

## RURAL BUILDING REUSE PROGRAM

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**State Authorization:** North Carolina General Statute 143B-472.127

### North Carolina Department of Commerce Fiscal Services Division

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**Agency Contact Person - 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 Building Reuse Program provides grants to local governments to assist with building improvements that will lead to the direct creation of new, full-time, private sector jobs. The program requires a cash match equal to the grant request amount with at least 5% from the local government.

Eligible grant recipients are units of local government located in Tier 1 or Tier 2 counties, or within a rural census tract in a Tier 3 county. As prescribed in N.C.G.S. 143B-472.127(a)(2) a rural census tract is an area having a population density of less than 500 people per square mile in accordance with the most recent decennial federal census.

Vacant Building: Grants are available to support the renovation and/or upfit of vacant buildings. Buildings must be vacant for at least three months prior to application deadlines. Eligible costs include, but are not limited to HVAC, electrical, plumbing, roofing, carpentry, drywall, paint, etc. within the existing footprint of the building.

Existing Business Building: Grants are available to support the renovation or expansion of buildings where the expanding company has occupied the prospect building for at least 12 months. Companies must also meet the county weekly wage standard and provide at least 50% employer paid health benefits to employees.

Rural Health Care: Grants are available to support the renovation, expansion or construction of health care facilities. The health care entity must be licensed by the State of North Carolina and may include – but not limited to –hospitals, urgent care centers, hospice centers, elder care facilities and offices for physicians, dentist, vision care specialist and mental health care providers.

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The program includes claw-back provisions requiring repayment of the grant if the jobs committed are not created and/or maintained for six consecutive months during the grant period.

### **II. PROGRAM PROCEDURES**

The Rural Economic Development Division administers the Rural Building Reuse Program.

Applications are accepted on a bimonthly basis and awards are made by the Rural Infrastructure Authority during regularly scheduled meetings. Once a grant is awarded, a contract is executed between the local government grant recipient and Commerce, and a Legally Binding Commitment is executed between the property owner and the local government. The contract defines the responsibilities and obligations of each party, the contract project period, project description, and the grant amount. The Legally Binding Agreement secures the repayment of funds by the property owner if the required number of jobs are not created and maintained as required.

Progress reports are due biannually on January and July 15 for each year that the grant is open. A final report is due once all job creation requirements are met.

To request funds, grant recipients should provide copies of eligible invoices associated with the building reuse project; evidence that the invoice is paid in full, such as copies of cleared checks, wire transfers, credit receipts; and a completed payment request form. Commerce will reimburse 50% of eligible invoices, up to the total grant amount. Eligible expenditures include improvements to real property only; personal property expenditures are not eligible for reimbursement.

### **III. COMPLIANCE REQUIREMENTS**

#### **1. Activities Allowed or Unallowed**

##### Compliance Requirement

Rural Building Reuse grants are awarded to local governments to assist with building improvements that will lead to the creation of new, full-time jobs.

##### Suggested Auditing Procedures

1. The auditor should review documents to ensure that the grant recipients meet the criteria in accordance with NC G.S. 143B-472.127(a)(2).

#### **2. Allowable Costs/Cost Principles**

##### Compliance Requirement

Eligible costs include generally recognized real property improvements which include, but are not limited to: materials and labor to install HVAC, electrical, plumbing, fire alarm/suppression systems, roofing, flooring, carpentry, drywall, paint, etc. This is not an exhaustive list; grantees should contact the Rural Development Division for questions about whether a specific expense is eligible under the program.

The following costs are specifically prohibited under the program and may not be submitted for reimbursement or the matching funds requirement: building purchase, architectural costs, engineering costs, permit fees, surveys, legal fees, machinery & equipment, telephone hardware and software, computer hardware and software,

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furnishings, paving, fencing, kitchen equipment, refrigeration equipment, etc. This is not an exhaustive list; grantees should contact the Rural Development Division for questions about whether a specific expense is eligible under the program. Costs should be incurred during the contract period.

### Suggested Auditing Procedures

1. Auditors should review expenditures and ensure that all funds were expended on the Eligible Expenditures List on the contract. Verify that funds were not expended on costs that are specifically prohibited under the program.

#### 4. Conflict of Interest

##### Compliance Requirement

In addition to legislation enacted by the General Assembly (North Carolina General Statutes 14-234) for local governments, N.C.G.S. §133-32 and Executive Order 24 prohibit the offer to, or acceptance by, any state employee of any gift from anyone with a contract with the state, or from any person seeking to do business with the State.

### Suggested Auditing Procedures

1. Auditors should review contracts to ensure that the beneficiary or contractor is not an employee or agent of the non-state agency (recipient) who exercises any function or responsibility with regard to the non-state agency, nor and immediate family member. If conflict exists, determine whether the non-state agency (recipient) has received written waiver of the conflict of interest provision for the contractor.

#### 8. Period of Availability of State Funds

##### Compliance Requirement

The contract between Commerce and the grant recipient specifies the period of availability of the Rural Building Reuse funds. The project period is normally two years but may be extended through a grant amendment.

### Suggested Auditing Procedures

1. Auditors should review evidence of invoices which may include copies cleared checks, wire transfer or ACH receipt, and/or credit card receipts and ensure that eligible expenditures were not incurred prior to the effective date or subsequent to the termination date of the grants.

#### 9. Procurement and Suspension and Debarment

The grant recipient acknowledges, by execution of the contract and agrees to comply with the audit and reporting requirements prescribed by N.C.G.S §159-34, Local Government Finance Act - Annual independent audit; rules and regulations.

### Suggested Auditing Procedures

1. Auditors should test that the organization has policies, that the policies are compliant, and are being followed.

### 12. Reporting

#### Compliance Requirement

The grant recipient acknowledges, by execution of the contract and agrees to comply with the following reporting requirement:

Progress reports are due on January and July 15 for each year that the grant remains open. The final report and job verification documentation are due at the time of project completion or no later than 30 days after the grant end-date, whichever is sooner. The reporting schedule remains in effect for the duration of the grant including time extensions.

#### Suggested Auditing Procedures

1. Auditors should test that the reporting requirements are understood and met in accordance with the organization's guidelines.