



**STATE OF NORTH CAROLINA  
OFFICE OF STATE BUDGET AND MANAGEMENT**

BEVERLY EAVES PERDUE  
GOVERNOR

CHARLES E. PERUSSE  
STATE BUDGET DIRECTOR

August 20, 2009

**MEMORANDUM**

TO: Department Heads and Chief Fiscal Officers

FROM: Charles Perusse *Charles E. Perusse*

SUBJECT: Procedures for the Disbursement of Special Appropriations

Attached for your review and implementation are procedures for the disbursement of State funds to non-state entities. These procedures are based on statutory requirements and Office of State Budget and Management rules governing the expenditure of funds for non-state entities. Your agency should follow these procedures as you disburse appropriations to non-state entities as authorized by the General Assembly for FY 2009-10.

Please find attached the *Procedures for Disbursements of Special Appropriations, Request for Payment of Appropriation(s) from North Carolina General Fund, and 09 NCAC 03 .0700* to further guide you in the specific requirements that must be adhered to for the disbursement of State funds. Please contact your budget analyst at (919) 807-4700 if you have any questions.

Attachments

## Office of State Budget and Management

### Procedures for the Disbursement of Special Appropriations

1. Special appropriations are funds appropriated from the General Fund by the General Assembly to supplement the budgets of local governments and non-profit corporations for regional and statewide programs in the areas of human services, education, cultural activities, fire protection, community development, and economic development. Funds are either appropriated from the State's General Fund directly to the non-state agency or to a state agency for the purpose of transfers to the non-state agency. If the appropriation is a direct appropriation, the funds are budgeted (certified) in the Special Appropriations Reserve in the Office of State Budget and Management. If the appropriation is made to a state agency, funds are budgeted (certified) in that agency's operating budget code.
2. After the appropriation is made, a letter should be sent by the agency in which funds are budgeted to the recipient organization stating that the General Assembly has appropriated funds to the organization and the purpose for which the funds are to be expended. Special appropriations can only be expended for authorized projects and purposes specified in the appropriating legislation.
3. Included with the letter to the recipient organization should be a "Request for Payment of Appropriation Form" which must be filled out completely and notarized by the recipient organization. The form should specify the recipient, amount, and purpose of the appropriation. Any matching requirements or other restrictions imposed by the General Assembly should also be specified. Additional information, such as charter, by-laws, list of board members, tax-exemption letters, a policy addressing conflict of interest and a sworn statement of no overdue tax debts should be attached to complete the "Request for Payment of Appropriation Form." Upon return of the requested information and upon successful review by the appropriate state agencies, disbursements can be made. Before disbursement is made, the Office of State Budget and Management may require recipients of special appropriations to supply information demonstrating that the recipient is capable of managing funds in accordance with law and has established adequate financial procedures and controls. If, during an agency's review of a recipient, the agency needs assistance in procuring additional information from the recipient, the state agency should immediately contact their budget analyst in the Office of State Budget and Management for assistance.
4. Recipients of special appropriation must file a copy of the organization's policy addressing conflicts of interest when requesting funds. For information, refer to G.S. 143C-6-23(b).
5. Recipients of special appropriation must file a sworn statement that the grantee does not have any overdue tax debts as defined by G.S. 105-243.1 when requesting funds. For information, refer to G.S. 143C-6-23(c).
6. Pursuant to G.S. 143C-21 and the State's Cash Management Plan, special appropriations totaling more than \$100,000 should be disbursed on a quarterly basis unless specified differently in the Appropriations Act.
7. Pursuant to 09 NCAC 03M .0700 prior to disbursing any State funds, each agency shall sign a contract with the grantee containing the provisions outlined in 09 NCAC 03M .0703.
8. Pursuant to G.S. 143C-6-23, 09 NCAC 03M.0205, and 09 NCAC 03M.0401, a state agency that disburses a special appropriation to a non-state agency must identify the recipient to the State Auditor and the Office of State Budget and Management. Each state agency shall inform each grantee of the reporting requirements established by 09 NCAC 03M.0205 and other requirements prescribed by the Office of State Budget and Management. Effective September 1, 2009, please refer to <http://www.ncgrants.gov> for further information and to access the online reporting system for submitting the specific forms that are required based on the received amount.
9. Special appropriations subject to a matching requirement should be disbursed and expended in accordance with G.S. 143C-4-5, non-state match restrictions.
10. A letter of disbursement should accompany the first check sent to a recipient organization. The letter of disbursement should outline all reporting and spending requirements associated with the Special Appropriation.
11. Pursuant to G.S. 143B-426.40G, all warrants issued for non-state entities shall be delivered by the appropriate agency to the entity's legally designated recipient by United States mail or its equivalent, including electronic funds transfer.
12. Pursuant to 09 NCAC 03M .0401, prior to disbursing any State funds to non-state entities, all granting agencies must register their grant program with the Office of State Budget and Management's Community Resource Information System (CRIS).

