



**STATE OF NORTH CAROLINA**  
**OFFICE OF STATE BUDGET AND MANAGEMENT**

BEVERLY EAVES PERDUE  
GOVERNOR

CHARLES E. PERUSSE  
STATE BUDGET DIRECTOR

March 30, 2009

TO: Agency Heads and Chancellors of Universities  
Chief Financial Officers of Agencies and Universities

FR: Charles Perusse, State Budget Director *Charles E. Perusse*  
David McCoy, State Controller *David McCoy*  
Dempsey Benton, Economic Recovery & Investment Office Director *Dempsey Benton*

RE: NC/ARRA Directive #1--Budgeting and Accounting for Federal Recovery Funds

The passage of the American Recovery and Reinvestment Act (ARRA) offers an important opportunity for North Carolina to reinvigorate our state's economy. The significant funds that are coming to the State also come with important requirements for their use and accountability.

This memorandum is the first of what will be a continuing series of Information Memoranda and Directives throughout the recovery period to ensure that North Carolina complies with requirements of both the federal government and North Carolina Government. These directives will be jointly made by the Office of State Budget and Management (OSBM), the Office of State Controller (OSC), and Office of Economic Recovery and Investment (OERI) to provide clear and consistent direction to agencies on budgeting and accounting of ARRA funds. While final rules have yet to arrive from the federal government, there are certain guiding principles which are necessary for you follow to ensure we meet the requirements of the ARRA.

- Accountability: The ARRA requires strict accountability for all funds received. Departments and programs using these funds must adhere to all protocols and requirements to prevent placing the State's use of these funds in jeopardy. Oversight agencies will be providing directives as requirements become known, and will be available to obtain clarifications or interpretations of directives, but the agency receiving these funds from the federal programs will be required to obtain the required data for reporting and channeling it appropriately.
- Unique Identification of Recovery funds: Funds received as a result of ARRA **may not be commingled** with other funds, even if they are used to enhance, supplement, or expand existing programs. This will allow for timelier, more accurate reporting; it will avoid distortion of the state's budget once ARRA funds cease to be a part of the budget; and will ensure easier auditing and linkage with performance measures that will be established.
- Budgeting and Accounting Will Be at the 4-digit Budget Fund Level Using New Funds: Each ARRA grant/program will be budgeted using unique fund codes as they are received and as they are expended. New budget funds should be established using the existing procedure (Section 3.8 of the State Budget Manual) on the attached revised form. This requirement applies to every state government entity receiving ARRA funds. Any exception to using new budget funds must be submitted in writing to the OERI (to the attention of Jane Smith) for prior approval.

- Contacts with Federal Counterparts To Be Coordinated: To ensure consistent application of federal requirements, it is necessary that as federal agencies contact your agency directly, the OERI staff (refer to the attached list) and the Assistant State Budget Officer who works with your agency be informed, to ensure that guidelines are universally understood and applied between agency and central reporting entities.
- Minimize Duplicate Entry: There will be extensive reporting required to account for ARRA funds. We intend to streamline financial reports as much as possible, and every attempt to extract data from existing systems will be made to reduce duplicate data entry and to meet stringent deadlines. As requirements become known, we will work with you to ensure the standards that are set can be met.
- Budgeting ARRA Funds Must Be Approved by OSBM: Establishing and revising the budget for ARRA funds requires review and approval by OSBM. This is to ensure ARRA funds are used for their intended and agreed-upon purposes.
- OERI Is Creating Working Groups: Working groups of staff from OERI, OSC, and OSBM are being established for each recipient agency and/or grant/program. This will ensure close coordination, clear establishment of operating procedures, and improved communication. OERI will notify you of your primary contact.
- Reporting: ARRA will require extensive reporting. Specific instructions will be forthcoming. Every attempt to extract data from existing systems will be made to reduce duplicate data entry. However, additional information may be required. We will work with your agency to determine the best means of capturing the required data. Departments and agencies must ensure that data reporting deadlines are met to ensure the State does not incur federal penalties. As requirements become known, departments and agencies must ensure that data can be readily acquired and requirements for such must be passed along to sub-recipients. The two main areas of reporting will include:
  - Grants and contracts from bid through award and payment, and
  - Goals and measures about the anticipated outcomes and actual results of the programs, contracts, and grants that received recovery funds.

Thank you in advance for your patience and cooperation in this major endeavor. We will try to keep you informed at every step in the process.

cc: Governor Beverly Perdue  
The Honorable Marc Basnight  
The Honorable Joe Hackney  
State Auditor Beth Wood

Attachments

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