

APRIL 2019

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**OUTDOOR RECREATION –ACQUISITION, DEVELOPMENT  
AND PLANNING**

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**State Project/Program: LAND AND WATER CONSERVATION FUND**

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**US DEPARTMENT OF INTERIOR**

**Federal Authorization: Land and Water Conservation Fund Act of 1965 (P.L. 88-578-, 78 Stat 897)**

**N.C. Department of Natural and Cultural Resources (DNCR)  
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.

This compliance supplement should be used in conjunction with the OMB 2019 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

**I. PROGRAM OBJECTIVES**

The Land and Water Conservation Fund (LWCF) program provides 50/50 matching grant to the States, and through the states to local governments for acquisition, development and improvement of public outdoor recreation areas. Also, grants are available to the State for the purpose of statewide recreation planning.

**II. PROGRAM PROCEDURES**

The National Park Service (NPS), a component of the U.S. Department of the Interior (DOI), administers the LWCF program on behalf of the federal government. The Division of Parks and Recreation administers the program on behalf of the N.C. Department of Natural and Cultural Resources (DNCR). To be eligible for LWCF program, the state must prepare a Statewide Comprehensive Outdoor Recreation Plan (SCORP), and update and refine it every five years. The SCORP identifies capital investment priorities for acquiring, developing and protecting all types of

outdoor recreation resources with a State; it assures continuing opportunity for local units of government and private citizens to take part in their State's outdoor recreation and environmental planning programs; and it provides a practical tool for coordinating all State outdoor recreation and environmental conservation programs. To be eligible for assistance, projects must be in accord with the SCORP, be sponsored by a governmental agency, and meet other State and Federal requirements.

LWCF assistance from DOI goes to the State, and through the State is made available to local governments and other appropriate public agencies, including state agencies and recognized Indian tribes which otherwise qualify for LWCF assistance.

To address the highest priority recreation needs in the state and to ensure public participation in the awarding of LWCF grants, the State is required to develop and have NPS approve an Open Project Selection Process (OPSP). This process includes a letter to eligible applicants announcing the funding cycle dates. Formal application workshops are conducted by regional park and recreation consultants across the state. Applications must be received according to the funding cycle and requirements prescribed by DOI in the LWCF Federal Financial Assistance Manual. Regional park and recreation consultants review and evaluate applications at the regional level before forwarding to DNCR's LWCF Program office. LWCF Program staff review and evaluate all project applications. The evaluation process includes a rating of project applications according to scoring criteria approved by DOI. The LWCF Program staff recommends a list of projects to the LWCF Review Committee. The committee reviews the evaluations and staff recommendations, as well as other relevant data, and recommends a list of projects to the governor appointed State Liaison Officer (SLO) for funding. The SLO will recommend a list of projects after DNCR's grant application approval process to the NPS for funding. Upon approval of the project by NPS, a written contractual project agreement is executed between the grant recipient and DNCR.

The executed project agreement states the responsibilities and obligations, both during the project period and after project completion that the grant recipient must assume as a concomitant of receiving LWCF assistance. The grant agreement for state agencies projects is between NPS and DNCR. For local government projects the project agreement is between NPS and DNCR and through DNCR with the local government (subrecipient). The financial management of approved projects is the overall responsibility of DNCR; however, this responsibility is accepted jointly with grant recipients and subrecipients. Grant recipients and subrecipients are responsible for maintaining and submitting accounting records, according to the LWCF fiscal manual that will ensure financial integrity of the LWCF program. DNCR may conduct periodic inspections during the project period to assure the continued effectiveness of the financial and administrative management.

Grant recipients and subrecipients initially pay in full all costs incurred during the project period, and upon submission of a project billing to DNCR, are reimbursed for the federal (LWCF) share of eligible costs represented by the billing and supporting documentation.

### III. COMPLIANCE REQUIREMENTS

#### A. Activities Allowed or Unallowed

##### **Compliance Requirements**

LWCF grants are awarded to eligible applicants for the acquisition, development and renovation of public outdoor recreation areas. To be allowed, costs must be incurred during the project period and be described in the project scope of the project agreement, be documented in the application, and initiated and/or undertaken after execution of the project agreement between the State and the grant subrecipient.

##### **Audit Objectives**

Ensure that the grantee completes the public park project approved by the NPS and complied with LWCF administrative manual.

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

Review expenditure records to determine whether activities were allowable in accordance with the LWCF contract, the LWCF administrative manual, and 2 CFR 200 Subpart E. Review the contract and project scope to verify evidence of actual performance.

#### B. Allowable Costs/Cost Principles

##### **Compliance Requirements**

The basic statement regarding the principles and standards for determining cost applicable to the LWCF program is found in 2 CFR 200 Subpart E.

