

FARMVILLE-GREENE COUNTY WATER PROJECT

State Authorization: 2005 Long Session Joint Conference Committee Report

**N C Department of Environment and Natural Resources
Division of Budget, Planning and Analysis**

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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.

I. PROGRAM OBJECTIVES

One-time funding in the amount of \$2,000,000 was authorized by the General Assembly in the 2005 session for the Farmville- Greene County water project. Farmville and Green County have entered into water purchase agreements with the Greenville Utilities Commission (GUC) as a method of providing alternative water supply to eliminate a critical water shortage being faced as a result of Central Coastal Plain Capacity Use Area rules. A transmission system consisting of 24” diameter waterline, booster pump station, and elevated storage tanks is proposed to interconnect with the GUC system. Farmville-Greene County will contract the construction etc to assist in project completion.

II. PROGRAM PROCEDURES

Construction of water lines involves two elevated storage tanks. Farmville and Green County will contract for construction through a competitive bidding process. Consistent with public utility construction the contractors shall have a prescribed number of days to complete construction activities. The contractors will be responsible for providing all materials, labor and equipment necessary to complete the project. Funds can be used for construction, contingency, engineering, inspections, land, legal, administrative and additional services. The project engineer will be performing contract administration activities.

II. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

Compliance Requirements

Funds for the water project can be used for construction, contingency, engineering, inspection, land, legal, administration, and additional services.

Audit Objective

Ensure that expenditures are for allowable activities, and that a competitive bid process has been used.

Suggested Audit procedures

Verify invoices with accounting records. Review all solicited bids for construction to ensure competition was a part of the construction contract process

2. Allowable Costs/Cost Principles

Compliance Requirements

Cost must be based on allowable activities.

Audit Objective

Ensure that expenditures only occurred based on the budget and allowable activities

Suggested Audit Procedures

Verify budget and all expenditures to include construction contract competitive bids.

3. Cash Management

Compliance requirement

Funds are to be disbursed by the state to the recipients quarterly unless authorized by the Office of State Budget and Management to be disbursed at a different frequency.

Audit Objective

No audit for compliance necessary by the Auditors.

8. **Period of Availability of State Funds**

State funds are available for the period July 1, 2005 through June 30, 2006, unless carry forward is granted by the Office of State Budget and Management.

12. Reporting Requirements.

Compliance Requirement

Recipients should comply with reporting requirements set forth in G.S. 143-6.1

Audit Objective

Ensure compliance with G.S. 143-6.1

Suggested Audit Procedures

Verify that State funds have been used appropriately and that the required reports have been filed.