

PARKS AND RECREATION TRUST FUND

State Authorization: Chapter 113-44.15 of the North Carolina General Statutes

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

Agency Contact Person - Program and Financial

Address Confirmation Letters To

Program and Financial:

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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 Parks and Recreation Trust Fund (PARTF) was created by the N.C. General Assembly in July 1994 (General Statute 113-44.15). In 1995, the General Assembly dedicated funds from the excise stamp tax to PARTF starting in FY 1996-97. The Parks and Recreation Authority (Authority), an eleven member board, was created by the General Assembly in 1995 to allocate funds from PARTF to local government projects in the form of matching grants for land acquisition and development of facilities for public park and recreation purposes. Based on PARTF’s general statute, 65% of PARTF is allocated to state parks for capital projects, repairs and renovation in parks and for land acquisition; 30% is allocated for matching grants on a dollar-for-dollar basis to local governments; and 5% to the Division of Coastal Management for the Coastal and Estuarine Water Beach Access Program.

II. PROGRAM PROCEDURES

The Division of Parks and Recreation administers the program on behalf of the N.C. Department of Environment and Natural Resources (DENR). The Parks and Recreation Authority has full discretion and responsibility over the allocation of PARTF to local governments. Only counties, incorporated municipalities and public authorities which are authorized to acquire land and develop facilities for public recreation purposes are eligible to apply and to receive PARTF funding.

The Authority and staff have developed an application as the vehicle for eligible local government applicants to apply for funding. The deadline for applications is January 31st each year. Letter to eligible applicants announcing the annual funding cycle and its dates are

sent in early September. In October, a formal application workshop is conducted across the state by staff to assist local governments in preparing of their applications.

These applications are a primary decision making tool used by the Authority to determine a given application's merit for PARTF funding. Also as decision making tools, the Authority shall consider the geographic distribution of grants, the presence or absence of other funding sources, the population of applicants, the level of compliance with prior grant agreements, the amount of funds available and the amount of funds being requested.

Each application is reviewed and evaluated by staff for completeness and eligibility. Staff evaluates eligible applications based on the following criteria:

- 1) New public recreation facilities provided by the project;
- 2) The degree of local recreational planning for the project and how the specific elements in the project conform to the plan;
- 3) The acquisition or the conservation of unique natural, cultural, recreational or scenic resources;
- 4) The level of public involvement in developing and supporting the project;
- 5) The applicant's commitment to operating and maintaining the project;
- 6) The suitability of the site for the proposed project development;

The Authority reviews the evaluation of each application and other relevant factors and selects applications for funding in May and July each year. Upon approval of an application by the Authority, a written contract is executed between the local grant recipient and DENR. The contract defines DENR'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.

The PARTF program operates within a set of program guidelines established under administrative rules as defined in DENR's Subchapter 12K 15A NCAC 12K .0101 – 0110. As such, auditors are directed to the above referenced administrative rules and the PARTF contract for specific directions on all aspects of compliance.

DENR staff will conduct periodic inspections during the contract period to assure and to monitor for the continued effectiveness of the financial and administrative management by the grant recipient.

Grant recipients initially pay in full for costs incurred during the project period, and upon submission of project billings with required support documentation to DENR are reimbursed 50% of eligible costs according to the contract and the cost estimates submitted with the grant recipient's application.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

Compliance Requirements

The contract between DENR and the local government grantee specifies activities allowed or not allowed.

Audit Objectives

Make sure the grantee complied with the grant award and PARTF administrative rules.

Suggested Audit Procedures

Verify elements of the contract and scope against records or evidence of actual performance.

2. Allowable Costs

Compliance Requirements

The contract between DENR and the grantee specifies allowable costs. DENR is not to be invoiced for sales taxes for which a refund will later be requested.

Audit Objectives

Determine whether costs covered by contract were allowable.

Suggested Audit Procedures

Check expenditure records against the contract and PARTF administrative rules.

3. Cash Management

Compliance Requirements

The contract between DENR and the grantee specifies cash management practices.

Audit Objectives

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

Suggested Audit Procedures

Check cash management practices against 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 DENR and the grantee specifies the measures necessary to guard against a conflict of interest issue.

Audit Objectives

Make sure grantee adhered to its conflict-of-interest policy.

Suggested Audit Procedures

1. Verify existence of a written policy and adherence to it.

2. Verify written policy does not contradict anything in the contract.

5. Eligibility

Compliance Requirements

DENR 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 DENR and the grantee specifies equipment and real property management and accounting guidelines. When PARTF participates in the purchase of property interests, it requires the grantee to place perpetual restrictions on the property deed for public recreation use only. When PARTF participates in development of facilities, the grantee assures via the contract to maintain and operate the facilities for public recreation use for a minimum of 25 years after the completion date set forth in the contract.

7. Matching

Compliance Requirements

The contract between DENR and the grantee specifies requirements for matching. The grantee's match is spelled out in the contract's scope of work and cost estimates in the grantee's application.

Audit Objectives

Ensure compliance with contract requirements.

Suggested Audit Procedures

Review contract to determine existence of a matching requirement. Review grantee's accounting records to ensure compliance.

Level of Effort-Not Applicable

Earmarking-Not Applicable

8. Period of Availability of State Funds

Compliance Requirements

The contract between DENR and the grantee specifies the period of availability of the State's PARTF funds. For grantees, the date the contract is signed by the local grantee and DENR is the beginning of the project period, unless the Authority has granted a waiver as defined in PARTF administrative rules to allow the grantee to acquire land before a contract is executed. 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 DENR and the grantee specifies the requirements, if any, for procurement.

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 into 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 into 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 into 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

DENR encourages grantees to use any program income to expand services and facilities for public recreation purposes on the project site.

Audit Objectives

Ensure compliance with the contract.

Suggested Audit Procedures

Verify allowable uses for program income in the contract. Then review recipient records to determine if uses of program income are in accordance with those specified in the contract.

11. Real Property Acquisition and Relocation Assistance

Compliance Requirements

The contract between DENR and the grantee specifies requirements for the acquisition of real property.

Audit Objectives

Ensure compliance with the contract.

Suggested Audit Procedures

Verify existence of real property acquisition and relocation assistance requirements, if any, in the contract. If present, review recipient records to ensure that acquisition or relocation assistance expenditures were used in accordance with the contract.

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 DENR 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.