1. To be allowable for LWCF assistance, costs must meet the following criteria:

- a. Be necessary and reasonable for proper and efficient administration of the grant program, be allocable thereto, and, except as specifically provided in these guidelines, not be a general expense required to carry out the overall responsibilities of State or local government.
- b. Be authorized or not prohibited under State or local laws or regulations.
- c. Conform to the limitations of 2 CFR 200 Subpart E, federal law, or other governing limitations in the agreement as to types or amounts of costs items.
- d. Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and non-federally assisted activities of the unit of government of which the project sponsor is a part.
- e. Be treated consistently through the application of generally accepted accounting principles appropriate to the circumstances.
- f. Not be allocable to or charge to any other federally financed program.
- g. Be net of all applicable credits.

2. Total Costs - The total cost of a project is comprised of the allowable direct cost.

- a. Direct costs are those identified specially with and charged directly to a particular project. Typical direct costs are employee compensation for time and effort devoted to a specific project, costs of materials, costs of equipment and other capital expenditures, or the acquisition of land.

3. Allowable Costs - The allowability of these items is subject to the general principles outlined in Chapter 5 C of the LWCF Manual and elaborated in 2 CFR 200 Subpart E. Allowable costs include, but are not limited to:
  - a. Personal Service.
  - b. Fringe Benefits.
  - c. Consultant Service.
  - d. Equipment Used in the Conduct of a Project - Costs of purchasing, leasing, or renting equipment utilized in the execution of a project are generally eligible for LWCF assistance. The purchase price of individual items of equipment costing less than \$ 1,000 is eligible. Equipment costing more may be eligible provided the sponsor clearly shows that it is more economical to purchase the item than to lease or rent it. The equipment must be listed, with estimated costs, in the application and noted in the project scope of the agreement. Reimbursement for use of equipment owned by the State and local agencies on LWCF projects will be based upon rates developed by the N.C. Department of Transportation.
  - e. Information and Interpretation Costs - such as information and direction signs at the entrances of LWCF-assisted recreation areas and other necessary places throughout the area, display boards, kiosk, or other interpretive facilities for the explanation of items of interest and other facilities required to explain the area and bring it to public attention.
  - f. Construction. Allowable construction costs include all necessary construction activities from site preparation to the completion of a structure. Construction may be carried out through a contract with a private firm, or by use of the project sponsor's own personnel and facilities (force account).
  - g. Administrative and Supporting Expenses (Indirect costs by the State).
  - h. Costs of Purchase of Real Property and of Interests in Real Property. LWCF assistance may be used to pay a share of the fair market value of real properties and of interests in real property purchased by the project sponsor when determined by NPS to be capital costs.
  - i. Real Property Acquired by Donation. The value of real property donated to the project sponsor by private organizations or individuals will be eligible for State or local matching as determined by an appraisal. Donations required by law or regulations are ineligible as the project sponsor's state or local matching share. The land acquired cannot be subject to any restrictions that might limit its intended public recreation use.
  - j. Master Planning. Master planning of a recreation area in whole or in part will be allowed as part of a development project if the project includes actual development of at least equal cost to that of the master plan.
4. Non-Allowable Expenditures. These expenditures shall not be included in the base for determining financial assistance.
  - a. Ceremonial or entertainment expenses.
  - b. Expenses for publicity.
  - c. Bonus payments of any kind.
  - d. Charges for contingency reserves or other similar reserves.

- e. Charges in excess of the lowest responsive bid, when competitive bidding is required by NPS or the sponsor, unless NPS agrees in advance to the higher cost.
- f. Charges for deficits or overdrafts.
- g. Taxes for which the organization involved would not have been liable to pay.
- h. Interest expenses, except those awarded by the court a part of just compensation for acquisition in eminent domain situations.
- i. Charges incurred contrary to the policies and practices of the organization involved.
- j. Consequential damage judgments arising out of acquisition, construction, or equipping of a facility, whether determined by judicial decision, arbitration, or otherwise.
- k. Incidental costs relating to acquisition of real property and of interest in real property, unless allowable under Uniform Relocation Assistance and Real Property Acquisition Policies Act, P.L. 091-646.
- l. Operation and maintenance cost of outdoor recreation areas and facilities.
- m. Equipment to be used for the maintenance of outdoor recreation areas and facilities, including, but not limited to, automotive equipment, tractors, mowers, other machinery, and tools. Also, sports equipment such as balls, bats, canoes, boats, etc.
- n. Employee facilities, including residences, appliances, office equipment, furniture and utensils.
- o. Fines and penalties.
- p. Legal and professional fees paid in connection with raising funds.
- q. Payments for lobbying in connection with the awarding, extension, continuation, renewal, amendment, or modification of a LWCF grant.

