

**COMPLETE THE TRAILS PROGRAM FUND:
GRANT FUNDS FOR STATE TRAILS**

State Authorization: Session Law 2021-180 Support for NC Trails Section 14.7

**NC Department of Natural and Cultural Resources
Division of Parks and Recreation**

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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 Complete the Trails Program (CTP) was created with Session Law 2021-180 as a special fund within the Department of Natural and Cultural Resources (DNCR). The Fund consists of appropriations or allocations directed by the General Assembly to the Fund, contributions, and grants from public or private sources. The CTP is administered by the Planning Program within the Division of Parks and Recreation (Division). Funds appropriated in this act to DNCR for support of the North Carolina Trails System shall be allocated to the CTP for the purpose of planning, construction, promotion, and maintenance of authorized state trails in North Carolina. It is the intent of the General Assembly that, where practicable, these activities be carried out through partnerships with local governments or nonprofit organizations. Funding in this program includes a capacity building grant for each of the twelve partner organizations; trail development funds for each of the twelve authorized state trails; a land acquisition grant program open to the twelve state trail partners; and a connecting grant program open to small communities (less than 25,000 population) that are located within 6 miles of a planned state trail corridor. Trail development funds were allocated to each state trail based on a formula that accounted for trail mileage yet to be constructed, for the land-based trails and a set formula that depended on when the trail was authorized for the paddle (water) trails.

II. PROGRAM PROCEDURES

The Division administers the program on behalf of DNCR. At the direction of the General Assembly, each of the state trails has a non-profit partner organization which receives grants for trail development. Each partner organization has a signed MOU with DNCR and has developed a 5 Year Plan for its state trail. The plans were reviewed and approved by the Division of Parks and Recreation. Projects proposed to receive funding by the partner organization must be included in the 5 Year Plan. Any project that involves land-disturbing activities must go through an environmental review prior to grant funding. This process is directed by the partner organization, with oversight by the Division.

Partners submit a project scope to the Division for review and approval. Once approved, then the project will go to contract to receive grant funding. Partners are required to submit quarterly reports which outline expenditures in any grant contract within the CTP, including the capacity building grants that were distributed to each of the partners. Upon completion of a project, Division staff will make a site visit to ensure that the project is completed as directed in the scope and project contract. In the case of capacity building funds, the Partner must submit itemized expenditures in the quarterly report.

The Land Acquisition grant program portion of the CTP is only open to the Partners who must complete and submit an application. This application will be reviewed by Division staff. Each application is reviewed and evaluated by staff for completeness and eligibility. Staff evaluates eligible applications based on the following criteria in the scoring system:

1. Readiness and need: The property must be located within the planning corridor of a state trail. Partners who received less than \$1M in CTP funding will receive extra consideration in this section.
2. Connectivity: The property must provide a potential or future connection or extension of a state trail.
3. Future development potential: The development potential, in addition to trail construction, will be considered. Camping and trailhead development potential will score additional points.
4. Leveraged value: Funding matches and additional partnerships are rewarded in this section.
5. Urgency: Points are awarded to properties in imminent danger of being developed in a manner that would preclude trails.

An internal Land Acquisition Committee (LAC) will review and evaluate each application and other relevant factors and will select applications for funding. The timing for this review and funding has not yet been determined. Upon approval of an application by the LAC, a contract is executed between the local grant recipient and DNCR. The contract defines DNCR's and the grant recipient's responsibilities and obligations, the contract's project period, project scope, and the amount of grant assistance. The grant recipient's application and support documentation become a part of the contract.

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Grant recipients are paid for grant contracts once the contract is executed. 10% of the grant contract will be held until the project is completed and passes inspection by Division staff.

