

**MOBILE SOURCE EMISSIONS REDUCTION GRANTS**

**State Authorization: House Bill 681 Sec. 13 G.S. 105-445**

**North Carolina Department of Environment and Natural Resources  
Division of Air Quality**

**Agency Contact Person - Program and Financial**

**Address Confirmation Letters To**

**Program: Anne Galamb: (919) 715-6296**

**Anne Galamb**

NC Department of Environment and Natural Resources/Division of Air Quality  
1641 Mail Service Center  
Raleigh, NC 27699-1641  
c.c. Bud Jennings

**Financial: Gerald Desoto (919) 715-6234**

**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 purpose of the Mobile Source Emissions Reduction Grants is to achieve actual reductions from on and off-road mobile source related emissions in North Carolina. In reducing mobile source emissions, the program assists the State in maintaining the National Air Quality Standards, especially for ozone and particulate matter.

**II. PROGRAM PROCEDURES**

The Mobile Source Emissions Reduction Grants are funded by a tax of 1/64 of a cent per gallon of gasoline sold in North Carolina, as a result of 1993 Clean Air Legislation.

Each year the Grant Review Committee selects the focus and goals of the grant cycle. Informational e-mails are sent to appropriate groups and individuals. The grants are also publicized through news releases, advertisements, and the Division of Air Quality (DAQ) web page. **Interested parties download an application package from the DAQ webpage, which includes more detailed information and the proposal cover sheet.**

DAQ invites government agencies, private organizations, businesses, and individuals to submit grant proposals. The applications are accepted from October to December 31 of each year. An Internal Grant Review Committee comprised of DAQ staff members (Technical Services Section Chief, Planning Section Chief, Mobile Sources Compliance Branch Supervisor, Attainment Planning Branch Supervisor, Grant Administrator, and Alternative

Fuels Specialist **or their designee**) reviews the applications and makes recommendations to the Grant Review Committee. The Grant Review Committee comprised of representatives from community, industry, and environmental interests make recommendations to the Secretary of the North Carolina Department of Environment and Natural Resources (NC DENR). Grant awards are approved annually by the NC DENR Secretary. Typically, projects focus on alternative fuel infrastructure and vehicles, air quality educational programs, or reductions in vehicle miles traveled. Grant recipients receive an Agreement Document and an award letter. Contracts, detailing program requirements, are prepared, and the funds are encumbered.

Grant recipients submit invoices for goods/services purchased along with a copy of receipts or other proof of purchase. Invoices are reviewed by the Grant Administrator to ensure the expenditures are appropriate. The Mobile Source Compliance Branch Supervisor approves the requests for reimbursement. The Grant Administrator keeps a log of items purchased in each grantee's file. The Budget Officer periodically gives the Grant Administrator a status report of project funds to double check accuracy. The Grant Administrator submits invoices to the Budget Officer, who sends payment to the appropriate party.

Grant recipients are allowed to purchase the items/services as listed in their grant application unless otherwise stated in the grant contract. If certain items are unavailable, equivalent replacements will generally be accepted. Recipients are evaluated yearly to review the progress of the projects. Time extensions or redistribution of funds requests must be sent in writing to the Grant Administrator with justification. Requests for grant amendments and extensions must be approved by the Mobile Source Compliance Branch Supervisor and the DAQ Business Officer.

### III. COMPLIANCE REQUIREMENTS

#### 1. Activities Allowed or Unallowed

##### **Compliance Requirements**

Projects must be directly linked to reducing mobile source emissions.

##### **Audit Objectives**

Determine whether State funds were expended only for allowable activities.

##### **Suggested Audit Procedures**

1. Auditors should refer to an individual grant contract and /or agreement document to determine the specific activities allowed for the grantee's project.
2. Invoices, reports, and correspondence should also be reviewed to ensure that the contract guidelines are followed.

2. Allowable Costs/Cost Principles

**Compliance Requirements**

Items purchased must be in accordance with the budget approved by the Secretary of NC DENR. All purchases should be costs directly related to a specific objective or project. If administrative services have been approved, specific amounts will be listed in the budget.

