



Compliance Requirement

Funds can be spent on project expenses that are consistent with the guidelines for the applicable grant category and are found in the application or any budget revision and not ruled out as a stipulation in the grant contract. No grant funds can be spent for capital expenditures, deficit or contingency funding, lobbying, indirect cost rate expense, interest on loans or fines, or food and beverages for entertainment.

Suggested Audit Procedure (Local Auditor)

Review the application and the grant contract, including the “Grantee Requirements,” which is part of the contract package.

Test expenditures and the related records.

**C. Cash Management**

The auditor is not expected to make tests for cash management.

**E. Eligibility**

The auditor is not expected to make tests for eligibility.

**G. Matching, Level of Effort, Earmarking**

Compliance Requirement

Any matching requirement for a particular grantee is specified in the grant contract, which makes reference to the application and any approved revised budgets. See also the “Grantee Requirements,” a contract attachment.

Suggested Audit Procedure (Local Auditor)

Review grantee contract and final financial report and determine if the matching requirement has been met.

**L. Reporting**

Compliance Requirement

Grantees are required to obtain Arts Council approval of any budget revision that causes a budget category to vary by more than 10% of the project budget and to submit a final report at the end of the project period that includes a narrative and financial report on the Council-provided form.

Suggested Audit Procedure (Local Auditor)

Review “Grantee Requirements” (especially for audit requirements).

Examine budget revisions for Arts Council approval.

Examine final report documents for accuracy and completeness and timeliness of submission.

Trace data in final reports to supporting documentation.

**M. Sub-recipient Monitoring**

No testing is required at the local level.

**N. Special Tests and Provisions**

No testing is required at the local level.