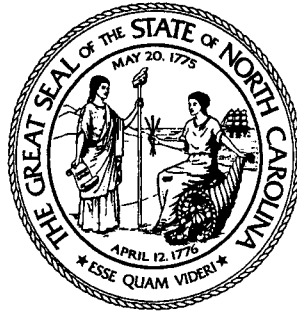


2003-2004

**SENATE
APPROPRIATIONS
SUBCOMMITTEE ON
STATE AID TO NON-
STATE ENTITIES**

**COMMITTEE
MINUTES**



The General Assembly of North Carolina

Senate Appropriations Subcommittee On State Aid to Non-state Entities

2003 Session

**Senator Kay Hagan, Chair
Senator Hamilton Horton, Chair
Senator Jeanne Lucas, Chair**

Principal Clerk _____
Reading Clerk _____

SENATE
NOTICE OF SUBCOMMITTEE MEETING

The Senate Appropriations Subcommittee on **State Aid to Non-State Entities** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	February 26, 2003	15 min. after session	2023

The following will be considered:

- To be announced

Senator Kay Hagan, Co-Chair
Senator Jeanne Lucas, Co-Chair
Senator Ham Horton, Co-Chair

Senate Appropriations Subcommittee
on
State Aid to Non-State Entities

Wednesday, February 26, 2003
3:30 p.m.
Room 2023, Legislative Building

1. Chairs Remarks

Senator Kay Hagan, Co-Chair
Senator Jeanne Lucas, Co-Chair
Senator Ham Horton, Co-Chair

2. Introduction of Committee Members

Senator Bob Carpenter
Senator Katie Dorsett
Senator Fletcher Hartsell
Senator Robert Pittenger
Senator Bill Purcell
Senator David Weinstein

3. Overview of Document

Mona Moon
Fiscal Research Division

4. Committee Discussion

5. Adjourn

Next Meeting: Tuesday, March 4, 2003
Room 414, Legislative Office Building
12:00 pm

Note: The document distributed to committee members today will be made available on the General Assembly's website at www.ncleg.net. Look for a link under "Committees Online"

JOINT APPROPRIATIONS CHAIRS ITEMS/ISSUES

- 1) Availability
 - a) Growth rate
 - b) Use of reserves, highway funds, trust funds, etc.
 - c) Coordination with Finance Committee
- 2) Expenditures
 - a) Spending targets for subcommittees
 - b) State Health Plan
 - c) Debt Service
 - d) Capital
 - e) Retirement
 - f) Salaries
 - g) Other statewide reserves
- 3) Appropriations Bill
 - a) General & boiler plate special provisions
 - b) Relevant special provisions for items listed in #1 & 2
 - c) Changes in the Executive Budget Act
- 4) Other Items
 - a) Appropriations Schedule
 - b) Guidance to subcommittees
 - c) Resolution of certain subcommittees' items
 - d) Technical corrections bill/clean up bill(s) and Continuing Resolution (if necessary)
 - e) Operating Procedures for Subcommittees and Reporting to Full Chairs

ATTENDANCE

Committee: Approp. SC on State Aid to Non-State Entities

[illegible]

VISITOR REGISTRATION SHEET

Approp. SC on State Aid to Non-State Entities

February 26, 2003

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

John Bowditch

Museum of Life & Science

Stella McKenry

NC DHHS

John McClinton

McClinton Foundation

Patricia A. Yancy

APPCNC/LLPP

Paula A. Wolf

Covenant w/NC's Children

Audrey Gallaway

Strategic Influences

Loi Ann Harris

L A Harris

Fran Nolar

Grossmont State Museum

Al Cedeno

NEBC

Cam Coker

BPMHL

Suzanne Williams

NCCS

James Banks

NC Food Bank

VISITOR REGISTRATION SHEET

Approp. SC on State Aid to Non-State Entities

February 26, 2003

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE
CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Karen Gark

Not Board for Prof. Teaching Standards

Andrew Galloway

Strategic Influences

Roz Savitt

National Care Coalition

Paula A. Hoef

Covenant w/ NC's Children

Patricia A. Yancey

APPC NC / LLPP

Anne Winner

Atty

McLarell

NCICU

Joanne Stevens

Nursing NCNCSA

Jusm Cole

NCNCSA

Appropriation Subcommittee on State Aid to Non-State Entities

February 26, 2003; 2:30 pm
Minutes

The meeting of the Appropriations Subcommittee on State Aid to Non-State Entities was called to order on Wednesday, February 26, 2003 at 2:30 p.m. by Co-Chair, Senator Kay Hagan. Senator Hagan introduced herself, as well as Co-Chairs Senator Jeanne Lucas and Senator Hamilton Horton and committee members Senator Bob Carpenter, Senator Katie Dorsett, Senator Fletcher Hartsell, Senator Robert Pittenger, Senator Bill Purcell and Senator David Weinstein. Jennifer Hoffman and Mona Moon, General Assembly fiscal research analysts, are the staff working with the committee. Pages Lamar Crawford, sponsored by Senator Weinstein and Josh Jacomet, sponsored by Senator Basnight were in attendance.

Senator Hagan stated that questions have been raised on how the state provides for non-profits.

The charge of this committee is to set consistent parameters for any non-profit groups that receive grants from the state. Not under consideration is funding to a state agency that, in turn, contracts with a non-profit for the delivery of services.

The attached information provided by Fiscal Research will be studied carefully and reformatted to more accurately state the funding provided to non-profits. One important issue to consider in evaluating this information is consistency. For example, why are some universities on the report?

Once the information is corrected and reformatted, it will be given to the Appropriation sub-committees that are charged with evaluating the grants and funding to non-state entities on a line-by-line basis.

Senator Jeanne Lucas added that she sees the focus of this committee as dissecting this document in a way that is most productive to the state and to consider the overall umbrella.

Senator Hamilton Horton wanted to emphasize that this was not a witch-hunt or an effort to chop away things that are worthwhile, but to see what the state has been doing in terms of providing grants to non-profit entities. His hope is to simply find out standard things and enable the subcommittees to make subjective decisions concerning these grants.


Mona Moon discussed the document that was compiled by the Auditor's office and modified by Fiscal Research (*See Attachment 1*). Fiscal Research undated the agency contract listings and reported that it is available on the Auditor's website.

The data is from 2001 with 2002 pending. Fiscal Research has sorted this data by "appropriations subcommittees". In doing so, it will make it easier for the subcommittees to track the amounts relevant to the agencies under their control. However, the system is still subject to some errors. By the next meeting, summary information will be presented to show how much money goes to the various agencies. Most of the entries are in the Health and Human Services area.

It was noted that all the state's source of funding is not just general fund money; some is federal funding, some fee collection and federal pass-thru. There was discussion about the issue of funding duplication. Organizations receiving less than \$300,000 are required to make a sworn statement of receipt and expenditures to the agency. More than \$300,000 requires an audit submitted to the State Auditor's office. All this information is public information.

Senator Hagan repeated that the individual sub-committees would take each line item and study it in detail, and then asked that members make themselves familiar with the content of this report before the next meeting.

After reminding the committee that State Auditor Ralph Campbell would be reporting next week, Senator Hagan adjourned the meeting at 3:30 p.m.



Senator Kay Hagan, Presiding



Susan Hamilton, Committee Assistant

Attachment

Principal Clerk _____
Reading Clerk _____

SENATE
NOTICE OF SUBCOMMITTEE MEETING

The Senate Appropriations Subcommittee on **State Aid to Non-State Entities** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	March 4, 2003	15 min. after session	414

The following will be considered:

- The State Auditor will speak

Senator Kay Hagan, Co-Chair
Senator Jeanne Lucas, Co-Chair
Senator Ham Horton, Co-Chair

Senate Appropriations Subcommittee
on
State Aid to Non-State Entities

Tuesday, March 4, 2003
15 Minutes after Senate Session Adjourns
Room 414, Legislative Office Building

1. Call to Order

2. Presentation by the Office of the State Auditor

Ralph Campbell, Jr.
State Auditor

3. Summary of Related Statutory Requirements

Mona Moon
Fiscal Research Division

4. Summary Information on Payments to Non-State Entities

Jennifer Hoffmann
Fiscal Research Division

5. Committee Discussion

6. Adjourn

Note: The document being used by committee members, which lists payments to non-state entities for the fiscal year ending June 30, 2001, is available on the General Assembly's website at www.ncleg.net. Look for a link under "Committees Online" for the Senate Appropriations Subcommittee on State Aid to Non-State Entities.

