

STATE CLEAN DIESEL GRANT

Federal Authorization: Diesel Emission Reduction Act (DERA)

North Carolina Department of Environmental Quality
Division of Air Quality (DAQ)

Agency Contact Person - Program and Financial

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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

The Diesel Emissions Reduction Act provides funding through the Environmental Protection Agency to projects that will reduce emissions from diesel engines. All states are offered an allocation of funds with the option of a matching bonus. With the funds allocated to North Carolina, the Division of Air Quality set up a request for proposals to select worthy projects to reduce mobile emissions from diesel engines.

The purpose of the State Clean Diesel Grant program was to reduce emissions from North Carolina's mobile diesel emissions. Selected projects included retrofitting diesel engines with retrofit devices and replacing or repowering older dirtier diesel engines with cleaner diesel engines.

This grant is a recurring annual allocation grant that ends on September 30 of each year.

II. PROGRAM PROCEDURES

An informational website was set up to publicize the availability of the funding through the State Clean Diesel Grant. E-mails are sent to appropriate groups and individuals. Outreach to technology providers was also employed to reach sectors of diesel engine users. The grant was also publicized through news releases and informal meetings. Interested parties downloaded an application package from the DAQ webpage, which includes detailed information and the proposal cover sheet.

DAQ invited government agencies, private organizations, businesses, and individuals to submit grant proposals. The applications were accepted during annual requests for proposals following each year's award. This was a recurring grant that ends September 30 of each year. An Internal Grant Review Committee comprised of DAQ staff members (Mobile Sources Compliance Branch Supervisor, Grant Administrator, and Environmental Specialist or their designee) reviewed the applications and made recommendation to the Grant Review Committee. The Grant Review Committee comprised of representatives from other State and local government agencies and industry make recommendations to the Secretary of the North Carolina Department of Environmental Quality (NC DEQ). Grant awards are approved by the NC DEQ Secretary. Grant recipients received an Agreement Document and an award letter. Contracts, detailing program requirements, is prepared, and the funds are encumbered before project work began.

Grant recipients (sub awardees) submit invoices for goods/services purchased along with a copy of receipts or other proof of purchase. Invoices are reviewed by the Grant Administrator to ensure the expenditures are appropriate and accurate. The Grant Administrator approves the requests for reimbursement. The Grant Administrator keeps a log of items purchased in each grantee's file. The Business Officer gives the Grant Administrator a quarterly status report of project funds to ensure accuracy. The Grant Administrator submits invoices to the Business Office, who processes expense reports for payment to the appropriate party.

Grant recipients are allowed to purchase the items/services as listed in their grant application unless otherwise stated in the grant contract. If certain items are unavailable, equivalent replacements will generally be accepted. Recipients are evaluated yearly to review the progress of the projects. Time extensions or redistribution of funds requests must be sent in writing to the Grant Administrator with justification. Requests for grant amendments and extensions must be approved by the Mobile Source Compliance Branch Supervisor and the DAQ Business Officer.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

Compliance Requirements

Projects must be directly linked to reducing diesel emissions.

Audit Objectives

Determine whether funds were expended only for allowable activities.

Suggested Audit Procedures

1. Auditors should refer to an individual grant contract and /or agreement document to determine the specific activities allowed for the grantee's project.
2. Invoices, reports, and correspondence should also be reviewed to ensure that the contract guidelines are followed.

2. Allowable Costs/Cost Principles

Compliance Requirements

Items purchased must be in accordance with the budget approved by the Secretary of NC DEQ. All purchases should be costs directly related to a specific objective or project. If administrative services have been approved, specific amounts will be listed in the budget.

Audit Objectives

Ascertain whether charges made to State awards were for allowable costs.

Suggested Audit Procedures

1. Auditors should refer to an individual grant contract and/or agreement document to determine the itemized budget for the grantee's project.
2. Invoices and reimbursement approvals should be reviewed to verify that the costs are within the allowable limits.