### **Audit Objectives**

Determine whether costs were allowable with the program requirements as listed above.

### **Suggested Audit Procedures**

Review expenditure records to determine whether the costs were allowable in accordance with the LWCF contract, the LWCF administrative manual, and 2 CFR 200 Subpart E.

## **C. Cash Management**

### **Compliance Requirements**

LWCF assistance shall not exceed 50% of the total eligible costs and is provided on a reimbursement basis. In most cases the project sponsor (grantee or subrecipient) will initially pay in full all costs accrued during the project period. Reimbursement for the federal share is made through the State Liaison Officer in accord with procedures in LWCF Manual Chapter 7.

Grants payments will be made to the State through electronic fund transfer via the SMARTLINK Payment Management System, reimbursement by Treasury check in accord with guidelines of 43 CFR 12.1 - .52 and U.S. Treasury Circular No. 1075. The State (DNCR) will then transfer a reimbursement check to the project sponsor.

**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.

E. Eligibility

**Compliance Requirements**

To be eligible for LWCF assistance, each State must prepare a Statewide Comprehensive Outdoor Recreation Plan (SCORP), and update and refine it every 5 years. To be eligible for grants, projects must be in accord with the SCORP, be sponsored by a state or local governmental agency, and meet other State and Federal requirements. The LWCF program provides matching grants to States, and through the States to appropriate public agencies including state agencies, counties and incorporated municipalities, and recognized Indian tribes, for the acquisition and development of public outdoor recreation areas and facilities.

The State determines eligibility to local governments. No additional work is deemed necessary.

F. Equipment and Real Property Management

**Compliance Requirements**

The State and local sponsors agree that property acquired or developed with LWCF assistance shall not be converted to other than public outdoor recreation use, but shall be maintained in public outdoor recreation in perpetuity. The property shall be maintained so as to appear attractive and inviting to the public. Properties shall be kept reasonably safe for public use. Buildings, roads, trails and other structures and improvements shall be kept in reasonable repair throughout their estimated lifetimes to prevent undue deterioration and to encourage public use. The facility shall be kept open for public use at reasonable hours and times of the year, according to the type of area or facility.

The Grantee agrees to operate and maintain the project site so as to appear attractive and inviting to the public, kept in reasonably safe repair and condition, and open for public use at reasonable hours and times of the year, according to the type of facility and area.

If the project site is rendered unusable for any reason whatsoever, the Grantee agrees to immediately notify the Department of said conditions and to make repairs, at its own expense, in order to restore use and enjoyment of the project by the public.

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.

No testing is required at the local level.

G. Matching, Level of Effort, Earmarking

**Compliance Requirements**

LWCF assistance is provided on a 50/50 matching basis to individual projects which are submitted through the State Liaison Officer to the NPS for approval. State and local matching share may be in the form of cash, value of land donation, in-kind labor, materials and equipment.

**Audit Objectives**

Ensure compliance with contract matching 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

H. Period of Performance

**Compliance Requirements**

LWCF monies are apportioned to the States by the Secretary of Interior each fiscal year in accordance with apportionment formula contained in the LWCF Act. The formula includes a factor for equal distribution of a portion of the funds among the States, as well as factors for distribution on the basis of population and need. Funds may be made available through the State to political subdivisions of the State and other appropriate public agencies, including recognized Indian tribes which otherwise qualify for LWCF assistance.

For grantees, the date of project approval is the beginning of the project period, unless the NPS has granted for that project a waiver of its policy of not approving cost retroactivity (see LWCF Manual Section 5 A). A termination date is included. The total project period is normally three years as stated in the agreement between the State and local grantees. Based on sound local circumstances, the project period may be amended to allow additional time to complete the project. The maximum project period is five years.

**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.

I. Procurement and Suspension and Debarment

**Compliance Requirements**

*Procurement*

Projects or portions thereof may be undertaken through contracts in accord with the procurement standards and guidelines set forth in Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, 43 CFR 12.1 - .52. This includes the procurement of supplies, equipment, construction and services. Equal Employment Opportunity

contract Compliance Requirements are set forth in LWCF Manual Chapter 4 E. Grantees and subgrantees will use their own procedures which reflect applicable State and local laws provided that the procurements conform to the requirements of 43 CFR 12.1 - .52. Affirmative steps must be taken by the project sponsor to assure that small and minority businesses and women's business enterprises are utilized when possible.

*Suspension and Debarment*

In accordance with 43 CFR 12.1 - .51, no grant or contract may be awarded by a grantee (State), subrecipient (local government) or contractor or any grantee or subrecipient to any party which has been debarred or suspended under Executive Order 12549.