ATTENDANCE

Committee: Approp. SC on State Aid to Non-State Entities

[illegible]

Appropriation Subcommittee on State Aid to Non-State Entities

March 4, 2003; 2:30 pm
Minutes

The meeting of the Appropriation Subcommittee on State Aid to Non-State Entities was called to order on Tuesday, March 4, at 2:30 pm by Co-Chair, Senator Kay Hagan. All members were present. Senator Hagan welcomed pages Patrick Fleming and Clark Woodard from Wilson, N. C., sponsored by Senator Swindell.

State Auditor Ralph Campbell was introduced and began his presentation by thanking the committee for the opportunity to be able to review the schedule prepared by his office for organizations receiving state funds. Mr. Campbell introduced Jimmy Benson, Deputy State Auditor whose specific responsibility was this schedule and David Nance, Audit Manager for the Non-Governmental Audit Section, primarily the Smart Start program.

Mr. Campbell proceeded by giving a brief summary of the background on the legislation and policies, which require reports to be filed by the recipients. This policy was originally started by State Auditor Ed Renfrow and was not required by statute until General Statute 143-6.1 was enacted by the 1989 legislative session. It speaks to four issues: (1) disbursement and use of state funds, (2) state agencies reporting; (3) grantee reporting thresholds, and (4) audit oversight. The original legislative grantees receiving \$25,000 or more of state money were required to submit annual audit reports. The statute has been changed over the years to increase the audit threshold and to take into consideration the audit burden placed on non-profit entities. In 1997, the threshold was raised to \$100,000. A sworn statement by the agency was required for funds over \$15,000, but less than \$100,000. In 1998, the audit threshold was raised to \$300,000 to track federal requirements for audit reports and this policy continues today, with the last four years being web-based reports rather than printed copies.

Fiscal year 2001 and the preceding three years have shown a significant increase in funding to private organizations: 1998, \$378.8 million; 1999, \$482.7 million; 2000, \$707.2 million, and \$766.8 million in 2001. The 2002 information is not available yet. Some federal pass-through funds are included in these figures. This level of funding reflects amounts that have more than doubled in four years, with the greatest increase being under the Departments of Health and Human Services, Commerce, North Carolina Partnership for Children and, new in 2001, payments passing through the Golden Leaf Foundation.

For fiscal year 2001, there are 8,001 organizations listed on the schedule of which 371 are receiving more than \$300,000 each, meaning 5% of the agencies are receiving 75% of all the funding. The remaining 7,630 organizations fell below the \$300,000 audit threshold. Of this number, 2,861, representing \$172.9 million, would have had to file a sworn statement rather than an audit report and 4,763, representing \$20.2 million, were not required to report at all. Information for the schedule is gathered from two sources: (1) N. C. accounting system used by most state agencies to report through the state comptroller and (2) off-line reporting by agencies not on the state accounting systems, although a worksheet is provided to the auditor's office by these agencies. This information is not usually in a form that is usable by the state schedule. The audit staff must expend considerable effort to clean up that information to bring some consistency to the reporting process. Because of the audit staff resources, no review or audit is performed to determine accuracy. Coding errors, incorrect determination of a grant vs. a service purchase, completeness of the information, timeliness and no formal reporting requirements are potential problems. The compilation of this schedule is assigned to the non-governmental audit section; however, their main responsibility is the Smart Start Initiative, a full-time job in itself, and other non-profit issues within state government. Recently, directed by statute, the auditor's office has conducted audits on a number of other non-profits that are not usually done resulting in the accumulation of data and production of this schedule to be put on a back burner, due to other responsibilities.

Mr. Campbell believes this information can be very useful to decision-makers, but emphasizes that the data must be consistently gathered in a timely manner and must be accurate. Mr. Campbell encouraged the committee as it examines state funding to private organizations to concentrate on strengthening the reporting process, perhaps by designating the Office of State Budget and Management as the responsible agency for gathering and reporting the information. They are the agency issuing the checks for each of these agencies, and have the necessary information readily available. (*See Attachment 1*)

David Nance, Deputy State Auditor, opened the floor to questions and was asked if the information was gathered by state and federal designation. The office is more interested in the total amount; therefore the figures are not broken down. State funds are defined as federal funds that flow into the state and are then considered state funds. As the funds flow out of the state agencies as grants, they are considered state funds. These funds are then included in the report. Unfortunately, coding is a key problem area at the state agency level.

Mona Moon was called on to expound on the issue of coding and stated that she and Jennifer Hoffman have requested the fiscal staff to begin working with the state agencies to identify which source of funds are federal and state, general fund, non-general fund (Golden Leaf Foundation), etc.

Mr. Campbell reiterated that, in the large increase over the last four years, a part of this increase is a result of funding that now is reported through Smart Start funding as we fully expanded to all 82 partnerships as well as the money within the last couple of years of the Golden Leaf Foundation. Of the *cash dollars* that come into the Smart Start program, 96% are state dollars. While it was intentionally set up as a non-profit organization with the flexibility of the local communities, it is really a state-funded project. As to the large increase from 1999 to 2000, Mr. Nance attributed this to the beginning of Smart Start going from about 41 partnerships to 81 (*from roughly \$75 million to \$150 million*), as well as a large budget increase for the Department of Human Services.

Senator Horton questioned whether audit submitted by the private entities receiving over \$300,000 disclosed the number of people actually served by the organization. Mr. Campbell responded that the audit was financial and does not get into outputs. Mona Moon added that it did not provide that information in a standardized format. It would have to be included in the information request. Senator Hagan suggested that perhaps this question could be referred to the agency secretaries as to how they would gather this information. Mr. Campbell added that, if received now, it would be self-reporting and not the result of any type of verification.

Senator Lucas raised the question as to whether each of the non-profits falls under a state committee. Mr. Campbell answered that the majority fall outside the state committees. The example was given of day care centers receiving dollars through Health and Human Services, but would not specifically be identified. Mr. Campbell suggested this information could be reported at the agency level.

Senator Lucas further questioned the issue of thresholds, but Mr. Campbell explained that the discussion by the General Assembly in 1997-99 was not necessarily related directly to the federal funding, but rather a result from the non-profit community's struggle to pay for the required audit when they received more than \$25,000. Mr. Nance added that, as the required audits are received (for receipt of over \$300,000), they are rolled into the Auditor's report that was presented to the committee (*Please see Attachment 1*) and held on file. They are, however, examined to see that they meet the proper audit standards. Senator Carpenter raised the question as to how closely the audits are examined and Mr. Campbell explained that the audits must meet the yellow book standards required for receipt of federal, state and local funding, either by a government or licensed private auditor. He also mentioned that the accuracy of the audit on the \$300,000 level could depend on the agency receiving funding from several different agencies and the recipients and the State Auditor's office being unclear as to whether they met the \$300,000 level.

Senator Hagan raised the question as to whether there was a way to look at the material and pull out money from Golden Leaf, Hurricane Floyd, Smart Start, etc. Mona Moon explained that these funds are each identified in a separate spreadsheet and are clearly identified by the agencies.

Mr. Campbell's final recommendation to achieve better accountability and purpose of the funding was to look at strengthening the reporting requirements. His office needs to look closely at whether state dollars are rolled into federal dollars and to address the larger concern of accuracy on the reporting information.

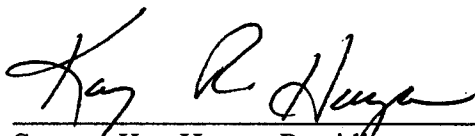
Jennifer Hoffman, Fiscal Research analyst, introduced the summary prepared by the Fiscal Research Department and reviewed each chart with a brief description. (*Please see Attachment 2*) When the question was raised regarding the \$15,000 to \$300,000 range, Ms. Hoffman clarified that agencies receiving *less than \$15,000* were not required by statute to submit this statement. The report notes the exception that grantees are not required to file a statement if funds were used for the purpose of goods and services. Ms. Hoffman noted that this reporting would depend on how the agency codes their information.

Senator Lucas observed that when the non-profits approach the agency, someone has approved what has come through based on the submission of the request, or what they want. This someone was able to see the vision or need of the non-profit. Senator Hagan agreed that this was an important thought for the committee to keep in mind as they move forward.

