

NC ADFP TRUST FUND

State Authorization: 10 U.S.C. 8011 & 10 U.S.C. 2684a

North Carolina Department of Agriculture and Consumer Services

Administration – Farmland Preservation

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The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in an 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 Agricultural Development and Farmland Preservation Trust Fund assists in preservation of N.C.’s agricultural economy by providing grants to county governments and non-profit organizations for conservation easements, agricultural agreements and programs. The objective of the funding is to encourage the preservation of qualifying agricultural, horticultural and forestlands to foster the growth, development and sustainability of family farms. These grants ensure that working lands stay productive while also providing necessary water recharge areas, wildlife habitats and open landscapes. Funds are prioritized to provide state matching resources with local and federal protection programs.

II. PROGRAM PROCEDURES

Request for Proposals are requested from non-profit organizations and county governments. Proposals are received and evaluated by the NC ADFP Trust Fund staff. The staff recommends applications for funding to the NC ADFP Trust Fund Advisory Committee. The advisory committee makes recommendations to the Commissioner of Agriculture, Chairman of the NC ADFP Trust Fund, applications for acceptance and rejections. The Commissioner of Agriculture accepts or rejects recommendations. All approved applications are forwarded a state contract for expenditure of grant funds. The NC ADFP Trust Fund staff monitors and administers the grant contracts. An annual report is created and submitted to the General Assembly for all appropriated grant funds.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the State agency noted by "Y."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the State program for the auditee.

1	2	3	4	5	6	7	8	9	10	12	13	14
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Conflict of Interest	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N

1. & 2. Activities Allowed or Unallowed and Allowable Costs/Cost Principles

- Allowable Costs
 - ADFP Trust Fund monies may not be used to reimburse for administrative or personnel costs unless specialized services are needed. Approval of necessary specialized services will be determined by ADFP Trust Fund staff when reviewing application.
 - Travel – Use State Guidelines
 - No travel is approved for Easements; however, it can be used as match.
 - Plans and Projects are allowed travel.
 - ADFP approved Subcontract Expenditures.
 - Allowable and non-allowable costs for reimbursements:

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Allowable Costs	Non-allowable Costs
Equipment (Exceeding \$5,000)	Travel (for easements grants only)
Consultant and Specialized Services	Personnel/Administrative Services
Office Supplies	Promotional Materials (unallowable costs include gifts, memorabilia, models, and souvenirs)
Printing and Binding	Appraisal
Promotional Materials (<i>see exceptions listed in Non-allowable costs</i>)	
Site Development (Plans & Land Preparation)	
Construction	
Special Program Supplies (Less than \$5,000)	
Survey	
Stewardship endowment	
Baseline Documentation Report	
Environmental Assessment/Audit	
Legal Fees	
Closing Costs	
Workshops and Conferences	

- ★ For Match Purposes Only: All reimbursement for travel, meals, rentals including meeting facilities, etc. for agricultural development related expenditures shall follow the State of North Carolina reimbursement guidelines. Prudence must be demonstrated by grantee for reimbursement to be granted. (See NC Budget Manual at http://www.osbm.state.nc.us/files/pdf_files/BudgetManual.pdf.
- Number of Proposals Allowed
 - Each organization or agency may submit up to 6 proposals per funding cycle which shall be restricted to 2 perpetual easements, 2 term easements, and 2 enterprise programs grant requests types.

Suggested Audit Procedures

Funds that are expended are verified for services listed above. Expenditures are compared with approved budgets for each category. Documentation and records are verified to support expenditures.

3. Cash Management

Grantees submit a request for reimbursement form to receive funds from the NC ADFP Trust Fund. A grantee can request an initial payment, in which they can receive up to 80% of their funding amount without prior documentation. Otherwise the grantee must provide documentation for all expenditures to receive up to 80% of their total funding amount. Once the project has been completed and all documentation has been received the grantee can request the remainder 20% or remainder total of funding that matches the documentation of expenditures submitted.

Suggested Audit Procedures

Review approved budgets per category with documented expenditures and reimbursement request submitted. If any budget revisions were made during the contract make sure that those budget revisions were carried out through the life of the contract and expenditure documentation and reimbursement request for each category are in line with the budget revision.