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

1. Activities Allowed

- a. Capacity Building Funds
 - i. Once DNCR identifies a Partner for each state trail for the permitted activities listed in Permitted Activities for Trail Development and enter into a Memorandum of Understanding, then that Partner will receive capacity building funds to increase the ability of the organization to develop the state trail.
 - ii. Staffing and web site development are among the permitted uses of these capacity building funds.
- b. Trail Development
 - i. Planning, design, and related environmental assessment or permitting activities for natural surface trails and paddle trail facilities
 - ii. Land and easement acquisition for natural surface and paddle trails
 - iii. Construction or rehabilitation of natural surface trails, bridges and boardwalks, and trail facilities such as trailheads and camping sites
 - iv. Trail signage

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- v. Maintenance activities
- vi. Matching funds for federal grants provided to a local government or nonprofit organization for any of the above purposes
- c. Land Acquisition
 - i. Land acquisition
 - ii. Easement acquisition
 - iii. All land and easements acquired must be within the planned corridor of the state trail
 - iv. All property and/or easements must be held by public agencies and/or land conservancies with a permanent public trail easement.
- d. Connecting Trail Grant
 - i. Trail and trail facility construction
 - ii. Land and/or permanent easement acquisition
 - iii. Planning
 - iv. Applicants must be communities with populations less than 25,000 that are located within 6 miles of planned state trail corridor.

Audit Objectives

Ensure that the grantee completes projects with CTP funds as approved by The Division and/or the NC Trails Committee and complied with Division administrative rules.

Suggested Audit Procedures

Verify elements of the contract and project scope agree with records or evidence of actual performance.

2. Allowable Costs

Compliance Requirements

Eligible costs include planning, design, environmental assessment or permitting; land and easement acquisition; natural surface trail construction or rehabilitation; paddle access construction; signage; maintenance of natural surface trails, trailheads or paddle accesses; maintenance of paddle trails including construction of portages, snagging river channels and construction and/or maintenance of accesses.

Eligible costs must be incurred during the project period and described in the project scope of the project agreement or be documented in the application. Land acquisition costs for the Land Acquisition Grant Program may be incurred before the grant application period as long as the Partner is provided with a waiver from The Division. This waiver will not guarantee grant funding.

DNCR is not to be invoiced for sales taxes for which a refund will later be requested.

Audit Objectives

Determine whether costs covered by the contract were allowable.

Suggested Audit Procedures

Check expenditure records against the scope and project period listed in the CTP contract as well as the CTP administrative rules.

3. Cash Management

Compliance Requirements

A contract between DNCR and the grantee is executed before the grantee begins work on the grant. To be eligible, project costs must be incurred during the contract period, be documented in the grant application, described in the project scope of this agreement, and initiated and/or undertaken after execution of this agreement by the Grantee and DNCR.

Payment shall be made in accordance with the Contract documents as described in the Scope of Work. 10% of the contract amount will be held until successful completion and inspection of the project.

Accounting records should be based on generally accepted local government accounting standards and principles including the Local Government Budget and Fiscal Control Act (G.S. 159-7 to 159-42). Records shall be retained for a period of five (5) years following project completion, except that records shall be retained beyond a five (5) year period if audit findings have not been resolved.

All accounting records and supporting documents will clearly show the number of the Contract and CTP project to which they are applicable. The State Auditor and the Department's Internal Auditors shall have access to persons and records as a result of all Contracts and Grants entered into by state agencies and or political subdivisions in accordance with General Statute 147-64.7.

The Grantee agrees to refund to the Department, subsequent to audit of the project's financial records, any costs disallowed or required to be refunded to the Department on account of audit exceptions.

Audit Objectives

Determine whether cash management practices are in compliance with the contract.

Suggested Audit Procedures

Ensure that cash management practices are consistent with those called for in the contract.

4. Conflict of Interest

Compliance Requirements

In addition to legislation enacted by the General Assembly (North Carolina General Statutes 14-234) for local governments, the contract between DNCR and the grantee specifies the measures necessary to guard against a conflict-of-interest issue. 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. The grantee attests that its employees or agents are not aware that any such gift has been offered, accepted, or promised by any employees of the organization.

