

ONE NORTH CAROLINA FUND PROGRAM

State Authorization: N.C. G.S. 143B-437.70

**North Carolina Department of Commerce
Commerce Finance Division**

Agency Contact Person - Program

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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 OBJECTIVE

The One North Carolina Fund is established as a special revenue fund in the Department of Commerce. The purposes of the fund include those set out in N.C. Gen. Stat. 143B-437.70. The State of North Carolina seeks to grow economically, to achieve uniformly regional prosperity throughout the state, and to differentiate itself in economic development by recruiting and expanding quality jobs in high value-added, knowledge-driven industries and retaining quality growing industries that support the communities of this state. The One North Carolina Fund plays a key role in that effort.

Pursuant to the terms of Part 2H of Article 10 of Chapter 143B of the General Statutes (“The Act”), the One North Carolina Fund shall be “allocated only to local governments for use in connection with securing commitments for the recruitment, expansion, or retention of new and existing business.”

The Fund is intended to provide the State of North Carolina with a flexible tool that can be used in situations in which North Carolina must respond quickly to enable job creation and/or retention and growth and expansion of economic infrastructure within its borders. It is intended to enable the state to respond quickly and effectively to the dynamic forces of the state’s economy and to the nature of industrial recruitment and retention among the various states.

In performing this function, the fund seeks to encourage, attract, and retain sustainable investments and jobs to North Carolina communities, to stimulate state and local economies, and to provide resources to enable North Carolina communities to improve their economic

development infrastructure, expand their tax base, and improve their general economic health and welfare.

Moneys allocated from this fund are the result of negotiation and agreement between state and local governments and private businesses or industries. These guidelines are intended to provide direction to those responsible for administering the fund in negotiating the financial arrangements under which moneys will be disbursed.

II. PROGRAM PROCEDURES

Projects appropriate for funding may be brought to the attention of the Governor and the Department of Commerce in a variety of ways. As a general rule, when a project is first identified, it should be assigned to an economic developer with The Economic Development Partnership of North Carolina.

The company and local units of government are required to submit a formal application to the Commerce Finance Center. The application is designed to aid the Secretary of Commerce in making an assessment whether the project will promote the retention and expansion of existing business and industry within the State or the recruitment and attraction of new business and industry to the State. A full and complete application including all necessary supporting documentation, should be submitted and approved prior to a formal project announcement. In the event a company announces its intention to go forward with a project prior to a formal award by the Governor of any grant from the One North Carolina Fund, the Department of Commerce may treat such action as a basis for rejecting any application associated with the project.

The award of any grant funds will be contingent upon the local unit of government and the business or industry entering into satisfactory written agreements with each other and the Department of Commerce and the ultimate performance of the business or industry and local government under the terms of the agreements.

The appropriate contracts for a grant will be a Company Performance Agreement between the local unit of government and the business or industry, in a form consistent with the terms of N.C. Gen. Stat. 143B-437.72. Local Government Grant Agreement between the local unit of government and the Department Commerce in a form consistent with the terms of N.C. Gen. Stat. 143B-437.72.

The information to be collected in the process of application for grants from the One North Carolina Fund may include: (a) The average wage for the group of new full- time jobs being created and/or retained. (b) The average wage for the full-time jobs at the entire facility. (c) Confirmation that any new jobs are not jobs or positions transferred from operations in one part of the state to another.

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
N	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N

2. Allowable Costs/Cost Principles

Compliance Requirement

In accordance with G.S. 143B-437.71(b), moneys in the One North Carolina Fund allocated to local governments shall be used for the following purposes only:

- (1) Installation or purchase of equipment
- (2) Structural repairs, improvements, or renovations to existing buildings to be used for expansion.
- (3) Construction of or improvements to new or existing water, sewer, gas, or electric utility distribution lines or equipment for existing buildings.
- (4) Construction of or improvements to new or existing water, sewer, gas, or electric utility distribution lines or equipment for new or proposed buildings to be used for manufacturing and industrial operations.
- (5) Any other purposes specifically provided by an act of the General Assembly.

Suggested Audit Procedures

- 1) Reviewing company’s asset report verifying timeframe occurred between the award date and closeout date. If expended on other purposes, ensure that there is a documented agreement approved by the General Assembly allowing that specific cost.

