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ENVIRONMENTAL PROTECTION AGENCY OFFICE OF WATER

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State Project/Program: WATER QUALITY MANAGEMENT PLANNING

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Federal Authorization: U.S. Environmental Protection Agency  
Section 205(j), 303(e) and 604(b)  
N.C. Department of Environmental Quality  
Division of Water Resources

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The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in an 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

As identified in the Federal Clean Water Act, the purpose of the federal grant is to assist States with carrying out Water quality management planning under Sections 205(j), 303(e), and 604(b).

## II. PROGRAM PROCEDURES

The program is administered by the Water **Planning** Section within the Division of Water **Resources** (Division) of the North Carolina Department of Environmental Quality. A minimum of forty percent of the State awarded grant is made available to the regional councils of government (COGs) in the state through a pass-through grant program. The COGs are notified of available funds through a “Request for Proposals” which identifies the types of projects that will be funded. Proposals are submitted with work plans and budget. Proposals are reviewed by staff and evaluated against a set of established criteria. Awards are announced and contracts are negotiated for each grant. Work plans are developed into contracts which specify the project’s schedule and products.

**Two positions are currently supported by this grant. One position, an Environmental Sr. Specialist is located within the Water Planning Section. This position supports the special monitoring studies that are part of the work plan out of the Divisions (DWR) Central office. The other position currently supported by this grant is the Business Officer, located within the Division’s (DWR) Budget Office. This position coordinates all division grants and contracts and provides support to contract administrators in all aspects of grant contracting.**

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**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 2020 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 2020 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	Y	N	N	N	Y	Y	N	Y	N	N

A. Activities Allowed or Unallowed

**Compliance Requirements**

At least 40% of the total awarded grant must be passed to the regional planning councils.

Allowable activities include but are not limited to: (A) identifying the most cost effective and locally acceptable facility and nonpoint measures to meet and maintain water quality standards; (B) developing an implementation plan to obtain State and local financial and regulatory commitments to implement measures developed under subparagraph (A); (C) determining the nature, extent, and causes of water quality problems in various areas of

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the State and interstate region, and reporting on these annually; (D) determining those publicly owned treatment works which should be constructed with assistance under this title, in which areas and in what sequence, taking into account the relative degree of effluent reduction attained, the relative contributions to water quality of other point or nonpoint sources, and the consideration of alternatives to such construction, and implementing section 303(e) of the Federal Clean Water Act.

The Request for Proposals identifies the types of projects considered to be a priority to the Division, and therefore, its priorities for funding. In general, grants are awarded for product-oriented projects. Priorities include long-term growth management, water supply, and water quality planning, trout buffer education and outreach, analysis of existing development storm water controls, and 9-Element watershed plan development.

### **B. Allowable Costs/Cost Principles**

#### **Compliance Requirements**

Allowable costs are specified in each grant agreement.

### **C. Cash Management**

#### **Compliance Requirements**

Funds are disbursed directly to the sub-grantees by the Division on a reimbursement basis. Projects are typically divided into phases or tasks, with reimbursement based upon satisfactory completion of each phase/task of the project. Invoices are to be submitted to the contract administrator on a quarterly basis.

### **H. Period of Performance**

#### **Compliance Requirements**

Funds are available to the applicants for a maximum of 18 months. No testing is required of the local Certified Public Accountant.

### **I. Procurement and Suspension and Debarment**

#### **Compliance Requirements**

205(j) recipients shall comply with the nonprocurement debarment and suspension regulations in 40 CFR part 32 implementing Executive Orders 12549 and 12689, "Debarment and Suspension." 40 CFR part 32 restricts sub-awards and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

No contract shall be made to parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Non-procurement Programs in accordance with Executive Orders 12549 and 12689, "Debarment and Suspension." This list contains the names of parties debarred, suspended, or otherwise excluded by agencies, and contractors declared ineligible under statutory or regulatory authority other than Executive Order 12549. Contractors with awards that exceed the small purchase threshold shall provide the required certification regarding its exclusion status and that of its principal employees.

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## L. Reporting

**Compliance Requirements**

Progress reports are submitted to the contract administrator as sub-grantees request reimbursements.

The Division of Water Resources is required to submit annual progress reports to the U.S. Environmental Protection Agency, as indicated in the Grant Agreement and work plan. This report summarizes the status of sub-recipient grants and DWR's activities per the work plan.

The Department of Environmental Quality manages entering the quarterly updates electronically using the reporting tool per [www.federalreporting.gov](http://www.federalreporting.gov).

205(j) recipients receiving at least \$15,000 but less than \$100,000 in state funds from the Department within any fiscal year are required to file to the Division of Water Resources a sworn accounting of receipts and expenditures of state funds in the format approved by the State Auditor. This accounting must be attested to by the 205(j)-recipient's fiscal officer and one other authorizing officer of the recipient. This accounting must be filed with each funding state agency within six months after the end of the recipient's operating year.

No further testing is required of the local Certified Public Accountant.