

ARTS IN COMMUNITIES/GRASSROOTS ARTS PROGRAM

State Authorization: North Carolina General Statutes 143B-87 and 143B-88; Public Law 101/512 and 89-209

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

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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

To provide per capita-based funding for arts programming to all 100 counties across North Carolina, ensuring opportunities for citizens to experience the arts in their own communities.

II. PROGRAM PROCEDURES

Funds are distributed on a per capita basis to each county primarily through a network of arts councils that have been approved as Designated County Partners or Provisional County Partners. These organizations submit an application, then funds are awarded.

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	N	N	N	Y	Y	N	N	Y	Y	N

1. Activities Allowed or Unallowed

2. 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 grant contract, including "Grantee Requirements," which is part of the contract package.

Test expenditures and the related records.

3. Cash Management

The auditor is not expected to test for cash management.

4. Conflict of Interest

The auditor is not expected to test for the Conflict of Interest Policy.

5. Eligibility

The auditor is not expected to make tests for eligibility.

7. 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.

8. Period of Performance

Compliance Requirement - The period during which a grantee may use the grant funds is identified in the grant contract.

Audit Objective – To determine that all grant funds spent during the grant period stated in the grant contract.

Suggested Audit Procedure (Local Auditor)

Verify that grant funds are spent during the grant period stated in the grant contract by examining the date of expenditures.

12. 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 Procedures (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.

13. Subrecipient Monitoring

Compliance Requirement - The grantee shall not subgrant any of the work contemplated under the grant contract without prior written approval from the Arts Council.

Audit Objective – To determine whether the grantee subgranted the funds and monitored the subrecipient.

Suggested Audit Procedure (Local Auditor)

If the grantee is a pass-through entity (subgrants funds to a subrecipient), determine whether the grantee received approval from the NC Arts Council.

If the grantee is a pass-through entity, determine whether the grantee reviewed reports from the subrecipient and reviewed the subrecipient's financial and programmatic records.

14. Special Tests and Provisions

No testing is required at the local level.