Senator Hagan reiterated the goal of the committee as striving to get a handle on this information and turn it back to the Appropriation subcommittees to give them a better feel for this information and to set parameters so the subcommittees will all be looking at this issue from the same perspective. This is in response to questions and concerns raised about the \$768,000 million allocated for non-state entities.

Mona Moon explained that the General Assembly appropriates money directly to a number on non-profits, going through a state agency, ultimately becoming a pass-through. Other non-profits are being funded directly through state agencies, citing grant programs such as the Clean Water Management program, but all are, in some way, under the purview of a legislative committee. Setting criteria to provide a more consistent review of these funding streams would capture both funds going through state agencies and ones being provided directly.

With no further questions, Senator Hagan adjourned the meeting at 4:00 pm.



Senator Kay Hagan, Presiding



Susan Hamilton, Committee Assistant

**State Aid to Non-State Entities
For the Fiscal Year Ending June 30, 2001**

Allocation of Payments among Appropriations Subcommittees				
Subcommittees	Number of Entries	% of Entries	Amount of payments	% of Payments
Education	1,174	14.67%	\$188,365,022	24.56%
Health and Human Services	2,577	32.21%	\$334,316,392	43.60%
Justice and Public Safety	438	5.47%	\$54,104,053	7.06%
Natural and Econ Resources	1,934	24.17%	\$143,952,071	18.77%
General Government	1,822	22.77%	\$40,107,426	5.23%
Transportation	56	0.70%	\$5,973,766	0.78%
Grand Total	8,001	100%	766,818,730	100%

State Aid to Non-State Entities
For the Fiscal Year Ending June 30, 2001

Agency	Amount of Funds	% of Funds	Number of Entries	% of Entries
Education				
Appalachian State University	32,508	0.00%	1	0.01%
East Carolina University	115,228	0.02%	19	0.24%
State Educational Assistance Authority	8,685,567	1.13%	1	0.01%
University of North Carolina - General Administration	77,971,235	10.17%	80	1.00%
University of North Carolina at Chapel Hill	64,235,426	8.38%	328	4.10%
University of North Carolina at Pembroke	22,061	0.00%	1	0.01%
North Carolina A & T State University	250,000	0.03%	1	0.01%
North Carolina State University	5,598,414	0.73%	486	6.07%
Department of Public Instruction	28,898,182	3.77%	186	2.32%
Department of Community Colleges	2,556,402	0.33%	71	0.89%
Education Total	188,365,022	24.56%	1,174	14.67%
DHHS				
Department of Health and Human Services	158,630,185	20.69%	2,423	30.28%
North Carolina Partnership for Children, Inc.	175,686,207	22.91%	154	1.92%
DHHS Total	334,316,392	43.60%	2,577	32.21%
JPS				
Administrative Office of the Courts	4,025,247	0.52%	44	0.55%
Department of Corrections	2,231,592	0.29%	5	0.06%
Department of Crime Control and Public Safety	21,859,973	2.85%	228	2.85%
Department of Justice	125,000	0.02%	1	0.01%
Department of Juvenile Justice and Delinquency Prevention	25,862,240	3.37%	160	2.00%
JPS Total	54,104,053	7.06%	438	5.47%
NER				
Department of Agriculture	6,996,411	0.91%	810	10.12%
Golden Leaf Foundation	7,943,466	1.04%	42	0.52%
North Carolina Biotechnology Center	1,688,813	0.22%	30	0.37%
Department of Commerce	92,061,242	12.01%	324	4.05%
Department of Environmental and Natural Resources	35,091,643	4.58%	714	8.92%
Department of Labor	4,000	0.00%	1	0.01%
Wildlife Resources Commission	166,496	0.02%	13	0.16%
NER Total	143,952,071	18.77%	1,934	24.17%
General Government				
Department of Administration	9,618,994	1.25%	314	3.92%
Department of Cultural Resources	11,762,178	1.53%	556	6.95%
Housing Finance Agency	5,236,695	0.68%	65	0.81%
Department of Insurance	4,588,287	0.60%	528	6.60%
Information Technology Services	3,397,097	0.44%	9	0.11%
Office of the Governor	5,495,475	0.72%	349	4.36%
Secretary of State	8,700	0.00%	1	0.01%
General Government Total	40,107,426	5.23%	1,822	22.77%
Transportation				
Department of Transportation	5,973,766	0.78%	56	0.70%
Transportation Total	5,973,766	0.78%	56	0.70%
Total Funds Provided by Agencies	766,818,730	100.00%	8,001	100.00%

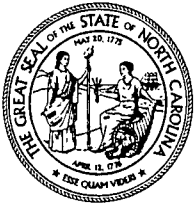
State Aid to Non-State Entities
For the Fiscal Year Ending June 30, 2001

Allocation of Payments among Various Funding Ranges				
Range of Amounts	Number of Entries	% of Entries	Amount of payments	% of Payments
Over \$20 million	1	0.01%	\$26,188,615	3.42%
\$10 million < \$20 million	5	0.06%	\$64,366,036	8.39%
\$1 million < \$10 million	150	1.87%	\$367,992,331	47.99%
\$500,000 < \$1 million	111	1.39%	\$75,388,013	9.83%
\$100,000 < \$500,000	561	7.01%	\$118,201,630	15.41%
\$50,000 < \$100,000	671	8.39%	\$46,638,047	6.08%
\$25,000 < \$50,000	906	11.32%	\$31,611,327	4.12%
\$1000 < \$25,000	4,195	52.43%	\$35,907,033	4.68%
Less than \$1,000	1,401	17.51%	\$525,698	0.07%
Grand Total	8,001	100%	766,818,730	100%

Breakdown of Payments by Statutory Reporting Requirements				
Range of Amounts	# of Entries	% of Entries	Amount of payments	% of Payments
\$300,000 and more	371	4.64%	\$573,706,830	74.82%
\$15,000 < \$300,000	2,867	35.83%	\$172,901,398	22.55%
Less than \$15,000	4,763	59.53%	\$20,210,502	2.64%
Grand Total	8,001	100%	766,818,730	100%

State Aid to Non-State Entities
For the Fiscal Year Ending June 30, 2001

Payments by Location				
State	Number of Entries	% of Entries	Amount of Payments	% of Payments
North Carolina	7,270	90.86%	\$703,635,408	91.76%
All Other States	697	8.71%	\$61,225,732	7.98%
Subtotal USA	7,967	99.58%	\$764,861,140	99.74%
Outside the USA	34	0.42%	\$1,957,591	0.26%
Grand Total	8,001	100%	\$766,818,730	100%



RALPH CAMPBELL, JR.
STATE AUDITOR

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

March 28, 2003

The Honorable Kay R. Hagan, Co-Chair
The Honorable Jeanne H. Lucas, Co-Chair
The Honorable Hamilton H. Horton, Jr., Co-Chair
Members of the Subcommittee
Senate Appropriations Subcommittee on
State Aid to Non-State Entities
Legislative Office Building
Raleigh, North Carolina

Ladies and Gentlemen:

The purpose of this letter is to provide the requested follow-up to the discussion on March 4, 2003 of state aid to private organizations. As you may recall, there were two areas in which members asked for additional comments. The first question asked was "What is broken and what needs fixing?". My remarks touched on the need to strengthen the recipient reporting process. Also, improvements could be made in reports to the General Assembly by including more detail. For example, current reporting may not adequately identify the source of funds or the activity being funded. Accuracy of the data reported is also a concern. As we discussed, the information currently available is self-reported without the benefit of independent verification. Finally, there is the question of how outcomes are determined. That was also the nature of the second question, "What process, other than audit, can be used to verify accurate financial and outcome reporting?". From my experience, the most effective way to make such determinations would be through a well defined monitoring process, conducted by each funding agency, possibly on a sampling basis each year.

I trust that these additional comments will be of benefit to the Subcommittee. Please advise me if I or members of my staff can be of further service to you as you examine state aid to private organizations.

