

DISASTER RECOVERY

State Authorization: Disaster Recovery Act of 2016, house Bill 2
The Disaster Recovery Act of 2016 will assist affected areas recovering from the damage caused by Hurricane Matthew, the western wildfires and Tropical Storms Julia and Hermine.

**North Carolina Department of Commerce
Fiscal Services Division**

Agency Contacts for Program and Fiscal. Address confirmation letters to CFO.

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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

Disaster Recovery funds are appropriated from the General Fund by the North Carolina General Assembly to the Department of Commerce as authorized in a legislative act to assist local governments recover from the damage caused by Hurricane Matthew, the western wildfires and Tropical Storms Julia and Hermine. Grants are available to local governments to construct new infrastructure required to support the development of new residential structures in areas outside the 100-year floodplain or repair or replace existing infrastructure. For purposes of this subdivision, infrastructure includes water, sewer, sidewalks, storm drainage, and other, similar projects that provide assistance or relief for Hurricane Matthew, the western wildfires, or Tropical Storms Julia and Hermine.

II. PROGRAM PROCEDURES

Grant Process Overview: From Appropriation to Closeout

1. Proposal Submission

- Local Government Grantees are named by direct appropriation, and the Department of Commerce is named to administer these awards via the finalized biennium budget enacted by the NC General Assembly.
- Named grantees are invited to complete a project proposal.

2. Required Proposal Materials

Grantees must submit all documentation outlined in the program guidelines, including:

- The Local Government authorized and executed program proposal.
- Documentation describing the proposed project scope and need.

3. Review and Award Process

- Initial Review: Department of Commerce staff review each proposal for completeness, eligibility, and compliance with program requirements.
- Assistant Secretary for Economic Development Consideration: Eligible proposals are presented to the Assistant Secretary for Economic Development for approval.
- Notification: Local Government Grantees are formally notified of the award.

4. Post-Award Contracting

- A grant agreement is executed between the Department of Commerce and the local government.
- The contract outlines project scope, reporting obligations, reimbursement procedures, and closeout expectations.
- No project costs are eligible for reimbursement until the contract is fully executed.

5. Project Implementation and Monitoring

- Site Visits:
 - An initial site visit is typically conducted following grant award.
 - Additional site visits may occur during construction/recovery efforts.
 - A final site visit may be conducted at project completion to verify outcomes.
- Ongoing Oversight: Staff monitor progress through communication with the grantee, review of reports, and verification of compliance with contract terms.

6. Project Reporting Requirements

- Local Government Grantees must submit progress reports biannually, due January 15 and July 15 for each year the grant remains open.
- Reports must document project status, expenditures, milestones, and any issues affecting progress.
- Local Government Grantees must submit a Final Report once all project activities and program requirements have been met and verified.

7. Requesting Reimbursement

- Local Government Grantees must submit:
 - Copies of eligible invoices.
 - Proof of payment (e.g., canceled checks, bank statements).
 - A completed payment request form.
- Commerce staff review reimbursement requests for eligibility and compliance before issuing payment.

8. Grant Closeout

- Closeout occurs once:
 - All project activities are completed.
 - All performance requirements are met and verified.
 - All required reports, including the Final Report, have been submitted and approved.
- A final site visit may be conducted to confirm project completion.
- Commerce issues a formal closeout letter to the grantee, concluding the grant.

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 | 11 | 12 | 13 |
|---------------------------------|---------------------------------|-----------------|----------------------|-------------|------------------------------------|---------------------------------------|-----------------------|------------------------------------|----------------|-----------|-------------------------|------------------------------|
| 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

Disaster Recovery funds are appropriated from the General Fund by the North Carolina General Assembly to the Department of Commerce as authorized in a legislative act to assist local governments recover from the damage caused by Hurricane Matthew, the western wildfires and Tropical Storms Julia and Hermine. Grants are available to local governments to construct new infrastructure required to support the development of new residential structures in areas outside the 100-year floodplain or repair or replace existing infrastructure. For purposes of this subdivision, infrastructure includes water, sewer, sidewalks, storm drainage, and other, similar projects that provide assistance or relief for Hurricane Matthew, the western wildfires, or Tropical Storms Julia and Hermine.

Audit Objective

To determine whether grant activities were limited to those authorized under the Rural Building Reuse program and whether no unallowable activities were charged to the grant.

Suggested Auditing Procedures

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

Grants are available to local governments to construct new infrastructure required to support the development of new residential structures in areas outside the 100-year floodplain or repair or replace existing infrastructure. For purposes of this subdivision, infrastructure includes water, sewer, sidewalks, storm drainage, and other, similar projects that provide assistance or relief for Hurricane Matthew, the western wildfires, or Tropical Storms Julia and Hermine.

Audit Objective

To determine whether costs charged to the grant were allowable, reasonable, properly documented, and incurred within the approved contract period.

Suggested Auditing Procedures

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.

Audit Objective

To determine whether the grant recipient maintained compliance with state conflict-of-interest laws and ensured that no prohibited relationships or gifts influenced procurement or contracting decisions.

Suggested Auditing Procedures

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 Performance of State Funds

Compliance Requirement

The contract between Commerce and the grant recipient specifies the period of availability of the Disaster Recovery Funds.

Audit Objective

To determine whether expenditures were incurred within the approved contract period and whether no costs were charged before the effective date or after the termination date of the grant.

Suggested Auditing Procedures

Auditors should review evidence of and ensure that eligible expenditures were not incurred prior to the effective date or after the termination date of the grant.

9. Procurement and Suspension and Debarment

Compliance Requirement

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.

Audit Objective

To determine whether the grant recipient followed required procurement policies.

Suggested Auditing Procedures

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

12. Reporting

Compliance Requirement

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

- Sub-recipients must submit progress reports biannually, due January 15 and July 15 for each year the grant remains open.
- Reports must document project status, expenditures, milestones, and any issues affecting progress.
- Sub-recipients must submit a Final Report once all job creation and performance requirements have been met and verified.

Audit Objective

To determine whether the grant recipient submitted all required reports accurately, completely, and on time.

Suggested Auditing Procedures

Verify compliance requirements in the contract.

The North Carolina General Statutes

- § 14-234. Public officers or employees benefiting from public contracts; exceptions.
- § 133-32. Gifts and favors regulated.
- § 159-34. Annual independent audit; rules and regulations.