

INDUSTRIAL DEVELOPMENT PUBLIC UTILITY ACCOUNT

State Authorization: N.C.G.S. §§143B-437.01, 143B-472.127, 143B.143.128 and 04 NCAC 01I.0101

North Carolina Department of Commerce
Commerce Finance Division

Agency Contact Person - Program

Mark N. Poole
Financial Analyst
NC Department of Commerce

Express Mail
301 N. Wilmington St. Raleigh,
NC 27601-4301

Mailing Address
4318 Mail Service Center
Raleigh, NC 27699-4318
(919) 814.4616
mpoole@nccommerce.com

Address Confirmation Letters To

Heather Horton, CFO
NC Department of Commerce
Fiscal Services Division
4302 Mail Service Center
Raleigh, NC 27699-4302

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 purpose of the North Carolina Industrial Development Fund Utility Account is to assist town, city or county governments with incentive industrial financing in areas of the state that have been designated as eligible tier areas by NC General Statutes. This assistance is intended to help units of government offer to its new and expanding industry, new or improved infrastructure in projects that are reasonably anticipated to result in the creation of new jobs in industries currently eligible under NC General Statutes. To be eligible for funding, the water, sewer, gas, or transportation infrastructure shall be located on the site of the building or, if not located on the site, shall be directly related to the operation of the job creation activity.

II. PROGRAM PROCEDURES

A qualifying unit of local government may, at any time, submit a pre-application for consideration of funding. Once that pre-application has been received and reviewed, a pre-application conference is scheduled with all relevant parties to the potential award. If, after that conference, it is determined the project meets all qualification criteria and funding is available, the project is put on the agenda to be discussed by the Rural Infrastructure Authority (RIA), a 15-member body charged with reviewing

INDUSTRIAL DEVELOPMENT PUBLIC UTILITY ACCOUNT

and approving all grant made through the Rural Economic Development Division within the Department of Commerce.

If approved by the RIA, the prospective grantee is invited to submit a full application. If that application is complete and the project remains unchanged from the project as presented to the RIA, an award can be made to the applying government entity.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the State 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	N	Y	Y	N	Y	Y	Y	N	Y	N	N

1. Activities Allowed or Unallowed

Compliance Requirement – Funds may only be expended based on the terms, conditions, representations, commitments, maps, schedules and other submissions provided in the application and any subsequent materials supporting the application that have been approved of by Commerce.

Audit Objective – Determine that expenditures were made as specified in the application materials and, if applicable, any mutually agreed upon changes to the size, scope or cost of the project.

Suggested Audit Procedure – Ascertain whether expenditures were for items specified in application materials.

2. Allowable Costs/Cost Principles

Compliance Requirement – Eligible expenditures incurred after the date of the grant award may include those expenditures specified in 04 NCAC 01I

.0102(a)(12)(C). All grant funds shall be utilized exclusively for the purpose of the project and consistent with all applicable laws, rules, regulations and requirements.

The governmental unit shall not make or approve of any improper expenditure of grant funds.

Audit Objective – Determine that all reimbursed costs were incurred after the date of the award for eligible expenses.

Suggested Audit Procedure – Ascertain that all expenditures claimed for reimbursement were for eligible expenses.

3. **Cash Management**

The grant is funded on a reimbursement basis; therefore, no testing is required at the local level

4. **Conflict of Interest**

Compliance Requirement - G.S. 14-234 includes a general prohibition against any public official having a personal interest in any contract to which he/she is a party in his/her official capacity. Any other statute or agency policy that applies should be tested as part of this compliance requirement.

Audit Objective – Determine whether there is a conflict of interest involved in the administration of the program.

Suggested Audit Procedure – 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 (recipient) has received written waiver of the conflict of interest provision for the contractor.

5. **Eligibility**

Compliance Requirement - Only those units of government that are located in a tier 1 or tier 2 location under G.S. 143B-437.08 are eligible.

Audit Objective – To ensure the recipient meet the criterion.

Suggested Audit Procedure – Test to verify that recipients are located in tier 1 or tier 2 areas described under G.S. 143B-437.08.

6. **Equipment and Real Property Management**

Compliance Requirement - Equipment is not eligible for reimbursement under this grant. Therefore, this requirement is not passed down to the local level. No testing is required.

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

Compliance Requirement - There shall be no local match requirement if the project is located in a county that has one of the 25 highest rankings under G.S. 143B-437.08.

Otherwise, the unit of government is required to contribute \$1 to the project for every \$3 committed by the Department of Commerce Utility Account.

Audit Objective – Determine if the recipient meet the matching requirement.

Suggested Audit Procedure – Test on how matching requirements are met and tracked.

8. Period of Performance

Compliance Requirement - Each grant agreement defines a period of time in which the project is expected to be completed. There are provisions, however, that allow for the unit of government to request, and be granted, an extension.

Audit Objective – To ensure that expenditures occurred during the specified award period

9. Procurement and Suspension and Debarment

Procurement – Consultant contracts are governed by NC General Statutes 136-28.1 (f), 143-64.31, 143-64.32, 143-64.33.

Debarment – The Department of Commerce prohibits a grantee from entering into any agreements with parties that have been disbarred by any government agency. The grantee's agents or contractors shall not be presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in transactions by any federal or state department or agency.

Audit Objective – Determine whether there are written policies in place.

Suggested Audit Procedure – Test that the organization has policies, that policies are compliant, and are being followed.

10. Program Income

This requirement is not passed down to the local level. No testing is required.

11. Reserve

12. Reporting

Compliance Requirement - The grantee shall furnish Commerce such detailed written progress reports as Commerce may request in its sole discretion. Such reports should describe the progress made by the grantee toward achieving the purpose(s) of the project. Such descriptions should include the successes and problems encountered during the reporting period. Failure to submit a required report by the scheduled submission date may result in the withholding, at Commerce's sole discretion, of any forthcoming payment until Commerce is in receipt of the delinquent report and the report meets with Commerce's approval.

Within thirty (30) days after the termination date, the grantee shall submit a final report to Commerce describing the activities and accomplishments of the project. The final report shall include a review of performance and activities over the entire project period. In the final report, the grantee should describe the project, how it was implemented, to what degree its established objectives were met and the difficulties encountered, what was changed, and the cost.

Audit Objective – Determine whether reporting requirements are in place.

Suggested Audit Procedure – Test the reporting requirements and ensure that they are understood and met in accordance with deadlines.

13. Subrecipient Monitoring

This requirement is not passed down to the local level. No testing is required.

14. Special Tests and Provisions

This requirement is not applicable. No testing is required at the local level