3. Cash Management

Compliance Requirement

According to G.S. 143B-437.75, Notwithstanding any other provision of law, moneys allocated from the One North Carolina Fund shall be budgeted and funded on a cash flow basis. The Department of Commerce shall disburse funds in an amount sufficient to

satisfy fund allocations to be transferred pursuant to G.S. 143B-437.72 to be paid during the fiscal year. It is the intent of the General Assembly to appropriate funds annually to the One North Carolina Fund established in this part in amounts sufficient to meet the anticipated cash requirements for each fiscal year. (2012-142, s. 13.6(e); 2016-94, s. 15.2(b).).

Ordinarily, local units of government that receive grants from the One North Carolina Fund will receive those funds over a period of three years following the date of the Governor's Letter in four increments as each quarter (25%) of the total number of required new jobs for which funds were allocated are created or other performance requirements are met.

Deviations in this schedule should occur only when, in the exercise of discretion and considering the particular and unusual circumstances, it is concluded that the best interests of the State and the purposes of the fund will be advanced. Any such deviation should be reflected in the necessary agreements.

Suggested Audit Procedures

- 1) Review the company signed and returned the receipt form stating they received OneNC funds from the local government.

5. Eligibility

Compliance Requirement

In order for a project to be considered for OneNC, the following criteria must be met:

- 1) The project must be competitive with locations outside North Carolina and remain competitive until the grant is formally awarded.
- 2) The project must meet the county wage requirement.
- 3) The local government must match the grant via cash, fee waivers, in-kind services, infrastructure improvement or donations of land, buildings or other assets.
- 4) The company must provide health insurance and pay at least 50% of the premiums for all the full-time jobs.
- 5) The company must meet statutory occupational safety and environmental compliance requirements.

Applications are accepted on an ongoing basis and subject to availability of funds. The North Carolina Department of Commerce reviews applications and make recommendations for funding to the Governor.

OneNC funding is dispersed in 25% increments as the company creates new jobs. For instance, if a company commits to creating 100 jobs over three years, as soon as the company has created the first 25 jobs and met 25% of its target investment, it is eligible to receive 25% of the award. North Carolina statute requires that the company maintains at least 90% of new jobs in operation at the project location, or at another approved site in North Carolina, for a period of up to two years after the grant end date.

Suggested Audit Procedures

Test to verify the company remain eligible by the above criterion.

6. Equipment and Real Property Management

Compliance Requirement

The agreement specifies that the proceeds of the Grant may be used only to offset statutorily qualifying expenses as set out in N.C. Gen. Stat. 143B-437.71(b) (“**Statutorily Qualifying Expenses**”). One of those expenses include installation or purchase of equipment.

Suggested Audit Procedures

Look at the company’s fixed asset report to verify when the equipment is being tracked to verify it is during the award period of the grant.

7. Matching, Level of Effort, Earmarking

Compliance Requirement

According to OneNC Fund guidelines, monies will be allocated from the One North Carolina Fund to those local units of government that match the grants allocated to them in the following manner:

- (a) For a local government in a development for one area, as defined in N.C. Gen. Stat. 143B-437.08, the State shall provide no more than three dollars (\$3.00) for every one dollar (\$1.00) provided by the local government.
- (b) For a local government in a development tier two area, as defined in N.C. Gen. Stat. 143B-437.08, the State shall provide no more than two dollars (\$2.00) for every one dollar (\$1.00) provided by the local government.
- (c) For a local government in a development tier three area, as defined in N.C. Gen. Stat. 143B-437.08, the State shall provide no more than one dollar (\$1.00) for every one dollar (\$1.00) provided by the local government.

Suggested Audit Procedures

Test to ensure that matching requirements are met and tracked appropriately.

8. Period of Performance

Compliance Requirement

Expenditures of the OneNC Fund must occur during the specified award period. The award agreement states that N.C. Department of Commerce will close the Grant on the first to occur of:

- (1) The date as of which N.C. Department of Commerce shall have received and accepted proof reasonably satisfactory to it that the Project has been completed and the Performance Criteria satisfied.

12. Reporting

Compliance Requirement

The Grantee should submit a performance report every February 1st specifying what has been accomplished and what they expect to accomplish for the upcoming year.

Suggested Audit Procedures

Test compliance with the reporting in the agreement.