4. Conflict of Interest

Grantee shall file with the Agency, a copy of the Grantee's policy addressing conflicts of interest that may arise involving the Grantee's management, employees, and the members of its board of directors or other governing body. The policy shall address situations in which any of these individuals may directly or indirectly benefit, except as the Grantee's employees or members of its board or other governing body, from the Grantee's disbursing of State funds and shall include actions to be taken by the Grantee or the individual, or both, to avoid conflicts of interest and the appearance of impropriety. The policy shall be attached to this Contract becoming a part of the contractual document. The policy shall be filed before the Agency may disburse any grant funds. [N.C.G.S. 143C-6-23(b)]

5. Eligibility

- Eligibility
 - All applicants must be non-profit conservation organizations or county agencies.
(G.S.106-744)
 - Farmers, landowners, and others interested in applying must partner with a non-profit conservation organization or county agency to participate in an ADFP Trust Fund grant proposal.
 - Agricultural Development and Plan grants are limited to requests serving projects serving the constituents of a Voluntary Agricultural District (VAD) or Enhanced Voluntary Agricultural District (EVAD) or the establishment of a VAD, EVAD, or County Farmland Protection Plan.
 - Must have a Conservation plan or a forestry plan

Suggested Audit Procedures

Audit applications submitted to make sure that all criteria were met. Verify that all guidelines were followed and correct documentation is in the file. Review all policies and procedures and applications to ensure that there is no evidence of discrimination towards any one organization or government.

6. Equipment and Real Property Management

Equipment

The grantee shall retain ownership of the materials and equipment purchased with grant funds for a period of not less than five years from date of purchase and shall maintain purchased equipment in good working order during that time. Any changes to this agreement shall require approval by the North Carolina Department of Agriculture and Consumer Services.

Suggested Audit Procedures

Site visit monitoring will occur on grants that contain equipment purchased with grant funds. If it is determined during the site visit that the equipment is not being kept up or equipment does not exist when grant funds had been used the contract will be terminated and the grantee will be responsible for returning grant funds not used for their purpose.

Real Property Management

The North Carolina Department of Agriculture and Consumer Services enters into a contract with a grantee to obtain the developmental rights off the purchased land acres. A Conservation Easement is required from the grantee and must be approved by the agency. The grantee shall also provide easement documentation reports, a copy of the title opinion and a copy of the land survey.

Suggested Audit Procedures

After recording the "Conservation Easement" in the Register of Deeds Office, the Grantee shall annually notify the landowner and conduct a monitoring visit to the property to ensure that the easement agreement is being upheld. If structures are permitted under the easement, the Grantee shall review plans and monitor construction for compliance with the plans. In the event of a violation, the Grantee shall require voluntary correction, and if necessary, take legal action to enforce the easement. The Grantee shall report its monitoring findings to the Agency on an annual basis, by completing an "Annual Monitoring and Reporting Form," which will be provided to the Grantee by the Agency. Should the "Annual Monitoring and Reporting Form" be made available to the Grantee in electronic format, the Grantee shall complete the forms and submit them electronically on an annual basis, and not later than December 31 of each year of the "Conservation Easement." The Grantee shall notify the Agency within two weeks of the discovery date of any violations and of any non-compliance issues and provide the Agency with corrective action to be taken. The agency staff will also periodically visit sites that contain conservation easements to make sure that the agreement is still being upheld.

7. Matching, Level of Effort, Earmarking

Matching Requirements

Beginning with grant cycle IX, ADFP Trust Fund may provide funding for monitoring and stewardship of ADFP Trust Fund easements. Funding is limited to 3% of the appraised easement value being purchased by the ADFP Trust Fund and must be equally matched. The ADFP Trust Fund shall approve the administrative account management and the monitoring / stewardship policies of the easement holder. The grant funding will be restricted to expenditures associated with monitoring and stewardship of the property.

Matching Requirements for Permanent Easements: Matches can be in-kind, cash, donated easement value, or money from other programs of like kind to the ADFP Trust Fund. Programs used for matching must restrict the development rights and

have restrictive language attached to the deed. For example, a funding match from USDA Farm & Ranch Protection Program would be eligible while a USDA Conservation Reserve Program would not be eligible. Matches must be directly associated with and concurrent to the land parcel being considered for an ADFP Trust Fund grant. Monitoring and transaction fees associated with the land parcel under consideration may be considered a match provided all cost values can be fully disclosed and certified before final grant payment is received. Monitoring fee matches are capped at 3% of the agricultural conservation easement value of the land parcel. ADFP Trust Fund grants cannot be used for indirect costs.

Matching Requirements for Term Easements: By defining the value of a term easement, land owner donations and any partnering term easement program restricting development rights on the deed could then be considered for match. ADFP Trust Fund grants cannot be used for indirect costs. Programs used for matching must restrict the development rights and have restrictive language attached to the deed. Matches must be directly associated with and concurrent to the land parcel being considered for an ADFP Trust Fund grant. Monitoring and transaction fees associated with the land parcel under consideration may be considered a match provided all cost values can be fully disclosed and certified before final grant payment is received. Monitoring fee matches are capped at 3% of the term agricultural conservation easement value of the land parcel.

Matching Requirements for Agricultural Development Programs: Agricultural development programs can use in-kind services, cash, land donation, labor hours, and equipment costs as matches but the burden of proof lies on the applicant. A statement of value for such items as equipment must be certified by a specialist or an authority in the respective field. ADFP Trust Fund grants cannot be used for indirect costs.