**Audit Objectives**

Ascertain whether charges made to State awards were for allowable costs.

**Suggested Audit Procedures**

1. Auditors should refer to an individual grant contract and/or agreement document to determine the itemized budget for the grantee's project.
2. Invoices and reimbursement approvals should be reviewed to verify that the costs are within the allowable limits.

3. Cash Management

**Compliance Requirements**

Recipients are funded on a reimbursement basis. The purchase, for which reimbursement was requested, should be paid for by the grant recipient prior to the date of the reimbursement request. Invoices are to be submitted at least quarterly, and final invoices must be received by NC DENR within forty-five days after the end of the contract period.

**Audit Objectives**

Determine whether recipients followed procedures established by applicable laws, regulations, statutes and agency requirements.

**Suggested Audit Procedures**

Auditors should trace reimbursement requests to supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.

4. Conflict of Interest

**Compliance Requirements**

All local governments are required to comply with G.S. 14-234.

All non-profits are required to comply with Chapter 443, Section 7.5, 1997 Session Laws.

**Audit Objectives**

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

**Suggested Audit Procedures**

Verify existence of a written policy.

7. Matching

**Compliance Requirements**

The amount of matching funds promised by recipients can be found in the grant application.

**Audit Objectives**

Determine whether the minimum amount or percentage of contributions or matching funds was provided.

**Suggested Audit Procedures**

Auditors should verify that matching funds were indeed provided.

Level of Effort – Not Applicable

Earmarking – Not Applicable

8. Period of Availability of State Funds

**Compliance Requirements**

The “time period of agreement,” which gives the length of time the grant contract is valid, is found on the agreement information page of the contract. No contract may exceed three years. The recipient may submit a time extension at least thirty days prior to the original contract ending date. If three years or the ending date is reached prior to the completion of the project, another agreement document and contract may be prepared covering the same scope of work as the original contract. Reimbursements may only be submitted for purchases falling on dates covered by a contract.

**Audit Objectives**

Determine whether State funds were obligated within the period of availability and obligations were liquidated within the required time period.

**Suggested Audit Procedures**

Auditors should compare dates of purchases with the time period of agreement or extension period.

12. Reporting

**Compliance Requirements**

All grantees are required to submit final project reports. Additionally, all grant recipients beginning in 2000 are required to submit biannual reports.

Reporting requirements for local governments are found in G.S. 159-34; for non-profits, refer to G.S. 143-6.1.

**Audit Objectives**

Determine whether required reports for State awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

**Suggested Audit Procedures**

Trace the amounts reported to accounting records for amount distributed.

13. Sub-recipient Monitoring

**Compliance Requirements**

The primary recipient is responsible for tracking any funds that go to a sub-recipient. The recipient is responsible for:

- Identifying to the sub-recipient the State award information and applicable compliance requirements.
- Monitoring the sub-recipient's activities to provide reasonable assurance that the sub-recipient administers State awards in compliance with State requirements.
- Ensuring required audits are performed and requiring the sub-recipient to take prompt corrective action on any audit findings.
- Evaluating the impact of sub-recipient activities on recipient's ability to comply with applicable State laws.

**Audit Objectives**

Determine whether the recipient:

1. Identified State award information and compliance requirements to the sub-recipient.
2. Monitored sub-recipient activities to provide reasonable assurance that the sub-recipient administers State awards in compliance with State requirements.
3. Ensured required audits are performed and requires appropriate corrective action on monitoring and audit findings.
4. Evaluates the impact of sub-recipient activities on the recipient

**Suggested Audit Procedures**

1. Discuss sub-recipient monitoring with recipient's staff to gain an understanding of the scope of monitoring activities.
2. Test award documents to ascertain if recipient made sub-recipients aware of the award information and requirements imposed by laws, regulations, and the provisions of contract or grant agreements pertaining to the program, including having required audits done.
3. Review recipient's documentation of sub-recipient monitoring to ascertain if recipient monitored that sub-recipients used State funds for authorized purposes and takes action in response to monitoring findings.