance end date.

The federal award is identified in the System for Award Management (SAM.gov) under the program title **Climate Pollution Reduction Grants** (ALN 66.046), Federal Award Identification Number (FAIN): 03D25824.

II. PROGRAM PROCEDURES

The North Carolina Department of Natural and Cultural Resources (DNCR) serves as the primary recipient and lead agency of the Atlantic Conservation Coalition (ACC) for this multi-state EPA grant awarded under the Inflation Reduction Act (Grant Number/FAIN: 03D25824). DNCR is accountable to the EPA for the full scope of work and proper financial management of the grant.

The Nature Conservancy, and state agencies of Virginia, Maryland, and South Carolina are treated as subrecipients, along with several NC-based entities. DNCR draws down federal funds from the U.S. Treasury via the Automated Standard Application for Payments (ASAP) system and disburses those funds to subrecipients through subaward agreements.

Subrecipients are reimbursed for allowable costs incurred; they do not draw directly from ASAP.

All subaward agreements require subrecipients to comply with applicable federal requirements, including 2 CFR Part 200, 2 CFR Part 1500, 40 CFR Part 33, and the Clean Air Act. DNCR monitors subrecipient performance and financial activity through a combination of desk reviews of financial and programmatic reports and site visits.

Semi-annual performance reports are submitted by DNCR to the EPA Project Officer within 30 days of the end of each six-month reporting period (due April 30 and October 30).

Federal Financial Reports (SF-425) are submitted annually to EPA's Research Triangle Park Finance Center.

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III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements (Types) for this federal program identified by either the federal or State agency with a “Y” that are subject to the audit. The auditor must determine if the Type noted by “Y” has a direct and material effect on the federal program for the auditee. If the Type is determined to be subject to audit, the auditor must use the OMB 2026 Compliance Supplement, Part 3 and Part 4 (if an OMB supplement is issued) in addition to this State supplement to perform the audit.

If the State determines that the federal requirement does not require testing at the local level or if the State modifies the federal requirements, this is discussed in the supplement under the type of compliance requirement. Auditors are not expected to test requirements that have been noted with an “N.”

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	Y	N	Y	N	N	Y	Y	N

A. Activities Allowed or Unallowed

DNCR may only use CPRG funds to implement measures in the EPA-approved workplan, per Clean Air Act Section 137 and the award's programmatic terms. Allowable activities include workplan implementation, subawards to coalition partners, and associated personnel, travel, equipment, and contractual costs. Unallowable activities include anything outside the approved workplan, acquisition of intangible property, supplanting existing federal funding, and lobbying or entertainment costs.

Suggested Audit Procedures:

1. Review the EPA-approved workplan and amendments to identify allowable activities.
2. Sample expenditures and verify each relates to an approved workplan activity.

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B. Allowable Costs/Cost Principles

All costs must conform to 2 CFR Part 200, Subpart E, and 2 CFR Part 1500 — necessary, reasonable, allocable, and adequately documented. This applies across all budget categories, including personnel, fringe, travel, equipment, supplies, contractual, and other direct costs.

Suggested Audit Procedures:

1. Sample expenditures across all budget categories; verify necessity, reasonableness, allocability, and documentation.
2. Verify personnel costs are supported by signed time records.
3. Confirm indirect costs are charged at the approved de minimis rate on the correct base.

C. Cash Management

Not applicable at the state level. DNCR's cash management is governed by the NC Treasury-State CMA agreement (31 CFR Part 205) and is subject to separate state audit mechanisms. No additional testing required under this supplement.

D.—Reserve

E. Eligibility

Not applicable. No individual or organizational eligibility determinations are made at the local level under this award.

F. Equipment and Real Property Management

Equipment (useful life >1 year; per-unit cost ≥ capitalization threshold) must be inventoried, used for authorized purposes, and managed per state law (2 CFR 200.313(b)). The approved budget includes equipment (computers, furniture, vehicles) purchased by both DNCR and subrecipients. Real property acquired under the award must be maintained as a carbon sink; future conveyances and encumbrances of acquired real property require advance EPA Region 4 notification and approval. Deed restrictions must be included in all acquisitions and future conveyances ensuring real property will be utilized as a carbon sink and noting federal funding of the original acquisition (Award Amendment 2; 2 CFR 200.311, 200.316).

Suggested Audit Procedures:

1. Review DNCR's equipment inventory; verify required data elements and physically inspect a sample.
2. For real property acquisitions, verify restrictions were included in recorded deeds, conservation easements, and other relevant title records and EPA Region 4 was notified before any future conveyance of real property acquired with CPRG funds.

G. Matching, Level of Effort, Earmarking

Not applicable. This award is 100% federally funded; no match, level of effort, or earmarking requirements apply.

H. Period of Performance

The period of performance is October 1, 2024 through September 30, 2029 (2 CFR 200.309). Only costs incurred within this period are allowable. No pre-award costs were authorized or incurred. Extensions require prior written EPA approval and a written request at least 10 calendar days before expiration (2 CFR 200.308(f)(10)).

Suggested Audit Procedures:

1. Sample expenditures and verify each was incurred within the approved period of performance.
2. Apply additional scrutiny to costs incurred near the period boundaries.
3. Verify no pre-award costs were charged and that any extensions were EPA-approved in writing.

I. Procurement and Suspension and Debarment

Not applicable. DNCR follows NC state procurement law, which is more restrictive than federal standards and is subject to separate state audit mechanisms. Suspension and debarment verification is addressed within subrecipient monitoring (Type M).

J. Program Income

Not applicable. No program income is anticipated under this award.

K. Reserve

L. Reporting

DNCR must submit semi-annual performance reports to the EPA Project Officer within 30 days of each reporting period end (due April 30 and October 30), an annual SF-425 to EPA's Research Triangle Park Finance Center within 90 days of each fiscal year end, and a final performance report and SF-425 within 120 days of the period of performance end. First-tier subawards of \$30,000 or more must be reported in SAM.gov by the end of the month following obligation (2 CFR Part 170).

Suggested Audit Procedures:

1. Verify semi-annual performance reports and SF-425s were submitted within required timeframes; reconcile SF-425 reported expenditures to DNCR's grant accounting records.
2. Verify first-tier subawards of \$30,000 or more were reported in SAM.gov within required timeframes.

M. Subrecipient Monitoring

DNCR is the pass-through entity for subawards to TNC, VA, MD, SC, and NC-based partners. DNCR must verify UEIs and SAM.gov non-exclusion pre-award, ensure subaward agreements contain required elements per 2 CFR 200.332(b), conduct risk-based monitoring, and issue timely management decisions on findings.

Suggested Audit Procedures:

1. Review sampled subaward agreements for required elements and provisions.
2. Review monitoring documentation and verify it is risk-based.

N. Special Tests and Provisions

Not applicable. Per NC State compliance supplement guidance, Special Tests and Provisions is no longer a standalone compliance requirement type.