Suggested Audit Procedures

Review the North Carolina Commerce County Tier website to determine what tier the grantee is in to make sure that the match accounted for in the application and contract meets the matching requirement. Audit the grantees budget report and matching documentation to verify the matching requirement is met.

8. Period of Performance

NC ADFP Trust Fund awards grants on a fiscal year basis – October 1 to September 30 for a two-year period. Upon expiration of the contract date, the Grantee shall have until the 10th of the following month that the contract ends, to get all documents and invoices to the agency in accordance with its approved budget. Should the grantee have unspent funding remaining at the end of the 60-day period, these unspent funds shall be immediately returned to the Agency. Under no circumstances shall the Grantee encumber or expend funds provided under this contract after the contract expiration date. If this Contract is terminated prior to the original end date, the Grantee may submit a final “Request for Reimbursement” form. All unexpended funds shall be returned by the Grantee to the Agency within 45 days of the contract termination date. The Grantee shall also provide the Agency with a final report, in a format provided by the Agency, within 45 days of the contract termination date. The final report will be used by the

Agency to determine the amount, if any, of expended funds to be returned to the Agency by the Grantee. Payment shall be made in accordance with the Contract Documents and as described in the Scope of Work. The parties to this contract agree and understand that the payment of the sums specified in this contract is dependent and contingent upon and subject to the appropriation, allocation and availability of funds for this purpose to the Agency. Eligible expenditures for payment must be within the fiscal period noted in the contract. Reimbursement may not be considered prior to the submission and final execution of the Contract.

Suggested Audit Procedures

Audit spreadsheets and financial records kept of funds expended for each cycle and each grantee to determine the availability of funds to carry forward to next granting cycle. Verify that expenditures claimed for the grant and cycle that they are being reported on.

9. Procurement and Suspension and Debarment

Grantees certify that it and its principals:

- Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal, State or local government agency;
- Have not within a three-year period preceding this application been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph 2. (A) (b) of this certification; and.
- Have not within a three-year period preceding this application had one or more public transaction (Federal, State, or local) terminated for cause or default.

If the grantee is unable to certify to any of the statements in this certification, he or she shall attach an explanation to this certification.

Suggested Audit Procedures

Review contracts and make sure that the grantee has signed and certified that they are not disbarred and has not entered into a contract with anyone else that is disbarred by the State of North Carolina, federal or local governments.

10. Program Income

N/A

11. Reserve

12. Reporting

Grant recipients shall submit written progress and budget reports quarterly or semi-annual depending upon the award amount. If the award amount is greater than \$250,000 the grantee will submit reports quarterly but if the award amount was less than \$250,000 the grantee will submit reports semi-annually. Written progress reports shall describe the status of the project, progress toward achieving program objectives, notable occurrences, any significant problems encountered and steps taken to overcome the problems. Written budget reports shall provide the amount of NC ADFP Trust Fund funds spend on the project along with any matching funds used during the reporting period. Upon completion of the project, the successful applicant must make a final written report to the NC ADFP Trust Fund which shall include project accomplishments and benefits, all expenditures by line item as established in the approved budget, and verification of the number of hours or money in matching funds.

Suggested Audit Procedures

Review the progress and budget reports for completeness and accuracy, which shall include a showing of how the project is meeting its stated goals and performance standards. If either of the reports are found deficient in showing how the project is meeting its state goals and performance standards, the grantee will be notified of the deficiency and must provide a changed and correct report within 30 working days. If corrected or changed report is not received in the specified time the Trust Fund may withhold the next grant payment.

13. Subrecipient Monitoring

Scope of work objectives and tasks performed by subcontractors or subgrantee specified in the contract documents will be considered an inclusive part of the overall grantee duties and responsibilities defined in the NCDA&CS ADFP Trust Fund grant contract. These activities shall be monitored as part of the grantee responsibilities and tasks performed according to the following NCDA&CS ADFP Trust Fund monitoring policy.

- Agricultural plans will be monitored for five (5) years after the closing of the contract, unless otherwise directed by the Program Director or Commissioner of Agriculture.
- Agricultural development projects will be monitored for five (5) years after the closing of the contract, unless otherwise directed by the Program Director or Commissioner of Agriculture.
- Perpetual or Term Easements will be monitored annually. Grantees will complete and submit "Grantee Monitoring Checklist – Perpetual or Term Easement" to ADFP Trust Fund office annually on or before December 31. In January, ADFP Trust Fund staff will coordinate to the extent possible

with the grantee's annual monitoring visit schedule for easements due for a site visit. Grantees are encouraged to submit tentative site visit schedule to ADFP Trust Fund office ninety (90) days prior to first scheduled site visit. As subsequent site visits are scheduled throughout the year by the grantee, the ADFP Trust Fund office will be notified in a timely manner of site visits due for that calendar year. Failure to file annual monitoring reports on or before December 31 of each year shall constitute a violation of the easement and the grant contract.

14. Special Tests and Provisions

N/A