Respectfully,

Ralph Campbell, Jr.
State Auditor

cc: Mona Moon, Fiscal Research Division



Principal Clerk _____
Reading Clerk _____

PLEASE NOTE CHANGE IN TIME TO 11:30 AM

SENATE
NOTICE OF SUBCOMMITTEE MEETING

The Senate Appropriations Subcommittee on **State Aid to Non-State Entities** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	April 16, 2003	noon	414

The following will be considered:

- Continue discussion on state funding

Senator Kay Hagan, Co-Chair
Senator Jeanne Lucas, Co-Chair
Senator Ham Horton, Co-Chair

Senate Appropriations Subcommittee
on
State Aid to Non-State Entities

Wednesday, April 16, 2003
12: 00 PM
Room 414, Legislative Office Building

- 1. Call to Order**
- 2. Abbreviated List of Payments to Non-State Entities**
- 3. Committee Discussion**
- 4. Adjourn**

ATTENDANCE

Committee: Approp. SC on State Aid to Non-State Entities

[illegible]

VISITOR REGISTRATION SHEET

Approp. SC on State Aid to Non-State Entities

04/16/03

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE

CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Alice Winn	Atty
Stacy Substantive	NCCN
Amy Dobson	NC State water.
Lori Ann Harris	L.A. Harris & Assoc Inc
Linda Gunn	NCIMED
Rosea Storer-Briss	NCACOC
Mark Glenney	University System
John Noveck	Public School System
Michael	Neich
Miller	Mallen Co
Devon White	PEWE

VISITOR REGISTRATION SHEET

Approp. SC on State Aid to Non-State Entities

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE
CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Stella McKenney	NC DHHS
Vicky Young	OSA
Skip Alston	NC. NAACP, Greensboro, NC.
Fred Yates	N.C NAACP Greensboro N.C.
Kathleen Purcell	-
Ran Cole	NC Center for Public Policy Research
Ebonie Alexander	NC Community Development Initiative
Andrea Harris	NC Institute of Minority Eco. Dev.
Patricia A. Yarny	LLPP / APPC NC

STATE OF NORTH CAROLINA
SENATE APPROPRIATIONS SUBCOMMITTEE ON STATE AID TO NON-STATE ENTITIES
STATE LEGISLATIVE BUILDING
RALEIGH, NC 27601



Memorandum

To: Members of the Senate Appropriations Subcommittee on State Aid to Non-State Entities

From: Senator Kay Hagan, Co-Chair
Senator Jeanne Lucas, Co-Chair
Senator Ham Horton, Co-Chair

Date: March 13, 2003

Re: Status Report on Activities of the Subcommittee

We want to provide you with an update on the subcommittee's progress to date and let you know how we plan to proceed for the remainder of our meetings.

After the last meeting, we met with the subcommittee staff to provide them with direction on how to develop a more manageable list of non-state entities to review more closely. Specifically, we asked the staff to exclude the following from a revised list of organizations that will be subject to further review by the subcommittee:

- Golden LEAF grants
- Smart Start grants
- NC tuition grants
- Weatherization grants
- Disaster relief payments
- One-time or non-recurring funds

We also intend to focus the subcommittee's attention on grants larger than \$300,000, which you may recall is the statutory threshold for requiring the submission of an audited financial statement. This will dramatically reduce the number of organizations, but still allow us to review a significant percentage of the payments.

To facilitate this request and to respond to specific questions raised by subcommittee members, we asked the staff to collect the following information from state agencies included in the Auditor's report:

in nisc.

1. A list of definitions/explanations for abbreviations used in the report,
2. The source of funding for each different category of fund/account descriptions (i.e. state general fund, state non-general fund such as fees, bond proceeds, etc, and federal funds),
3. Identify each funding source as either recurring or non-recurring, and
4. Determine the degree of flexibility or discretion the state has with respect to the distribution of federal or other non-state funds. The request is for a short response to the question at this point, such as "total discretion," "limited discretion" if the funds come with some restrictions/parameters, or "no discretion."

Before the subcommittee meets again, the staff needs sufficient time to gather this information from the various agencies and to resort the data to develop a revised list of grantees. At this time we hope to schedule the next meeting for the week of March 24th. We will advise you of the next meeting date as soon as possible.

We appreciate your participation on this subcommittee. Please let us know if you have any questions or additional suggestions for completing our work.

Appropriations Subcommittee on State Aid to Non-State Entities

April 16, 2003; 12:00 Noon
Minutes

The meeting of the Senate Appropriations Subcommittee on State Aid to Non-State Entities was called to order on April 16, 2003 at 12:10 by Co-Chair, Senator Jeanne Lucas. There were 7 members present.

Senator Lucas called on Senator Hagan to discuss the Abbreviated Schedule of Private Organizations Receiving More Than \$300,000 in State Funds for Fiscal Year Ending June 30, 2001. (*Attachment 1*). Senator Hagan explained that the schedule was divided into sub-categories according to the Appropriation Sub-committees. The three co-chairs examined this information and asked that any funds relating to the Clean Water Management Trust Fund, Hurricane Floyd, money to private universities' grants and tuition; Smart Start funding; Golden Leaf Foundation and Weatherization be removed. These monies were thought to be examined by the sub-committees on their own, leaving only funding requiring an audit (\$300,000 or more) as the main concentration. This information was briefly discussed and then moved by Senator Horton that it be sent, by category, to the appropriate subcommittee for review. The motion was carried.

In response to questions Senator Horton had raised to the State Auditor, regarding the organizations that did not submit the required audit, Mona Moon explained that of the 371 organizations receiving over \$300,000 or more in 2001, 172 of them had not turned in an audit, representing almost \$262,000,000. She further explained that the agencies that did not submit the required audit were listed first.

Mona Moon clarified Senator Lucas' question as to the history of filing an audit. An audit for each fiscal year is required within 9 months of the end of their fiscal year. Senator Lucas further asked if the State Auditor had any recourse for entities not submitting an audit. The law requires the agencies to submit the reports to the State Auditor (becoming public record), but that is as far as it goes. If the audit is not submitted, the entity is not supposed to receive any further state money. The same is applicable for agencies receiving less than \$300,000, but more than \$15,000. They are required to report back to the dispersing agency as to how the funds were used. If they fail to comply, they should not receive further funds. Senator Lucas was concerned that the agencies not submitting an audit reflect a failure on the part of the state. Mona Moon allowed that the agencies might be submitting their audits to the wrong entity or reporting to several different places; however, there is paperwork connected to the funding and these agencies are sent a letter stating the reporting requirement by the state.

Senator Hagan had asked for draft language to be written to provide a more definitive process in place to clarify the follow-up mechanism. A draft Special Provision, 2003—GEN-S2A, was distributed. (*Attachment 2*).

Mona was asked to clarify the responsibility of the state agencies and the auditor's office. The granting agency must notify the grantee, in writing, (regardless of the size of the grant) that there is a reporting requirement that they are to submit back to the granting agency and that failure to do so will result in a loss of their funding. They are required to provide the grantee with an accounting form and other requirements prescribed by the state auditor. These forms have already been created by the auditor's office. This applies only to organizations receiving between \$15,000 and \$300,000. This is a sworn statement, not an audited financial statement. Each state agency dispersing funds to a non-state entity will then be required to give the State Budget Management office a list on Dec. 31 of every grantee who has received funds and whether or not that recipient had filed their sworn statement. The office of the State Budget and Management would be the appropriate organization to monitor this.

There are very similar requirements for audited financial statements. The auditor's office would review the audits submitted, making sure that the audit was conducted in accordance with auditing standards and that there are no misstatements in the financial report. There is a letter that comes with each audit describing the procedure. By December 31, the auditor would notify the disbursing agencies and the State Budget Management Office of whether the grantees have complied. Before dispersing any state funds for the 4th quarter of the fiscal year, the granting agencies will work with the State Budget and Management office and verify that the grantees receiving funds in the 4th quarter allotment have submitted their reports by that time. If not, a grace period of March 15 will be given in order not to lose the 4th quarter allotment.

The office of State Budget Management will report back to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division by May 1 on all grantees failing to comply with the section for the prior year. This feedback gives the General Assembly, going into their budget period, the ability to stop a fourth quarter allotment and make adjustments in appropriations.

Sen. Horton asked if there was any provision for recapture of funds already expended and Senator Lucas answered that there are none. Senator Dorsett asked if the forms could be submitted electronically. Forms are on the auditor's website, but it is not known if there would be a problem with electronic signatures on sworn statements.

Senator Pittenger wants to look at how to measure outcomes and asked that it be placed on the agenda for the next meeting. He had asked Mr. Campbell if there was a proven effective way to take a look at these organizations that are receiving an audit and measure accountability.

