

SOLID WASTE MANAGEMENT OUTREACH GRANT PROGRAM

State Authorization: This program is established under G.S. 130A-309.13 with the objective of improving the management of solid waste in North Carolina and specifically encouraging waste reduction.

**NC Department of Environmental Quality
Division of Environmental Assistance and Customer Service**

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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.

I. PROGRAM OBJECTIVES

The Solid Waste Management Outreach Program is used to encourage the source reduction, reuse, recycling and composting of solid waste to help meet the waste reduction goals of the state and to divert materials from disposal. The Program has sub-objectives addressing specific waste streams and encouraging certain techniques and technologies that enhance the reduction of solid waste.

II. PROGRAM PROCEDURES

The *Division of Environmental Assistance and Customer Service (DEACS)* disburses much of the Solid Waste Management Outreach Program funds through competitive grant opportunities to achieve its objectives. *DEACS* is a division of the North Carolina Department of Environmental Quality (DEQ). *DEACS* conducts at least two competitive grant application opportunities each fiscal year that result in grant awards to local governments, non-profit agencies, and for-profit entities. Additional grant cycles may be conducted on specific topics – for example, the clean-up of abandoned manufactured homes.

Grant awards are made to the portion of applicants that scored highest in the review process relative to available funds. They are then put under contract with DEQ to complete the proposed projects. A diversion of waste from disposal facilities by the grant recipient meets the objectives of the Solid Waste Management Outreach Program and of the specific grant opportunities. Occasionally, grant awards are made outside of a competitive opportunity if the award results in a project of statewide significance in encouraging waste reduction. Individual grant awards rarely exceed \$25,000, although some grant cycles and programs do allow for larger awards. All grant awards are governed by a shell DEQ contract that includes a scope of work specific to each grant. Grant recipients must submit a final report that documents the completion of the project in adherence to the scope of work, and provides final fiscal information for the grant. Funds are distributed on a reimbursement basis; all requests for reimbursement must be accompanied by documentation of incurred costs.

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	Y	Y	N	Y	Y	Y	Y	N	Y	N	Y

1. Activities Allowed or Unallowed

Compliance Requirements

Grant contract recipients must comply with the requirements spelled out in the DEQ "shell" contract and the attached final approved and accepted grant proposal. Substantive changes to the grant project or expenditures are allowed through written requests from the grantee that are approved by the *DEACS* grant administrator. No-cost time extensions are granted (if justified) after formal request from the grantee.

Audit Objectives

Determine whether the grant recipient complied with the requirements of the contract and approved proposal, as modified by any subsequent formal extensions or amendments.

Suggested Audit Procedures

Check actual elements of the contract and approved proposal against records or evidence of actual performance.

2. Allowable Costs/Cost Principles

Compliance Requirements

Costs outlined in the approved proposal are allowable. Project proposals outline individual cost items. Some transfer of moneys between budget categories is allowable if not a significant change. Use discretion in determining if change is significant or not.

Audit Objectives

Determine whether costs covered by grant reimbursements were allowable. Check to make sure reimbursed costs did not exceed actual project costs. *DEACS* will verify

that individual line items meet program objectives.

Suggested Audit Procedures

Check cost and expenditure records against the contract and approved proposal.

3. Cash Management**Compliance Requirements**

Grant Funds are received by the grantee on a cost-reimbursement basis. All such costs must be documented for reimbursements to be authorized.

Audit Objectives

Determine whether grant funds were used for the purposes of the project as intended by the grant contract and approved proposal.

Suggested Audit Procedures

1. Check cost and expenditure records against the contract and approved proposal.
2. Validate invoices against the accounting records or the general ledger.

4. Conflict of Interest**Compliance Requirements**

For-profit and Non-profit (non-governmental) grant recipients must provide documentation of their conflict-of-interest policy. Refer to Chapter 443, Section 7.5, 1997 Session Laws regarding conflict of interest for non-profits. A conflict of interest can occur if a member of a Board of Directors for a non-profit or for-profit grant recipient benefits in direct financial terms from the grant funds.

Audit Objectives

Make sure any non-profit or for-profit grant recipient has a written conflict-of-interest policy.

Suggested Audit Procedures

Verify that written conflict-of-interest policy is in place.

6. Equipment and Real Property Management**Compliance Requirements**

Solid Waste Management Outreach Program grants often fund the purchase of capital equipment (e.g., trucks, balers, containers, trailers and other recycling equipment).

Audit Objectives

Ensure the ownership and the existence of the equipment purportedly purchased under the grant contract took place as specified by the contract.

Suggested Audit Procedures

1. Physically inspect the equipment purchased by grant funds.
2. In cases where grant funds paid for the lease or rental of equipment, check for invoices and other records that indicate that an actual lease or rental arrangement took place for the time period spelled out in the contract and approved proposal.

7. Matching

Compliance Requirements

Varying levels of match are required depending on the grant cycle. Recipients can use many different revenue sources for meeting match, but may not use other Solid Waste Management Outreach Program funds. Match is verified through fiscal information required as part of the final grant report submitted by the grantee to DEACS. Match information can be found in the contract and approved proposal.

Audit Objectives

Ensure that the proper level of match has been achieved and no other Solid Waste Management Outreach Program money has been used as match.

Suggested Audit Procedures

1. Check invoices, receipts and expenditure records for the grant project to determine total project costs and revenues.
2. Determine that matching requirements were met.

Level of Effort – Not Applicable

Earmarking – Not Applicable

8. Period of Performance

Compliance Requirements

Funds are made available to grant recipients per the length of grant contract, in most cases a year. Costs experienced by the grant recipient after the contract end date are not reimbursable. Time extensions to grants are frequently authorized – these extensions become part of the grant contract and define a new end date after which grant funds cannot be received. DEQ takes steps to determine whether reimbursable project costs took place within the formal contract period and disallows reimbursement for costs experienced and invoiced after the contract end date.

Audit Objectives

Make sure expenditures are for services and supplies obtained within the grant period.

Suggested Audit Procedures

Verify expenditures are valid by matching costs with invoices paying particular attention to the date of the service.

9. Procurement and Suspension and Debarment Procurement:

Compliance Requirements

Follow State procurement laws as found in G. S. 143-129 and 143-131.

Audit Objectives

Determine whether procurements were made in compliance with state law.

Suggested Audit Procedures

Test a sample of procurements to ascertain if the applicable laws were followed.

Suspension and Debarment – All grant recipients must fill out required forms from DEQ regarding debarment and those signed forms become part of the grant contract.

12. Reporting

Compliance Requirements

All grant recipients are required to submit a final report to *DEACS* according to a prescribed format at the end of the grant project. The report contains final fiscal information on the grant project. Ten percent of reimbursable funds are withheld until an acceptable final report is received. *DEACS* will have records of adherence to this requirement. Non-profit and for-profit grantees must follow reporting requirements prescribed by the North Carolina Office of State Budget and Management.

Audit Objectives

Make sure final project costs tie to those being reported.

Suggested Audit Procedures

Trace invoices to the general ledger and verify that all expenditures in the final report are accounted for in the general ledger.

14. Special Tests and Provisions

Compliance Requirements

As per the DEQ shell contract, use of subcontractors must be approved by the granting agency (*DEACS*).

Audit Objectives

Make sure no unauthorized use of subcontractors took place.

Suggested Audit Procedures

Check for documentation that any necessary approval was requested accordingly, and that project records do not show the use of any unapproved subcontractors.