**Audit Objectives**

Ensure compliance with procurement requirements. Determine whether the subrecipient awarded contracts to suspended or debarred vendors.

**Suggested Audit Procedures**

Verify existence of procurement requirements, if any, in the contract. If present, review grantee's records to ensure compliance. Verify that the subrecipient confirms that vendors are not suspended or debarred. Review a list of vendors paid with grant funds to determine the whether any vendors were suspended or debarred.

J. Program Income

**Compliance Requirements**

In accord with 2 CFR 200.307, income earned by the project sponsor during the project period from sources other than the intended recreational use of the area shall be dispersed in one of the following ways:

- 1) Added to the funds committed to the project and used to further eligible program objectives at the project site.
- 2) Deducted from the total project costs for the purpose of determining the net cost on which the Federal share of the costs will be based.
- 3) Examples of income that shall be dispersed in the above manners include the rental of structures, the sale of timber and the lease or rental of land.

**Audit Objectives**

Determine whether any earned income was received during the project period.

**Suggested Audit Procedures**

Verify income received was recorded and added/deducted/dispersed in compliance with the LWCF administrative manual.

L. Reporting

**Compliance Requirements**

The closeout of a grant is the process by which the DNCR and NPS determines that all applicable administrative actions and all required work of the project or project element have been completed. The following are minimum requirements of the LWCF grant closeout procedures:



1. Local sponsors must submit a reimbursement billing form which totals eligible project costs. These totals come from information on the "Project Data Sheet and Performance Report".
2. Local sponsors must submit a "Project Data Sheet and Performance Report" form that details the expenses by category of the project and is the basis for the reimbursement totals. Copies of invoices must be attached. The "work elements" are the actual tasks being done as listed on the budget "cost estimates" sheet in the application and in the project scope of the agreement.
3. As the LWCF billing is a reimbursement statement, the local sponsor must provide proof of actual expenditure. This is accomplished by including with the billing, a copy of the **invoice** for each amount shown on the "Project Data and Performance Report". If the work element is completed using donated materials and/or labor, the "In-Kind Work Report" is required with the billing.
4. Upon request, NPS will make prompt payments to the State and the State to local sponsors for allowable reimbursable costs under the project being closed out.
5. The State shall provide the NPS within 90 days after the date of completion of the project all financial performance and other reports required as a condition of the grant.
6. Within 90 days after the date of completing the project, a final performance report is due which specifies that a project has been completed in accordance with the approved project agreement. In addition, the following reports are due within the 90 days:
  - a. A final on-site inspection report in accordance with the on-site inspection agreement.
  - b. A completed Description and Notification Form (DNF).
  - c. An as-built or as-acquired site plan unless previously submitted.
  - d. A list of facilities developed and/or acres acquired.
  - e. A signed and dated project boundary map if a more accurate map than the current one on file is available.

NPS shall make a settlement for any upward or downward adjustments to the Federal share of costs after these reports are received. The project agreement, as signed by the State and NPS, and between the State and a local sponsor, establishes a total cost and support ceiling for the project that is based upon the project sponsor's best estimate of acquisition and development costs as foreseen at the outset of the project.

Grantees and subrecipients shall perform a financial audit annually in accordance with the requirements of the Single Audit Act of 1984 and 2 CFR 200.501. The audits shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial and compliance audits. The grantee or subrecipient will provide copies of the Audit Report to the state and the DOI. Grantees and subrecipients are required to retain all financial and accounting records for three years from the project completion or expiration date.

No testing is required at the local level.

#### M. Subrecipient Monitoring

##### **Compliance Requirements**

**Identifying Federal compliance requirements** – The local government awarded an LWCF grant (the subrecipient) receives the applicable audit compliance materials from the State of North Carolina when the State and local grant recipient sign the project agreement. The compliance

materials, which include an accounting manual and the project agreement, detail how to document eligible costs.

**Monitoring Subrecipient Activities** - The State of North Carolina conducts pre-award, progress, and final on-site inspections to document progress on and compliance with the grant's scope of work and requirements. Progress inspections are submitted to the NPS with request for reimbursement payments to the local government. The final inspection is submitted to NPS within 90 days after the project has been completed by the local government. Each inspection by the State includes a written verification that the local grant recipient is in compliance with the major requirements of the federal grant and is making appropriate progress toward completing the scope of work.

**Ensuring Corrective Action** – If any of the on-site inspections referenced above indicate that the local grant recipient is out of compliance with grant requirements, the problem is noted in writing and a deadline is established for the recipient to remedy the situation.

No testing is required at the local level.

N. Special Tests and Provisions

Not applicable.