REQUEST FOR PAYMENT OF APPROPRIATION(S) FROM NORTH CAROLINA GENERAL FUND

(SEE LETTER ENCLOSED)

2009-10 Allocation: \$

Purpose:

Part A. TO BE COMPLETED BY ALL RECIPIENTS

- 1. Contact's Name: \_\_\_\_\_ Telephone: \_\_\_\_\_
- 2. Contact's Position in Organization: \_\_\_\_\_
- 3. Federal Identification Number \_\_\_\_\_
- 4. Kind of Organization: Corporation \_\_\_\_ Trust \_\_\_\_ Partnership \_\_\_\_ Government \_\_\_\_  
Unincorporated Association \_\_\_\_ Other \_\_\_\_
- 5. Match Required (Circle One): Yes/No On a \_\_\_\_ to \_\_\_\_ basis.  
If matching is required, is cash match in hand? Yes \_\_\_\_ No \_\_\_\_  
If the required match is not in hand, by what date and from what source does the organization expect to have the cash match?
- 6. Fiscal Year of Non-State Entity (e.g. year ending June 30, December 31, other) \_\_\_\_\_

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Part B. TO BE COMPLETED BY ALL NON-GOVERNMENTAL RECIPIENTS

- 1. Please enclose the following:
  - a. Articles of Incorporation and by-laws, trust indenture, partnership agreement, etc.
  - b. List of Board of Directors/Trustees.
  - c. Policy addressing conflicts of interest.
  - d. Sworn Statement of no overdue tax debts.

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Part C. TO BE COMPLETED BY ALL RECIPIENTS. FORM MUST BE NOTARIZED

\_\_\_\_\_  
Signature of individual making request

\_\_\_\_\_  
Notary Public (official seal)

\_\_\_\_\_  
Date Notarized

## SECTION .0700 - CONTRACTING, MONITORING, AND OVERSIGHT

### 09 NCAC 03M .0701 GRANT DOCUMENTATION

In consideration of receiving State funds, the grantee shall sign a contract with the agency that shall contain the obligations of both parties. Prior to disbursing any State funds, each agency shall sign a contract with the grantee requiring compliance with the rules in this Subchapter. The requirements of this Rule shall also be applicable to all subgrantee relationships.

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

### 09 NCAC 03M .0702 SUBORDINATION OF OTHER CONTRACTS AGREEMENTS

No contract agreements shall act to eliminate or diminish the requirements contained in this Subchapter.

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

### 09 NCAC 03M .0703 REQUIRED CONTRACT PROVISIONS

Each contract agreement shall contain:

- (1) A specification of the purpose of the grant, services to be provided, objectives to be achieved, and expected results;
- (2) The Source of funds (federal, state, etc.) must be identified (CFDA number if applicable) and percentages included where applicable;
- (3) Account coding information sufficient to provide for tracking of the disbursement through the grantor accounting system;
- (4) Agreement to maintain all grant records for a period of five years or until all audit exceptions have been resolved, whichever is longer;
- (5) Names of all parties to the terms of the contract; for the grantee or subgrantee, including the employer/tax identification number, address, contact information, and the grantee/subgrantee fiscal year end date;
- (6) Signatures indicating authorization by all parties to the terms of the contract;
- (7) Duration of the contract, including the effective and termination dates;
- (8) Amount of the contract and schedule of payment(s);
- (9) Particular duties of the grantee;
- (10) Required reports and reporting deadlines;
- (11) Provisions for termination by mutual consent with 60 days written notice to the other party, or as otherwise provided by law;
- (12) A provision that the awarding of the grants subject to allocation and appropriation of funds to the agency for the purposes set forth in the contract;
- (13) Provision that requires reversion of unexpended funds to the agency upon termination of the contract;
- (14) A provision that requires compliance with the rules and reporting requirements outlined in this Subchapter including audit oversight by the Office of the State Auditor, the provision of access to the accounting records by both the funding entity and the Office of the State Auditor, and availability of audit work papers in the possession of any auditor of any recipient of State funding;
- (15) A clause addressing assignability and subcontracting including the following:
  - (a) the grantee or subgrantee is not relieved of any of the duties and responsibilities of the original contract; and
  - (b) the subgrantee agrees to abide by the standards contained in this Subchapter, and to provide all information to allow the grantee to comply with these standards.

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

**09 NCAC 03M .0704 GRANT MONITORING AND EVALUATION**

(a) Agencies shall ensure that oversight and monitoring of grantee and subgrantees occurs to prevent the misuse of State funds. Grantees and subgrantees shall manage the day-to-day operations of grant-supported activities. Grantors shall monitor grant-supported activities to assure compliance with applicable compliance requirements and that performance goals are being achieved. Grantee monitoring shall cover each program, function or activity. An evaluation must be performed with a comparison of actual accomplishments to the measurable objectives or outcomes established for the grant.

(b) Agencies shall:

- (1) Grant Identification - At the time the grant is made, the agency must provide information to the grantee including the required contract provisions as well as the applicable compliance requirements.
- (2) During the grant period, the agency shall monitor the grantee's use of State awards through reporting, site visits, regular contact, or other means to provide assurance that the grantee administers State funds in compliance with laws, rules, and the provisions of grant agreements and that performance goals are achieved.
- (3) Ensure that subgrantees expending five hundred thousand dollars (\$500,000) or more in State awards during the subgrantee's fiscal year have met the audit requirements of this Subchapter and that the required audits are completed within nine months of the end of the subgrantee's audit period; issue a management decision on audit findings within six months after receipt of the subgrantee's audit report; and ensure that the subgrantee takes timely corrective action on all audit findings.
- (4) Take action using sanctions when a subgrantee has demonstrated a continued inability or unwillingness to provide required audits.
- (5) Evaluate the impact of subgrantee activities on the agency's ability to comply with applicable State rules.
- (6) Evaluate the results and outcomes of the activities and accomplishments of the grantee or subgrantee to determine if results were achieved, the success of the activity, and whether the project activities should continue.

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