

CLEAN WATER MANAGEMENT TRUST FUND

State Authorization: Chapter 113A, Article 18 of the North Carolina General Statutes

**NC Department of Environment and Natural Resources
Clean Water Management Trust Fund**

<u>Agency Contact Person - Program and Financial</u>	<u>Address Confirmation Letters To</u>
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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 Clean Water Management Trust Fund (CWMTF) was established by the North Carolina General Assembly in 1996 (Chapter 113A, Article 18 of the North Carolina General Statutes). Up through fiscal year 2000/2001, at the end of each fiscal year 6.5% of the unreserved credit balance in North Carolina’s General Fund or at least \$30 million was appropriated for the CWMTF. The 2000 General Assembly appropriated \$40 million for fiscal year 2001/2002, and committed to appropriate \$70 million for fiscal year 2002/2003, and \$100 million per year after that. The CWMTF’s primary objective, contained in the enabling legislation, is to enhance and preserve water quality throughout North Carolina.

II. PROGRAM PROCEDURES

CWMTF revenues are allocated to help finance projects that specifically address water quality problems. The CWMTF’s Board of Trustees (Board) has full discretion and responsibility over the allocation of CWMTF money to grants. However, only North Carolina State agencies, local governments or other political subdivisions of the State, or nonprofit corporations whose primary purpose is the conservation, preservation, and restoration of North Carolina’s environmental resources are eligible to apply and receive funding.

The Board and staff have developed an application as the vehicle for prospective recipients to apply for funding. **The application deadline for 2009 is February 2.** These applications are

the primary decision making tool used by the Board to determine a given application's merit for CWMTF funding.

At predetermined times, the Board meets to review applications and/or to conduct other business of the CWMTF. The Board, based on the application's merits, can elect not to fund an application, it can elect to tentatively award all or a portion of the application up to a specific dollar amount (based on further investigation and the execution of a grant agreement), or it can defer the decision pending further information.

Once an application is awarded as a grant, CWMTF staff execute a grant agreement with the grant award recipient. Each party's rights and responsibilities are itemized in the grant agreement.

The CWMTF operates with a limited set of program guidelines. As such, auditors are directed to the CWMTF's above-referenced enabling legislation for guidelines. Auditors are further directed to the grant agreement(s) between the CWMTF and the grantee and, if applicable, conservation easements, for specific direction on all aspects of compliance. An easement is an interest in land owned by another party which gives the easement holder (the State) the right to use the land for a specific purpose. In the case of CWMTF, the landowner's rights to use the property for certain purposes are reduced in order to ensure the conservation values of the property are permanently preserved.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

Compliance Requirements

The Grant Agreement between CWMTF and the grantee specifies activities allowed or not allowed.

Audit Objectives

Make sure the recipient complied with the grant award.

Suggested Audit Procedures

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

2. Allowable Costs

Compliance Requirements

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

Audit Objectives

Determine whether costs covered by grant were allowable.

Suggested Audit Procedures

Check expenditure records against the grant agreement.

3. Cash Management

Compliance Requirements

The Grant Agreement between CWMTF and the grantee specifies cash management practices.

Audit Objectives

Determine whether cash management practices are in compliance with the Grant Agreement.

Suggested Audit Procedures

Check cash management practices against those called for in the Grant Agreement.

4. Conflict of Interest

Compliance Requirements

In addition to legislation enacted by the General Assembly (Chapter 443, Section 7.5, 1997 Session Laws) for not-for-profit entities and North Carolina General Statutes 14-234 for local governments, the Grant Agreement between CWMTF and the grantee specifies the measures necessary to guard against a conflict of interest issue.

Audit Objectives

Make sure recipient 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 Grant Agreement.

6. Equipment and Real Property Management

Compliance Requirements

The Grant Agreement between CWMTF and the grantee specifies equipment and real property management guidelines. Often when CWMTF participates in the purchase of property interests, it requires that the grantee convey a conservation easement on the

property to the State of North Carolina. If so, further real property management guidelines are contained in the conservation_easement.

Audit Objectives

Make sure recipient is in compliance.

Suggested Audit Procedures

Review recipient documentation to see that it adheres to the requirements found in the Grant Agreement.

7. Matching

Compliance Requirements

The Grant Agreement between CWMTF and the grantee specifies requirements for matching. The recipient match is ordinarily either spelled out in the Scope of Work, Budget, or in the “Agreement” section of the Grant Agreement.

Audit Objectives

Ensure compliance with Grant Agreement requirements.

Suggested Audit Procedures

Review Grant Agreement to determine existence of a matching requirement. If present, review recipient’s accounting records to ensure compliance.

Level of Effort-Not Applicable

Earmarking-Not Applicable

8. Period of Availability of State Funds

Compliance Requirements

The Grant Agreement between CWMTF and the grantee specifies the period of availability of State funds.

Audit Objectives

Ensure compliance with the grant period.

Suggested Audit Procedures

Verify expenditures are for costs incurred during the grant period **as defined in the grant agreement**.

9. Procurement and Suspension and Debarment

Procurement:

Compliance Requirements

The Grant Agreement between CWMTF and the grantee specifies the requirements, if any, for procurement.

Audit Objectives

Ensure compliance with the Grant Agreement.

Suggested Audit Procedures

Verify existence of procurement requirements, if any, in the Grant Agreement. If present, review recipient records to ensure compliance.

Suspension and Debarment – N/A

10. Program Income

Compliance Requirements

The Grant Agreement between CWMTF and the grantee specifies the allowable uses for program income, if any. In some cases there are revolving loan funds.

Audit Objectives

Ensure compliance with the Grant Agreement.

Suggested Audit Procedures

Verify allowable uses for program income in the Grant Agreement. Then review recipient records to determine if uses of program income and/or revolving loan fund are in accordance with those specified in the Grant Agreement.

11. Real Property Acquisition and Relocation Assistance

Compliance Requirements

The Grant Agreement between CWMTF and the grantee specifies requirements for the acquisition of real property.

Audit Objectives

Ensure compliance with the Grant Agreement.

Suggested Audit Procedures

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

12. Reporting

Compliance Requirements

Reporting requirements enacted by the General Assembly for non-profit organizations are found in North Carolina General Statutes 143-6.2. Similar legislation for local governments and public authorities is found in General Statutes 159-34. The Grant Agreement between CWMTF and the grantee also specifies reporting requirements regarding project progress and status.

Audit Objectives

Ensure compliance with the Grant Agreement.

Suggested Audit Procedures

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