

21.019 CORONAVIRUS RELIEF FUND

State Program/Project **Coronavirus Relief Funds (CRF) to the Department of Natural and Cultural Resources**

US. Department of Treasury

Federal Authorization: S.3548 — 116th Congress (2019-2020)
21.019 Coronavirus Relief Fund

State Authorization: S.L. 2020-97

NC Dept. 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.

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I. PROGRAM OBJECTIVES

S.L. 2020-97 provided direct aid to the Department of Natural and Cultural Resources to mitigate business disruptions due to COVID-19 at Arts Councils throughout the State and at various statewide nonprofit Support groups for cultural and historical attractions.

The Arts Council distributed \$9,400,000 in grants to eligible local arts organizations on a per capita basis. For Support Groups, a total of \$10,175,000 was distributed to eight organizations supporting the State's cultural, scientific, and historical attractions. For additional Support Group, \$525,000 was distributed to mitigate increases in operational expenses for educational and community outreach missions due to COVID-19.

II. PROGRAM PROCEDURES

In order to receive an Arts Council CRF grant, an eligible local arts organization was defined as an Arts Council or other nonprofit arts organization located in a county with a population of less than 1,000,000, according to the 2020 county population projections of the Office of State Budget and Management. The organization must have arts and culture in the agency's mission statement; or have arts and cultural programming as a core activity (25% or more of budget most recently approved before September 1, 2020) and, must demonstrate the costs of business interruption caused by COVID-19 and/or increased expenses incurred by pandemic-related activities.

The Arts Council grant guidelines were announced statewide and were published on the Arts Council website at <https://www.ncarts.org/guidelines-north-carolina-cares-arts-grants>.

Once the application was submitted, Arts Council staff reviewed each document to determine eligibility and completeness. If the application was submitted by a subrecipient, staff checked to make sure that documented eligible expenses totaled the county allocation or more. Applications submitted directly to the Arts Council by beneficiaries were batched by county, and award amounts were calculated on a percentage basis. Staff submitted funding recommendation for each grant award to the North Carolina Arts Council executive committee and the Secretary of the Department of Natural and Cultural Resources for written approval, as per standard agency procedure. Electronic contracts were issued to all subrecipients and direct beneficiaries.

S.L. 2020-97 identified and provided direct aid to mitigate business disruptions to eight support groups for cultural and historical attractions. For additional Support Group, S.L. 2020-97 identified and provided direct aid to mitigate increases in operational expenses for educational and community outreach missions due to COVID-19.

Prior to awarding the funds, DNCR collected a Request for Payment from Appropriations Form from all grantees. Additionally, non-profit grantees must submit a Conflict of Interest Policy, No Overdue Tax Debt Certification form, a Tax-Exempt Status Letter from the IRS, by-laws, Articles of Incorporation, and List of Board of Directors. A grant contract is developed and executed with each grantee. The grant

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contract includes a scope of work and line item budget defining the grant period and use of grant funds in accordance with S.L. 2020-97. The contract also defines the reporting requirements.

Following collection of all required documentation and the execution of the grant contract, grant funds are awarded/distributed to grantee. Grant payments were generally made in full as they were reimbursements for business disruption. DNCR monitors and oversees grants through a combination of periodic e-mails, calls, and review of reports, invoices and deliverables.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2021 Compliance Supplement; however, the State Agency may have added the Type and this is noted by “Y.” If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by “N.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2021 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	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	Y	N	N	Y	N	Y	Y	Y	Y

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A. Activities Allowed or Unallowed

Compliance Requirement - The grant contract defines the use of grant funds in accordance with the S.L. 2020-97 and should be used only for those purposes as specified in the grant contract.

Audit Objective – To determine that all expenditures of grant funds are for the purposes stated in the grant contract.

Suggested Audit Procedures:

Verify that the expenditure of grant funds is for the purposes stated in the grant contract by examining each expenditure or if there are numerous expenditures, by examining a test sample.

B. Allowable Costs/Cost Principles

Compliance Requirement - The grant contract defines the use of grant funds in accordance with S.L. 2020-97 and should be used only for those purposes as specified in the grant contract.

Audit Objective – To determine that all expenditures of grant funds are for the purposes stated in the grant contract.

Suggested Audit Procedures:

Verify that the expenditure of grant funds is for the purposes stated in the grant contract by examining each expenditure or if there are numerous expenditures, by examining a test sample.

C. Cash Management

No testing will be required at the local level.

D. Reserved

E. Eligibility

Compliance Requirement - Certain local arts council subrecipients agreed to subgrant part of its allocation in a subgranting plan. The subgranting plan included a list of subgrant recipients and the funding estimates.

Audit Objective – For arts organizations who subgranted funds, determine whether the subrecipient awarded subgrants to eligible local arts organizations or other nonprofit arts organization.

Suggested Audit Procedure:

For arts organizations who subgranted funds, review the Arts Council grant guidelines and the grant contract to verify the subrecipient subgranted to eligible local arts organizations or other nonprofit arts organizations.

F. Equipment and Real Property Management

No testing will be required at the local level.

G. Matching, Level of Effort, Earmarking

No testing will be required at the local level.

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H. 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 Procedures:

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

I. Procurement and Suspension and Debarment

DNCR determines whether a grantee and subgrantee is suspended or debarred by the Federal and State government prior to awarding funds to the grantee. No testing will be required at the local level.

L. Reporting

Compliance Requirement - Reporting requirements are defined in the grant contract.

Audit Objective – To determine that all required reports stated in the grant contract are accurate and submitted to DNCR by the required dates.

Suggested Audit Procedures:

Verify that the required reports are accurate and have been submitted to DNCR by the required dates.

M. Subrecipient Monitoring

Compliance Requirement - Certain local arts council subrecipients agreed to subgrant part of its allocation in a subgranting plan. The subgranting plan included a list of subgrant recipients and the funding estimates. Each subrecipient was required to obtain s documentation to support expenses of subgrantee local arts organizations or other nonprofit arts organizations.

Audit Objective – For arts organizations who subgranted funds, determine whether the subrecipient monitored subgrantee local arts organizations or other nonprofit arts organizations.

Suggested Audit Procedure:

For subrecipient arts organizations who subgranted funds, review the Arts Council grant guidelines and the grant contract to verify the subrecipient monitored and obtained documentation to support expenses of subgrantee local arts organizations or other nonprofit arts organizations.

N. Special Tests and Provisions

Compliance Requirement - The grantee shall account separately for the grant funds received under this program to enable monitoring of state funds received, spent, and remaining.

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Audit Objective – To determine whether the grantee accounted separately for the grant funds received under this program.

Suggested Audit Procedures: Review the grantee's accounting system to determine whether the grantee accounted separately for the grant funds received under this program.