Senator Dorsett questioned whether the list of "no's" refers to formal audit reports, feeling that most of the agencies would have submitted something to the state agency. Mona Moon replied that there was no comprehensive system for submitting these reports. Senator Dorsett feels the agencies listed as not submitting an audit may be misleading without telling the whole story.

Senator Horton handed out Draft Special Provision, 2003-S1 and addressed two things: (1) As it now stands, there is no report required of agencies receiving less than \$15,000. This would say any money received would require a report of the receipts and disbursements; (2) For over \$300,000, it adds a performance audit to the regular audit. Senator Hagan then asked what a performance audit cost. Senator Horton replied that it depended on the audit and the organization and that it would probably be based on the amount being audited. *(Please see Attachment 3.)*

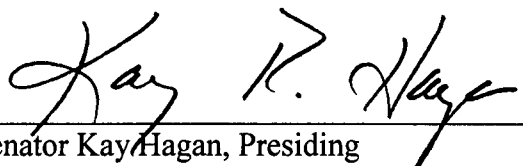
In response to a comment from a member of the audience concerned that this would result in a witch-hunt, Senator Lucas praised the work of non-profit organizations in our state and assured that this was not to be the case.

JoAnn Norris, the Public School Forum of North Carolina, clarified that the funding coming to her organization was used specifically for the public schools of this state.

Tim McDowell, N. C. Independent College and Universities, also stated that all of the independent colleges and universities sent an audit to the state education system, but that they will send them to the state auditor's office as well. He then questioned whether the deadline of December 31 mentioned in Draft Special Provision GEN-S2A, was realistic for agencies with a June 30 year-end. Senator Hagan replied that this draft form reflected questions and concerns as to the timing issue.

Andrea Harris, N.C. Institute for Minority Economic Development also had a question as to the 90-day requirement after the end of the agency's fiscal year. Mona Moon clarified that this applied to sworn statements.

With no further questions, the meeting was adjourned.



Senator Kay Hagan, Presiding



Susan Hamilton, Committee Assistant

Attachments

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

DRAFT
SPECIAL PROVISION

2003-GEN-S2A

General
Senate Appropriations Subcommittee

Requested by: Senator Hagan

REVISE LAW ON NON-STATE ENTITY REPORTS ON USE OF STATE FUNDS

SECTION #. G.S. 143-6.1 reads as rewritten:

"§ 143-6.1. Report on use of State funds by non-State entities.

(a) Disbursement and Use of State Funds. – Every corporation, organization, and institution that receives, uses, or expends any State funds shall use or expend the funds only for the purposes for which they were appropriated by the General Assembly or collected by the State. State funds include federal funds that flow through the State. For the purposes of this section, the term "grantee" means a corporation, organization, or institution that receives, uses, or expends any State funds. ~~The funds.~~

~~The State may shall not disburse State funds appropriated by the General Assembly to any grantee or collected by the State for use by any grantee if unless that grantee has failed to provide any reports or financial information previously required by this section. In addition, before disbursing the funds, the Office of State Budget and Management may require the grantee to supply information demonstrating that the grantee is capable of managing the funds in accordance with law and has established adequate financial procedures and controls. grantee:~~

(1) Provides all reports and financial information required under this section to the appropriate State agencies and officials; and

(2) Provides any additional information that the Office of State Budget and Management deems necessary demonstrating that such grantee is capable of managing the funds in accordance with law and has established adequate financial procedures and controls.

All financial statements furnished to the State Auditor pursuant to this section, and any audits or other reports prepared by the State Auditor, are public records.

(b) ~~State Agency Reports-Responsibilities.~~– A State agency that receives State funds and then disburses the State funds to a grantee must identify the grantee to the State Auditor, unless the funds were for the purchase of goods and services. The State agency ~~must submit~~ disbursing the funds shall:

* (1) Submit documents to the State Auditor in a prescribed format describing standards of compliance and suggested audit procedures sufficient to give adequate direction to independent auditors performing audits.

(2) Annually notify each grantee, in writing, of the reporting requirements set forth in this section and that the State agency is not authorized to disburse funds to grantees that fail to comply with the reporting requirements for funds received during the prior fiscal year;

- 1 (3) Provide each grantee with the accounting form and other requirements
2 prescribed by the State Auditor.
3 ✕ (4) Submit a list to the Office of State Budget and Management by
4 December 31 each year of every grantee to which the agency disbursed
5 State funds in the prior fiscal year except when the funds were for
6 purchases of goods and services and, for each grantee, whether that
7 grantee has filed the sworn accounting required by subsection (c) of
8 this section and whether the sworn accounting is in compliance with
9 subsection (c) of this section.

10 (c) Grantee Receipt and Expenditure Reports. – A grantee that receives, uses, or
11 expends between fifteen thousand dollars (\$15,000) and three hundred thousand dollars
12 (\$300,000) in State funds annually, except when the funds are for the purchase of goods
13 or services, must file annually with the State agency that disbursed the funds a sworn
14 accounting of receipts and expenditures of the State funds. This accounting must be
15 attested to by the treasurer of the grantee and one other authorizing officer of the
16 grantee. The accounting must be filed within ~~six months~~ 90 days after the end of the
17 grantee's fiscal year in which the State funds were received. The accounting shall be in
18 the form required by the State Auditor and provided to the grantee by the disbursing
19 agency. Each State agency shall develop a format for these accountings and shall obtain
20 the State Auditor's approval of the format.

21 (d) Grantee Audit Reports. – A grantee that receives, uses, or expends State
22 funds in the amount of three hundred thousand dollars (\$300,000) or more annually,
23 except when the funds are for the purchase of goods or services, must file annually with
24 the State Auditor a financial statement in the form and on the schedule prescribed by the
25 State Auditor. The financial statement must be audited in accordance with standards
26 prescribed by the State Auditor to assure that State funds are used for the purposes
27 provided by law.

28 (d1) State Auditor's Responsibilities. -- The State Auditor shall:

- 29 (1) Review each audit submitted pursuant to subsection (d) of this section
30 and determine that it has been conducted in accordance with generally
31 accepted audit standards and that no material misstatements are
32 contained in the financial statements;
33 (2) Notify disbursing agencies by December 31 of all grantees that are not
34 in compliance with the reporting requirements set forth in this section.
35 (3) Notify disbursing agencies of any material audit findings in the audits
36 of their grantees.
37 (4) Submit a list to the Office of State Budget and Management by
38 December 31 each year of every grantee that received State funds in
39 the prior fiscal year and, for each grantee, whether that grantee has
40 complied with this subsection;

41 (d2) Before a State agency disburses any funds for the fourth quarter of a fiscal
42 year, the agency shall, in consultation with the Office of State Budget and Management,
43 verify that the grantee has complied with the reporting requirements of this section. A
44 State agency shall not disburse funds during the fourth quarter of the fiscal year to any
45 grantee that has not complied with this section by March 15.

1 (d3) The Office of State Budget and Management shall report to the Joint
2 Legislative Commission on Governmental Operations and the Fiscal Research Division
3 by May 1 on all grantees that failed to comply with this section for the prior fiscal year,
4 the amount of State funds that were disbursed to each of those grantees during that
5 fiscal year, and the amount of State funds that were withheld.

6 (e) Federal Reporting Requirements. – Federal law may require a grantee to
7 make additional reports with respect to funds for which reports are required under this
8 section. Notwithstanding the provisions of this section, a grantee may satisfy the
9 reporting requirements of subsection (c) of this section by submitting a copy of the
10 report required under federal law with respect to the same funds or by submitting a copy
11 of the report described in subsection (d) of this section.

12 (f) Audit Oversight. – The State Auditor has audit oversight, pursuant to Article
13 5A of Chapter 147 of the General Statutes, of every grantee that receives, uses, or
14 expends State funds. Such a grantee must, upon request, furnish to the State Auditor for
15 audit all books, records, and other information necessary for the State Auditor to
16 account fully for the use and expenditure of State funds. The grantee must furnish any
17 additional financial or budgetary information requested by the State Auditor."

