

45.025

PROMOTION OF THE ARTS – PARTNERSHIP AGREEMENT

State Project/Program:	Arts in Education, Traditional Arts Programs in Schools, State Arts Resources, Organization Support, Technical Assistance, Artist Support Grants for Lead Partners, Artist Support Grant for Individuals, cARTwheels
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National Endowment for the Arts

Federal Authorization: **Section 5(h) – National Foundation of the Arts and Humanities Act of 1965**

**North Carolina Arts Council
N. C. Department of Natural and Cultural Resources**

Agency Contact Person – Program

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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 must be used in conjunction with the OMB 2024 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

To encourage and support multidiscipline and single discipline arts organizations and community organizations presenting arts programs and supporting individual artists.

II. PROGRAM PROCEDURES

Applications are made and funds are awarded to nonprofits, IRS tax-exempt organizations for specific projects or general support. Organizations may include schools, governments, or social service agencies as well as arts groups.

III. COMPLIANCE REQUIREMENTS

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2024 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	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	N	N	Y	N	N	N	Y	N	N

A. Activities Allowed or Unallowed and

B. Allowable Costs/Cost Principles

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.