

SPECIAL APPROPRIATIONS

State Authorization: General Assembly Appropriation Bills

Office of State Budget and Management

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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

Each session, the General Assembly enacts Appropriation Bills that usually include special provisions for private, non-profit entities. These provisions are intended to assist these entities by providing funds for day-to-day operations or special projects.

II. PROGRAM PROCEDURES

Authorization

The authorization for Special Appropriations comes from the General Assembly in their Appropriation Bills. The Appropriations bill is available at the North Carolina General Assembly’s website: <http://www.ncga.state.nc.us>.

Administration

The Office of State Budget and Management administer Special Appropriations as directed by the General Assembly in the Appropriation Bills. Each private, non-profit entity must file a request for payment and a conflict of interest policy statement with the Office of State Budget and Management before funds can be distributed.

Fund Allocations

The General Assembly will make a specific appropriation to a specific entity. After reviewing the various Appropriation Bills and upon receiving the appropriate organizational information, the Office of State Budget and Management distribute the funds to the entity. If the total appropriation is less than \$40,000, it will be distributed all at once. If the total appropriation is more than \$40,000, it will be distributed on reimbursement base. The Director of the Budget has the statutory authority to make an exception as the distribution of funds.

Application Process

Upon notification that the General Assembly's Appropriation Bill has passed, the Office of State Budget and Management informs each organization by e-mail or letter and send them contract which must be executed in order to receive special appropriations from the General Assembly. The contract must be signed and return to the Office of State Budget and Management for the State Budget Director signature, as well as a notarized conflict of interest policy statement and a statement on no overdue tax debts. The organization is also informed of the reporting requirements for the appropriation at the end of the fiscal year. After receiving and verifying the information from the organization, the Office of State Budget and Management distributes the appropriation accordingly.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

State funds allocated by the General Assembly should be used only for those purposes as specified by the General Assembly in the original Appropriation Bill(s).

2. Audit Objective – To determine that all expenditures are for the purpose stated in the appropriations bill.

3. Suggested Audit Procedures:

Verify that the expenditures or funds are for the purposes stated in the appropriations bill by examining each expenditure or if there are a great number of expenditures, by examining a test sample.

4. Conflict of Interest

Each private, non-profit entity eligible to receive State funds, either by General Assembly appropriation, or by grant, loan, or other allocation from a State agency shall file with the disbursing agency a notarized copy of that entity's policy addressing conflicts of interest that might arise involving the entity's management employees and the members of its board of directors or other governing body. No Conflict of Interest will be required at the local level.

5. Matching, Level of Effort, Earmarking

There is no requirement for matching funds or earmarking funds unless so stipulated by the General Assembly in the original appropriation.

6. Suggested Audit Procedures:

Verify that the organization has completed all requirements as set forth in the appropriations bill for any matching funds, levels of effort and/or earmarking.

7. Reporting

RECIPIENT shall comply with the all rules and reporting requirements established by statute or administrative rules. For convenience, the requirements of 9 N.C.A.C. Subchapter 3M.0205 are set forth in this Attachment.

09 NCAC 03M .0205 MINIMUM REPORTING REQUIREMENTS FOR RECIPIENTS AND SUBRECIPIENTS

(a) For the purposes of this Subchapter, there are three reporting levels established for recipients and subrecipients receiving State financial assistance. Reporting levels are based on the level of State financial assistance from all funding sources. The reporting levels are:

- (1) Level I – A recipient or subrecipient that receives, holds, uses, or expends State financial assistance in an amount less than twenty-five thousand dollars (\$25,000) within its fiscal year.
- (2) Level II - A recipient or subrecipient that receives, holds, uses, or expends State financial assistance in an amount of at least twenty-five thousand (\$25,000) or greater, but less than five hundred thousand dollars (\$500,000) within its fiscal year.
- (3) Level III – A recipient or subrecipient that receives, holds, uses, or expends State financial assistance in an amount equal to or greater than five hundred thousand dollars (\$500,000) within its fiscal year.

(b) Agencies shall establish reporting requirements for recipients that meet the following reporting standards on an annual basis:

- (1) All recipients and subrecipients shall provide a certification that State financial assistance received or, held was used for the purposes for which it was awarded.
- (2) All recipients and subrecipients shall provide an accounting of all State financial assistance received, held, used, or expended.
- (3) Level II and III recipients and subrecipients shall report on activities and accomplishments undertaken by the recipient, including reporting on any performance measures established in the contract.
- (4) Level III recipients and subrecipients shall have a single or program-specific audit prepared and completed in accordance with Generally Accepted Government Auditing Standards, also known as the Yellow Book.

(c) All reports shall be filed with the disbursing agency in the format and method specified by the agency no later than three months after the end of the recipient's fiscal year, unless the same information is already required through more frequent reporting. Audits must be provided to the funding agency no later than nine months after the end of the recipient's fiscal year.

(d) Agency-established reporting requirements to meet the standards set forth in Paragraph (b) of this Rule shall be specified in each recipient's contract.

(e) Unless prohibited by law, the costs of audits made in accordance with the provisions of this Rule shall be allowable charges to State and Federal awards. The charges may be

considered a direct cost or an allocated indirect cost, as determined in accordance with cost principles outlined in the Code of Federal Regulations, 2 CFR Part 200. The cost of any audit not conducted in accordance with this Subchapter shall not be charged to State awards.

(f) Notwithstanding the provisions of this Subchapter, a recipient may satisfy the reporting requirements of Subparagraph (b)(4) of this Rule by submitting a copy of the report required under federal law with respect to the same funds.

History Note: Authority G.S. 143C-6-22; 143C-6-23;
Eff. July 1, 2005;
Readopted Eff. July 1, 2016.

The North Carolina Administrative Code is available on the Office of Administrative Hearing's website: <http://www.oah.state.nc.us> and additional information on the State Auditor's website: <http://www.ncauditor.net/NonProfitSite>.