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

DRAFT
SPECIAL PROVISION

2003-GEN-S1

General
Senate Appropriations Subcommittee

Requested by: Senator Horton

1 **PERFORMANCE AUDITS OF NON-STATE ENTITIES**

2 SECTION #. G.S. 143-6.1 reads as rewritten:

3 **"§ 143-6.1. Report on use of State funds by non-State entities.**

4 (a) Disbursement and Use of State Funds. – Every corporation, organization, and
5 institution that receives, uses, or expends any State funds shall use or expend the funds
6 only for the purposes for which they were appropriated by the General Assembly or
7 collected by the State. State funds include federal funds that flow through the State. For
8 the purposes of this section, the term "grantee" means a corporation, organization, or
9 institution that receives, uses, or expends any State funds. The State may not disburse
10 State funds appropriated by the General Assembly to any grantee or collected by the
11 State for use by any grantee if that grantee has failed to provide any reports or financial
12 information previously required by this section. In addition, before disbursing the funds,
13 the Office of State Budget and Management may require the grantee to supply
14 information demonstrating that the grantee is capable of managing the funds in
15 accordance with law and has established adequate financial procedures and controls. All
16 financial statements furnished to the State Auditor pursuant to this section, and any
17 audits or other reports prepared by the State Auditor, are public records.

18 (b) State Agency Reports. – A State agency that receives State funds and then
19 disburses the State funds to a grantee must identify the grantee to the State Auditor,
20 unless the funds were for the purchase of goods and services. The State agency must
21 submit documents to the State Auditor in a prescribed format describing standards of
22 compliance and suggested audit procedures sufficient to give adequate direction to
23 independent auditors performing audits.

24 (c) Grantee Receipt and Expenditure Reports. – A grantee that receives, uses, or
25 expends ~~between fifteen thousand dollars (\$15,000) and less than~~ three hundred
26 thousand dollars (\$300,000) in State funds annually, except when the funds are for the
27 purchase of goods or services, must file annually with the State agency that disbursed
28 the funds a sworn accounting of receipts and expenditures of the State funds. This
29 accounting must be attested to by the treasurer of the grantee and one other authorizing
30 officer of the grantee. The accounting must be filed within six months after the end of
31 the grantee's fiscal year in which the State funds were received. The accounting shall be
32 in the form required by the disbursing agency. Each State agency shall develop a format
33 for these accountings and shall obtain the State Auditor's approval of the format.

34 (d) Grantee Audit Reports. – A grantee that receives, uses, or expends State
35 funds in the amount of three hundred thousand dollars (\$300,000) or more annually,
36 except when the funds are for the purchase of goods or services, must file annually with

1 the State Auditor a financial statement in the form and on the schedule prescribed by the
2 State Auditor. Auditor and a performance audit conducted by an independent auditor.
3 The performance audit shall be conducted and the financial statement must-shall be
4 audited in accordance with standards prescribed by the State Auditor to assure that State
5 funds are used for the purposes provided by law.

6 (e) Federal Reporting Requirements. – Federal law may require a grantee to
7 make additional reports with respect to funds for which reports are required under this
8 section. Notwithstanding the provisions of this section, a grantee may satisfy the
9 reporting requirements of subsection (c) of this section by submitting a copy of the
10 report required under federal law with respect to the same funds or by submitting a copy
11 of the report described in subsection (d) of this section.

12 (f) Audit Oversight. – The State Auditor has audit oversight, pursuant to Article
13 5A of Chapter 147 of the General Statutes, of every grantee that receives, uses, or
14 expends State funds. Such a grantee must, upon request, furnish to the State Auditor for
15 audit all books, records, and other information necessary for the State Auditor to
16 account fully for the use and expenditure of State funds. The grantee must furnish any
17 additional financial or budgetary information requested by the State Auditor."

Principal Clerk _____
Reading Clerk _____

PLEASE NOTE CHANGE IN TIME TO 11:30 AM

SENATE
NOTICE OF SUBCOMMITTEE MEETING

The Senate Appropriations Subcommittee on **State Aid to Non-State Entities** will meet at the following time:

DAY	DATE	TIME	ROOM
Monday	April 28, 2003	11:30 am	414

The following will be considered:

- Continue discussion on state funding

Senator Kay Hagan, Co-Chair
Senator Jeanne Lucas, Co-Chair
Senator Ham Horton, Co-Chair

ATTENDANCE

Committee: Approp. SC on State Aid to Non-State Entities

[illegible]

VISITOR REGISTRATION SHEET

Approp. SC on State Aid to Non-State Entities

4/28/03

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE
CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Gita Gulati-Parkes	N.C. Center for Nonprofits
Jane Kendall	N.C. Center for Nonprofits
Mark Fleming	Unity, Syon
Suzanne Williams	N.C. Community Colleges
Marwa Davis	NCAE
Debi Street	PPAB
John A. Young	LLP/ARPCNC
Carol Lawler	EGHS
LaTaya Fore	DJJDP-CPSV
Dan Brown	NCMSC
Andrea Harris	NCIMEA

VISITOR REGISTRATION SHEET

Approp. SC on State Aid to Non-State Entities

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE
CLERK

NAME

FIRM OR AGENCY AND ADDRESS

SUSAN P. COLE

NCAAC

John Herven

Self-help

M. Shaban

Pyment Spruell

Linda Gunn

NCINED

Appropriation Subcommittee on State Aid to Non-State Entities

April 28, 2003; 11:30 a.m.

Minutes

The meeting of the Appropriations Subcommittee on State Aid to Non-State Entities was called to order on Monday, April 28, 2003 at 11:30 a.m., by Co-Chair, Senator Kay Hagan. There were 7 members present.

Senator Hagan called on Mona Moon to explain the proposed changes to REVISE LAW ON NON-STATE ENTITY REPORTS ON USE OF STATE FUNDS. There were 2 proposals: (1) by Senator Hagan to clarify compliance with reporting requirements and to ensure they are met before funds are released, and (2) by Senator Horton to create performance audits for Non-State Entities who receive funds in excess of \$300,000. These proposals were used as starting points for the changes proposed to the law. Non-profits were concerned about time frames for reporting and about the expense of a Performance Audit.

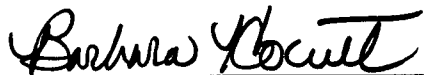
The Office of State Auditor submitted language that addresses this issue as well as Senator Pittenger's concern that we capture all non-state entities in a review of their activities and outcomes. According to the State Auditor, Performance Audits are usually one-time occurrences. Most CPA's do not provide Performance Audits, and the firms that do provide Performance Audits, the cost is prohibitive.

According to Ms. Moon, Mr. Campbell, State Auditor, recommended that the committee amend the current reporting requirements to require the Non-State Entities to submit sworn statements of their activities and outcomes along with their audit reports or sworn statement on financial expenditures and receipts. He asked that the law include his request for a list of organizations receiving more that \$300,000 in funds from state agencies by October 31, as well as any other information that the State Auditor may need to comply with the requirements of the law.

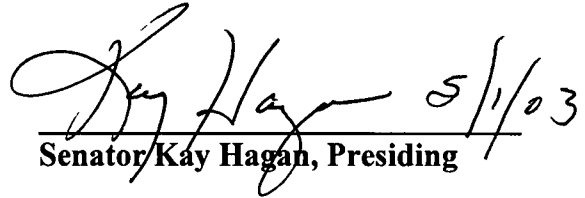
Using Senator Hagan's former proposal as a starting point, these suggestions were added to reflect the concerns for timely and accurate reporting on the part of Non-State Entities receiving state funds. Ms. Moon reviewed the specific changes proposed to the law. Please see Attachment 1.

Senator Pittenger cited a letter from Mr. Campbell suggesting Random Outcome Analysis of these entities and asked if we could consider adding this kind of analysis to the measure. Senator Lucas said that we had made an excellent start and additional changes could be considered next year. She moved a favorable report on

the proposed changes as presented by Mona Moon, and the motion carried. The measure will be heard in the Appropriations meeting this afternoon. The meeting was adjourned.



Barbara Hocutt, Temp. Legislative Aide



Senator Kay Hagan, Presiding

Attachment

Requested by: Senators Hagan, Garrou, Dalton

REVISE LAW ON NON-STATE ENTITY REPORTS ON USE OF STATE FUNDS

SECTION 6.21.(a) G.S. 143-6.1 reads as rewritten:

"§ 143-6.1. Report on use of State funds by non-State entities.