3. Cash Management

Compliance Requirements

In order for the grant recipient to receive grant funds, the grant recipient must submit an invoice for goods/services rendered to NC DAQ. Once an invoice is received, payment is rendered to the grant recipient based on the invoice amount. If multiple invoices are required, the invoices are to be submitted at least quarterly. Final invoices must be received by NC DEQ within forty-five days after the end of the contract period. Additionally, the grant recipients are reimbursed up to 90% of the total project cost until the final report is received and approved.

Audit Objectives

Determine whether recipients followed procedures established by applicable laws, regulations, statutes and agency requirements.

Suggested Audit Procedures

Auditors should trace reimbursement requests to supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.

4. Conflict of Interest

Compliance Requirements

All local governments are required to comply with G.S. 14-234.

All non-profits are required to comply with Chapter 443, Section 7.5, 1997 Session Laws.

Audit Objectives

Make sure recipient adhered to its conflict-of-interest policy. Not applicable for rebates.

Suggested Audit Procedures

Verify existence of a written policy.

5. Matching

Compliance Requirements

The amount of matching funds promised by recipients can be found in the grant application.

Audit Objectives

Determine whether the minimum amount or percentage of contributions or matching funds was provided. Rebate recipients should have spent no less than the rebate amount.

Suggested Audit Procedures

Auditors should verify that matching funds were indeed provided.

Level of Effort – Not Applicable

Earmarking – Not Applicable

6. Period of Availability of Funds

Compliance Requirements

The “time period of agreement,” which gives the length of time the grant contract is valid, is found on the agreement information page of the contract. No contract may exceed three years. The recipient may submit a time extension at least thirty days prior to the original contract ending date. If three years or the ending date is reached prior to the completion of the project, another agreement document and contract may be prepared covering the same scope of work as the original contract. Reimbursements may only be submitted for purchases falling on dates covered by a contract. This is not applicable to rebates.

Audit Objectives

Determine whether funds were obligated within the period of availability and obligations were liquidated within the required time period.

Suggested Audit Procedures

Auditors should compare dates of purchases with the time period of agreement or extension period.

7. Reporting

Compliance Requirements

All grantees are required to submit final project reports. All rebate recipients are required to fully complete the rebate application and supply all necessary documents.

Reporting requirements for local governments are found in G.S. 159-34; for non-profits, refer to G.S. 143-6.1.

Audit Objectives

Determine whether required reports for awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements. For rebates, check for completeness of the application and necessary documents.

Suggested Audit Procedures

Trace the amounts reported to accounting records for amount distributed. For rebates, check for the completeness of the application and supporting documents.

8. Sub-recipient Monitoring

Compliance Requirements

The primary recipient is responsible for tracking any funds that go to a sub-recipient. The recipient is responsible for:

- Identifying to the sub-recipient the award information and applicable compliance requirements.
- Monitoring the sub-recipient's activities to provide reasonable assurance that the sub-recipient administers awards in compliance with requirements.
- Ensuring required audits are performed and requiring the sub-recipient to take prompt corrective action on any audit findings.
- Evaluating the impact of sub-recipient activities on recipient's ability to comply with applicable State laws.

Audit Objectives

Determine whether the recipient:

1. Identified State award information and compliance requirements to the sub-recipient.
2. Monitored sub-recipient activities to provide reasonable assurance that the sub-recipient administers State awards in compliance with State requirements.
3. Ensured required audits are performed and requires appropriate corrective action on monitoring and audit findings.
4. Evaluates the impact of sub-recipient activities on the recipient

Suggested Audit Procedures

1. Discuss sub-recipient monitoring with recipient's staff to gain an understanding of the scope of monitoring activities.
2. Test award documents to ascertain if recipient made sub-recipients aware of the award information and requirements imposed by laws, regulations, and the provisions of contract or grant agreements pertaining to the program, including having required audits done.
3. Review recipient's documentation of sub-recipient monitoring to ascertain if recipient monitored that sub-recipients used State funds for authorized purposes and takes action in response to monitoring findings.