

Attachment F
Notice of Certain Reporting and Audit Requirements

Grantee shall comply with 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.

The applicable prescribed requirements are found in the Office of the State Auditor's Audit Advisory #ADV-2005-001, North Carolina General Statute 143-6.2 entitled "Use of State Funds by Non-State Entities and Implementation of Required Rules, 09 NCAC 03M .0102 -0802, North Carolina Administrative Code, issued September 2005. The Office of State Auditor's Audit Advisory #ADV-2005-001, forms and additional policy statements are available on the State Auditor's Internet web site at www.ncauditor.net. From the home page select Non Profits. Select the Regulations tab for the standards and the Forms tab to download forms as needed.

Reporting Thresholds

There are three reporting thresholds established for grantees and subgrantees receiving State funds. The reporting thresholds are: *(NOTE: threshold is based on total of state grants from all state entities.)*

- (1) Less than \$25,000 A grantee that receives, uses, or expends State funds in an amount less than twenty-five thousand dollars (\$25,000) within its first fiscal year must comply with the reporting requirements established by 9 N.C.A.C. Subchapter 3M including:
 - (A) A certification completed by the grantee Board and management stating that the State funds were received, used, or expended for the purposes for which they were granted; and
 - (B) An accounting of the State funds received, used, or expended.All reporting requirements shall be filed with the funding agency within six months after the end of the grantee's fiscal year in which the State funds were received.
- (2) \$25,000 up to \$500,000 A grantee that receives, uses, or expends State funds in an amount of at least twenty-five thousand (\$25,000) and up to five hundred thousand dollars (\$500,000) within its fiscal year must comply with the reporting requirements established by this Subchapter including:
 - (A) A certification completed by the grantee Board and management stating that the State funds were received, used, or expended for the purposes for which they were granted.
 - (B) An accounting of the State funds received, used, or expended; and
 - (C) A description of activities and accomplishments undertaken by the grantee with the State funds.All reporting requirements shall be filed with the funding agency within six months after the end of the grantee's fiscal year in which the State funds were received.
- (3) Greater than \$500,000 - A grantee that receives, uses, or expends State funds and in the amount greater than five hundred thousand dollars (\$500,000) within its fiscal year must comply with the reporting requirements established by this Subchapter including:
 - (A) A certification completed by the grantee Board and management stating that the State funds were received, used, or expended for the purposes for which they were granted.
 - (B) An audit prepared and completed by a licensed Certified Public Accountant for the grantee consistent with the reporting requirement of this Subchapter; and
 - (C) A description of activities and accomplishments undertaken by the grantee with the State funds.All reporting requirements shall be filed with both the funding agency and the Office of the State Auditor within nine months after the end of the grantee's fiscal year in which the State funds were received.

Other Provisions

1. Unless prohibited by law, the costs of audits made in accordance with the provisions of 9 N.C.A.C. 3M.0205 are 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 Office of Budget and Management (OMB) Circular A-87. The costs of any audit not conducted in accordance with this Subchapter is unallowable and shall not be charged to State or Federal grants.

2. The audit requirements of 9 N.C.A.C. Subchapter 3M do not replace a request for submission of audit reports by grantor agencies in connection with requests for direct appropriation of state aid by the General Assembly.
3. Notwithstanding the provisions of 9 N.C.A.C. Subchapter 3M, a grantee may satisfy the reporting requirements of Part (a)(3)(B) of this Rule by submitting a copy of the report required under the federal law with respect to the same funds.
4. All grantees and subgrantees shall use the forms of the Office of State Budget and Management and the Office of the State Auditor in making reports to the awarding agencies and the Office of the State Auditor.

Equipment Purchased with Contract Funds:

Title to equipment costing in excess of \$500.00 acquired by the Contractor with funds from this contract shall vest in the Contractor, subject to the following conditions.

- A. The Contractor shall use the equipment in the project or program for which it was acquired as long as needed. When equipment is no longer needed for the original project or program or if operations are discontinued, or at the termination of this contract the Contractor shall contact the Division for written instructions regarding disposition of equipment.
- B. With the prior written approval of the Division, the Contractor may use the equipment to be replaced as trade-in against replacement equipment or may sell said equipment and use the proceeds to offset the costs of replacement equipment.
- C. For equipment costing in excess of \$500.00, equipment controls and procedures shall include at a minimum the following:
 1. Detailed equipment records shall be maintained which accurately include the:
 - a. Description and location of the equipment, serial number, acquisition date/cost, useful life and depreciation rate;
 - b. Source/percentage of funding for purchase and restrictions as to use or disposition; and
 - c. Disposition data, which includes date of disposal and sales price or method used to determine fair market value.
 2. Equipment shall be assigned a control number in the accounting records and shall be tagged individually with a permanent identification number.
 3. Biennially, a physical inventory of equipment shall be taken and results compared to accounting and fixed asset records. Any discrepancy shall immediately be brought to the attention of management and the governing board.
 4. A control system shall be in place to ensure adequate safeguards to prevent loss, damage, or theft of equipment and shall provide for full documentation and investigation of any loss or theft.
 5. Adequate maintenance procedures shall be implemented to ensure that equipment is maintained in good condition.
 6. Procedures shall be implemented which ensure that adequate insurance coverage is maintained on all equipment. A review of coverage amounts shall be conducted on a periodic basis, preferably at least annually.

D. The Contractor shall ensure all subcontractors are notified of their responsibility to comply with the equipment conditions specified in this section.