(a) Disbursement and Use of State Funds. – Every corporation, organization, and institution that receives, uses, or expends any State funds shall use or expend the funds only for the purposes for which they were appropriated by the General Assembly or collected by the State. State funds include federal funds that flow through the State. For the purposes of this section, the term "grantee" means a corporation, organization, or institution that receives, uses, or expends any State funds. ~~The funds.~~

~~The State may shall not disburse State funds appropriated by the General Assembly to any grantee or collected by the State for use by any grantee if unless that grantee has failed to provide any reports or financial information previously required by this section. In addition, before disbursing the funds, the Office of State Budget and~~

1 Management may require the grantee to supply information demonstrating that the
2 grantee is capable of managing the funds in accordance with law and has established
3 adequate financial procedures and controls; grantee:

- 4 (1) Provides all reports and financial information required under this
5 section to the appropriate State agencies and officials; and
- 6 (2) Provides any additional information that the Office of State Budget
7 and Management deems necessary demonstrating that such grantee is
8 capable of managing the funds in accordance with law and has
9 established adequate financial procedures and controls.

10 All financial statements furnished to the State Auditor pursuant to this section, and
11 any audits or other reports prepared by the State Auditor, are public records.

12 (b) State Agency Reports-Responsibilities. - A State agency that receives State
13 funds and then disburses the State funds to a grantee must identify the grantee to the
14 State Auditor, unless the funds were for the purchase of goods and services. The State
15 agency must submit shall:

- 16 (1) Submit documents to the State Auditor in a prescribed format
17 describing standards of compliance and suggested audit procedures
18 sufficient to give adequate direction to independent auditors
19 performing audits.
- 20 (2) Annually notify each grantee, in writing, of the reporting requirements
21 set forth in this section and that the State agency is not authorized to
22 disburse funds to grantees that fail to comply with the reporting
23 requirements for funds received during the prior fiscal year;
- 24 (3) Provide each grantee with the accounting form and other requirements
25 prescribed by the State Auditor.
- 26 (4) Submit a list to the State Auditor by October 31 each year of every
27 grantee to which the agency disbursed State funds in the prior fiscal
28 year, except when the funds were for purchases of goods and services,
29 the amount disbursed to each grantee and other such information as
30 required by the State Auditor to comply with the requirements set forth
31 in this section.
- 32 (5) Submit a list to the Office of State Budget and Management by
33 January 31 each year of every grantee to which the agency disbursed
34 State funds in the prior fiscal year except when the funds were for
35 purchases of goods and services and, for each grantee, whether that
36 grantee has filed the sworn accounting required by subsection (c) of
37 this section and whether the sworn accounting is in compliance with
38 subsection (c) of this section.

39 (c) Grantee Receipt and Expenditure Reports. - A grantee that receives, uses, or
40 expends between fifteen thousand dollars (\$15,000) and three hundred thousand dollars
41 (\$300,000) in State funds annually, except when the funds are for the purchase of goods
42 or services, must file annually with the State agency that disbursed the funds a sworn
43 accounting of receipts and expenditures of the State funds and a description of activities
44 and accomplishments undertaken by the grantee with State funds. This accounting must
45 be attested to by the treasurer of the grantee and one other authorizing officer of the
46 grantee. The accounting must be filed within six months 90 days after the end of the
47 grantee's fiscal year in which the State funds were received. The accounting shall be in
48 the form required by the State Auditor and provided to the grantee by the disbursing
49 agency. Each State agency shall develop a format for these accountings and shall obtain
50 the State Auditor's approval of the format.

51 (d) Grantee Audit Reports. - A grantee that receives, uses, or expends State
52 funds in the amount of three hundred thousand dollars (\$300,000) or more annually,
53 except when the funds are for the purchase of goods or services, must file annually with
54 the State Auditor a financial statement in the form and on the schedule prescribed by the
55 State Auditor. These audit reports shall be filed no later than nine months after the close

1 of the grantee's fiscal year. The financial statement must be audited in accordance with
2 standards prescribed by the State Auditor to assure that State funds are used for the
3 purposes provided by law.

4 A grantee that receives, uses, or expends State funds in the amount of three hundred
5 thousand dollars (\$300,000) or more annually, except when the funds are for the
6 purchase of goods or services, must file annually with the State agency that disbursed
7 the funds a description of activities and accomplishments undertaken by the grantee
8 with State funds. This description must be filed within 90 days after end of the grantee's
9 fiscal year in which the State funds were received.

10 (d1) State Auditor's Responsibilities. - The State Auditor shall:

11 (1) Review each audit submitted pursuant to subsection (d) of this section
12 and determine that it has been conducted in accordance with generally
13 accepted audit standards and that the grantee has received a clean audit
14 opinion.

15 (2) Notify disbursing agencies by January 31 each year of all grantees that
16 are not in compliance with the reporting requirements set forth in this
17 section.

18 (3) Notify disbursing agencies of any material audit findings in the audits
19 of their grantees.

20 (4) Submit a list to the Office of State Budget and Management by
21 January 31 each year of every grantee that received State funds in the
22 prior fiscal year and, for each grantee, whether that grantee has
23 complied with this subsection.

24 (d2) Before a State agency disburses any funds for the fourth quarter of a fiscal
25 year, the agency shall, in consultation with the Office of State Budget and Management,
26 verify that the grantee has complied with the reporting requirements of this section. A
27 State agency shall not disburse funds during the fourth quarter of the fiscal year to any
28 grantee that has not complied with this section by March 31 of each year.

29 (d3) The Office of State Budget and Management shall report to the Joint
30 Legislative Commission on Governmental Operations and the Fiscal Research Division
31 by May 1 on all grantees that failed to comply with this section for the prior fiscal year,
32 the amount of State funds that were disbursed to each of those grantees during that
33 fiscal year, and the amount of State funds that were withheld.

34 (e) Federal Reporting Requirements. - Federal law may require a grantee to
35 make additional reports with respect to funds for which reports are required under this
36 section. Notwithstanding the provisions of this section, a grantee may satisfy the
37 reporting requirements of subsection (c) of this section by submitting a copy of the
38 report required under federal law with respect to the same funds or by submitting a copy
39 of the report described in subsection (d) of this section.

40 (f) Audit Oversight. - The State Auditor has audit oversight, pursuant to Article
41 5A of Chapter 147 of the General Statutes, of every grantee that receives, uses, or
42 expends State funds. Such a grantee must, upon request, furnish to the State Auditor for
43 audit all books, records, and other information necessary for the State Auditor to
44 account fully for the use and expenditure of State funds. The grantee must furnish any
45 additional financial or budgetary information requested by the State Auditor."

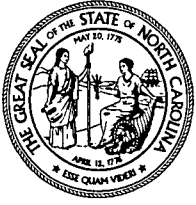
46 **SECTION 6.21.(b) G.S. 143-26 reads as rewritten:**

47 **"§ 143-26. Director to have discretion as to manner of paying annual**
48 **appropriations.**

49 (a) Except as provided in subsection (b) of this section or as otherwise provided
50 by State or federal law, it shall be discretionary with the Director of the Budget whether
51 any annual appropriation shall be paid in monthly, quarterly or semiannual installments
52 or in a single payment.

53 (b) Except as otherwise provided by State or federal law, an annual appropriation
54 of ~~one hundred thousand dollars (\$100,000) or less~~ less than fifteen thousand dollars
55 (\$15,000) to or for the use of a nonprofit corporation shall be paid in a single annual

1 payment. An annual appropriation of ~~more than one hundred thousand dollars~~
2 ~~(\$100,000)~~ fifteen thousand dollars (\$15,000) or more to or for the use of a nonprofit
3 corporation shall be paid in quarterly or monthly installments, in the discretion of the
4 Director of the Budget."
5



RALPH CAMPBELL, JR.
STATE AUDITOR

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

April 28, 2003

The Honorable Kay R. Hagan, Chair
Members of the Senate Appropriations
Sub Committee for State Aid to Non-State Entities

Re: State Aid to Non-State Entities

Ladies and Gentlemen:

Enclosed for your consideration are suggested revisions for the two pieces of legislation that your committee is considering. For the reasons set forth below, I respectfully urge adoption of these revisions should the committee choose to proceed with the pieces of legislation.

Please note that representatives of this office have previously presented these suggestions to legislative staff to explain the suggestions and the rationale behind them.

Performance Audits of Non-State Entities (Senator Horton)

This bill would amend General Statute 143-6.1(d) to require annual performance audits by independent auditors for each non-state entity receiving grants of \$300,000 or more per year. The enclosed revision (Enclosure Number 1) would replace the annual performance audits with annual sworn statements of the activities undertaken by the grantee with state funds.

