

RURAL INFRASTRUCTURE PROGRAM

State Authorization: North Carolina General Statue 143B-472.127

**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

The Building Infrastructure Program provides grants to local governments to assist with public infrastructure improvements that will lead to the direct creation of new, full-time, private sector jobs. The program requires a cash match of 5% to the grant request amount.

Eligible grant recipients are units of local government located in Tier 1 or Tier 2 counties, or within a rural census tract in a Tier 3 county. As prescribed in N.C.G.S. 143B-472.127(a)(2) a rural census tract is an area having a population density of less than 500 people per square mile in accordance with the most recent decennial federal census.

Grants are available to assist with planning, materials, labor, and administration costs to complete public infrastructure improvements, including:

- construction, upgrade or repair of public drinking water or wastewater treatment plants
- construction, upgrade, extension, or repair of public water or sewer lines
- publicly owned natural gas lines (requires an executed Pipeline Construction, Operating and Resale Agreement)
- installation or extension of public broadband infrastructure
- construction of publicly owned access roads not funded or owned by the Department of Transportation
- construction of public rail spur improvements

II. PROGRAM PROCEDURES

Grant Process Overview: From Application to Closeout

1. Application Submission

- Applications are accepted on a bimonthly basis. Application forms are available on the Department of Commerce’s website at www.commerce.nc.gov/ruralgrants
- Submission deadlines align with the Rural Infrastructure Authority (RIA*) meeting calendar, which occurs six times per fiscal year.
- Applications received after a deadline roll forward to the next scheduled review cycle.

2. Required Application Materials

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

- Completed program application.
- Documentation describing the proposed project scope and need.
- Local government resolution authorizing the application and participation in the program.
- Any additional supporting materials required by the specific grant program.

3. Review and Award Process

- Initial Review: Department of Commerce staff review each application for completeness, eligibility, and compliance with program requirements.
- RIA Consideration: Eligible applications are presented to the RIA* board.
- Award Decision: The RIA* votes to approve or deny each grant request.
- Notification: Applicants are formally notified of the award decision.

4. Post-Award Contracting

- A grant agreement is executed between the Department of Commerce and the local government.
- The contract outlines project scope, performance requirements, 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 during the application review phase.
 - Additional site visits may occur during construction or renovation.

- 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

- 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.

7. Requesting Reimbursement

- Sub-recipients 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 (including job creation, if applicable) 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

Rural Building Reuse grants are awarded to local governments to assist with building improvements that will lead to the creation of new, full-time, private sector jobs. The program requires a cash match equal to the grant requested amount.

Eligible grant recipients are units of local government located in Tier 1 or Tier 2 counties, or within a rural census tract in a Tier 3 county. As prescribed in N.C.G.S. 143B-472.127(a)(2) a rural census tract is an area having a population density of less than 500 people per square mile in accordance with the most recent decennial federal census.

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

Eligible costs include generally recognized real property improvements which include, but are not limited to materials and labor to install HVAC*, electrical, plumbing, fire alarm/suppression systems, roofing, flooring, carpentry, drywall, paint, etc. This is not an exhaustive list; sub-recipients should contact the Rural Economic Development Division for questions about whether a specific expense is eligible under the program.

The following costs are specifically prohibited under the program and may not be submitted for reimbursement or the matching funds requirement: building purchase, architectural costs, engineering costs, permitting fees, surveys, legal fees, machinery & equipment, telephone hardware and software, computer hardware and software, furnishings, paving, fencing, kitchen equipment, refrigeration equipment, etc. Costs should be incurred during the contract period.

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 Rural Building Reuse funds. The project period is normally two years but may be extended through a grant amendment.

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 invoices which may include copies cleared checks, wire transfer or ACH receipt, and/or credit card receipts 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

Auditors should review evidence of invoices which may include copies cleared checks, wire transfer or ACH receipt, and/or credit card receipts and ensure that eligible expenditures were not incurred prior to the effective date or after the termination date of the grant.

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.
- § 143B-472.127. Programs administered.

*RIA – Rural Infrastructure Authority

*ACH – Automated Clearing House

*HVAC – Heating, ventilation, and air conditioning