Audit Objectives

Make sure grantee adhered to its conflict-of-interest policy as well as the measures to prevent conflicts of interest described in the contract.

Suggested Audit Procedures

Verify existence of a written policy and adherence to it.

Verify written policy does not contradict anything in the contract.

5. Eligibility

Compliance Requirements

DNCR determines eligibility for local governments and their applications. No additional work is deemed necessary from the local CPA.

Audit Objectives

Not applicable.

Suggested Audit Procedures

Not applicable.

6. Equipment and Real Property Management

The contract between DNCR and the grantee specifies equipment and real property management and accounting guidelines. When CTP funds are used to purchase land, permanent public trail easements must be included in the deed of the purchased property.

The Grantee agrees not to discriminate against any person on the basis of race, sex, color, national origin, age, residency, or ability in the use of any property or facility acquired or developed pursuant to this agreement.

7. Matching, Level of Effort, Earmarking

Compliance Requirements

No match is needed for most of the CTP funds. The one exception is the Connecting Community grant program. Communities with a population of 5001-25,000 must provide a dollar-for-dollar match with non-State funds.

Audit Objectives

Ensure compliance with contract requirements.

Suggested Audit Procedures

Level of Effort-Not Applicable

Earmarking-Not Applicable

8. Period of Availability

Compliance Requirements

The contract between DNCR and the grantee specifies the period of availability of the State's CTP grant specific funds. For grantees, the date the contract is signed by the local grantee and DNCR is the beginning of the project period, unless the Incidental costs required to complete an application and as defined in the application's cost estimates may be incurred within two years of the application deadline. The total project period is normally three years as stated in the contract.

Audit Objectives

Ensure compliance with the grant period.

Suggested Audit Procedures

Verify expenditures are for costs incurred during the grant period and described in the contract and application's cost estimates.

9. Procurement and Suspension and Debarment

Procurement:

Compliance Requirements

The contract between DNCR and the grantee specifies the requirements, if any, for procurement. Local Government Budget and Fiscal Control Act (G.S. 159-7 to 159-42); Formal Contracts, Informal Contracts and Purchasing (including but not limited to G.S. 44A-26, G.S. 87-1 to 87.15.4, G.S. 133.1 to 133-40, G.S. 143-128 to G.S.143-135; Uniform Relocation Assistance Act (G.S. 133-5 to 133-18); Contractors must use E-Verify (G.S. 143-48.5); Americans With Disabilities Act of 1990 (P.L. 101-336) and ADA Accessibility Guidelines; N.C. State Building Code; and Sales Tax Refund (G.S. 105-164.14(c)).

Audit Objectives

Ensure compliance with the contract.

Suggested Audit Procedures

Verify existence of procurement requirements, if any, in the contract. If present, review grantee's records to ensure compliance.

Suspension and Debarment:

Compliance Requirements

A local grantee is prohibited from entering a contract with a party that has been suspended or debarred by the State of North Carolina.

Audit Objectives

To determine a grantee has not entered a contract with a party that has been suspended or debarred by the State of North Carolina.

Suggested Audit Procedure

Test a sample of contracts, if applicable, and verify that the grantee has not entered a contract with a party that has been suspended or debarred by the State of North Carolina. A list of debarred parties can be found at: <http://doa.state.nc.us/PandC/actions.htm>.

10. Program Income

Compliance Requirements

No income is anticipated, as there is no charge to use state trails.

Audit Objectives

None. There are no required uses of program income.

Suggested Audit Procedures

None.

12. Reporting

Compliance Requirements

Reporting requirements enacted by the General Assembly for local governments and public authorities is found in General Statutes 159-34. The contract between DNCR and the grantee also specifies reporting requirements regarding project progress and status.

Audit Objectives

Ensure compliance with the contract.

Suggested Audit Procedures

Verify compliance requirements in the contract. Then review recipient records to ensure compliance.

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13. Subrecipient Monitoring

N/A

14. Special Tests and Provisions

N/A