Under this approach the state agencies that make the grants would retain their ability to monitor activities and the grantees would save the extra expense of annual performance audits. We would expect the cost savings under this alternative to be substantial, although difficult to predict. The difficulty of predicting the savings arises from the wide variety of entities and activities that receive state grants.

Revise Law on Non-State Entity Reports on Use of State Funds (Senator Hagan)

Enclosure Number 2 contains our suggested revisions for this proposal.

① The first suggestion would revise G.S. 143-6.1(b) by adding a new responsibility for State agencies. State agencies would be required to submit a list to this office by October 31st of each year of each grantee, the amount received, and such other information as required by this office. This would provide us with the information needed to implement the requirements of this bill.



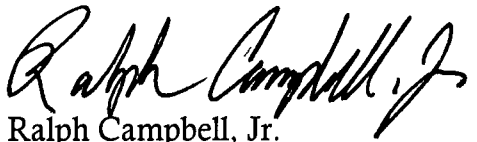
The Honorable Kay R. Hagan, Chair
Members of the Senate Appropriations
Sub Committee for State Aid to Non-State Entities
April 28, 2003
Page 2

The second suggestion would revise G.S. 143-6.1(d) by specifying that grantee's have nine months after the close of their fiscal year to submit their annual financial audit. This is consistent with existing requirements and practice. For example, G.S. 143-6.1(e) specifies that grantees can comply with this section by submitting copies of reports required under federal law for any federal pass-through grants. The nine-month period to submit audit reports is the time allowed under the federal Single Audit Act (31 United States Code 7501 and following sections) for the audit reports required from federal pass-through grants.

The third suggestion would revise the proposal for the new G.S. 143-6.1(d1). The proposal requires this office to determine that the financial statements contain no material misstatements. We cannot determine whether the statements are free from material misstatement without conducting the audit ourselves. However, we can determine if the grantee has received a "clean opinion," which means that the independent auditor has determined that the statements comply with generally accepted standards and are free from material misstatements. Therefore, we are suggesting that the proposal be revised accordingly.

Thank you for your consideration. Please do not hesitate to contact me if you have any questions regarding these issues.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ralph Campbell, Jr.", written in a cursive style.

Ralph Campbell, Jr.
State Auditor

RCjr/RLH:lgw

Enclosure Number 1

§ 143-6.1. Report on use of State funds by non-State entities

(a) Disbursement and Use of State Funds.--Every corporation, organization, and institution that receives, uses, or expends any State funds shall use or expend the funds only for the purposes for which they were appropriated by the General Assembly or collected by the State. State funds include federal funds that flow through the State. For the purposes of this section, the term "grantee" means a corporation, organization, or institution that receives, uses, or expends any State funds. The State may not disburse State funds appropriated by the General Assembly to any grantee or collected by the State for use by any grantee if that grantee has failed to provide any reports or financial information previously required by this section. In addition, before disbursing the funds, the Office of State Budget and Management may require the grantee to supply information demonstrating that the grantee is capable of managing the funds in accordance with law and has established adequate financial procedures and controls. All financial statements furnished to the State Auditor pursuant to this section, and any audits or other reports prepared by the State Auditor, are public records.

(b) State Agency Reports.--A State agency that receives State funds and then disburses the State funds to a grantee must identify the grantee to the State Auditor, unless the funds were for the purchase of goods and services. The State agency must submit documents to the State Auditor in a prescribed format describing standards of compliance and suggested audit procedures sufficient to give adequate direction to independent auditors performing audits.

(c) Grantee Receipt and Expenditure Reports.--A grantee that receives, uses, or expends ~~between fifteen thousand dollars (\$15,000) and~~ less than three hundred thousand dollars (\$300,000) in State funds annually, except when the funds are for the purchase of goods or services, must file annually with the State agency that disbursed the funds a sworn accounting of receipts and expenditures of the State funds. This accounting must be attested to by the treasurer of the grantee and one other authorizing officer of the grantee. The accounting must be filed within six months after the end of the grantee's fiscal year in which the State funds were received. The accounting shall be in the form required by the disbursing agency. Each State agency shall develop a format for these accountings and shall obtain the State Auditor's approval of the format.

(d) Grantee Audit Reports.--A grantee that receives, uses, or expends State funds in the amount of three hundred thousand dollars (\$300,000) or more annually, except when the funds are for the purchase of goods or services, must file annually with the State Auditor a financial statement in the form and on the schedule prescribed by the State Auditor. The financial statement must be audited in accordance with standards prescribed by the State Auditor to assure that State funds are used for the purposes provided by law. In addition, the grantee must file annually with the agencies that disbursed the funds a sworn statement of the activities undertaken by the grantee with the State funds. The sworn statement of activities shall be in the form required by the disbursing agency.

(e) Federal Reporting Requirements.--Federal law may require a grantee to make additional reports with respect to funds for which reports are required under this section. Notwithstanding the provisions of this section, a grantee may satisfy the reporting requirements of subsection (c) of this section by submitting a copy of the report required under federal law with respect to the same funds or by submitting a copy of the report described in subsection (d) of this section.

(f) Audit Oversight.--The State Auditor has audit oversight, pursuant to Article 5A of Chapter 147 of the General Statutes, of every grantee that receives, uses, or expends State funds. Such a grantee must, upon request, furnish to the State Auditor for audit all books, records, and other information necessary for the State Auditor to account fully for the use and expenditure of State funds. The grantee must furnish any additional financial or budgetary information requested by the State Auditor.

Enclosure Number 2

§ 143-6.1. Report on use of State funds by non-State entities

- (a) Disbursement and Use of State Funds.--Every corporation, organization, and institution that receives, uses, or expends any State funds shall use or expend the funds only for the purposes for which they were appropriated by the General Assembly or collected by the State. State funds include federal funds that flow through the State. For the purposes of this section, the term "grantee" means a corporation, organization, or institution that receives, uses, or expends any State funds. ~~The funds.~~

~~The State may shall not disburse State funds appropriated by the General Assembly to any grantee or collected by the State for use by any grantee if unless that grantee has failed to provide any reports or financial information previously required by this section. In addition, before disbursing the funds, the Office of State Budget and Management may require the grantee to supply information demonstrating that the grantee is capable of managing the funds in accordance with law and has established adequate financial procedures and controls. grantee:~~

- (1) Provides all reports and financial information required under this section to the appropriate State agencies and officials; and
- (2) Provides any additional information that the Office of State Budget and Management deems necessary demonstrating that such grantee is capable of managing the funds in accordance with law and has established adequate financial procedures and controls.

All financial statements furnished to the State Auditor pursuant to this section, and any audits or other reports prepared by the State Auditor, are public records.

- (b) State Agency Reports Responsibilities .--A State agency that receives State funds and then disburses the State funds to a grantee must identify the grantee to the State Auditor, unless the funds were for the purchase of goods and services. The State agency ~~must submit~~ disbursing the funds:
- (1) Submit documents to the State Auditor in a prescribed format describing standards of compliance and suggested audit procedures sufficient to give adequate direction to independent auditors performing audits.
 - (2) Annually notify each grantee, in writing, of the reporting requirements set forth in this section and that the State agency is not authorized to disburse funds to grantees that fail to comply with the reporting requirements for funds received during the prior fiscal year;
 - (3) Provide each grantee with the accounting form and other requirements prescribed by the State Auditor;
 - (4) Submit a list to the State Auditor by October 31 each year of every grantee to which the agency has disbursed State funds in the prior year, except when the funds were for purchases of goods and services, the amount disbursed to each grantee, and such other information as required by the State Auditor;
 - (5) Submit a list to the Office of State Budget and Management by December 31 each year of every grantee to which the agency disbursed State funds in the prior fiscal year except when the funds were for purchases of goods and services and, for each grantee, whether that grantee has filed the sworn accounting required by subsection (c) of this section and whether the sworn accounting is in compliance with subsection (c) of this section.

(c) Grantee Receipt and Expenditure Reports.--A grantee that receives, uses, or expends between fifteen thousand dollars (\$15,000) and three hundred thousand dollars (\$300,000) in State funds annually, except when the funds are for the purchase of goods or services, must file annually with the State agency that disbursed the funds a sworn accounting of receipts and expenditures of the State funds. This accounting must be attested to by the treasurer of the grantee and one other authorizing officer of the grantee. The accounting must be filed within ~~six months~~ 90

days after the end of the grantee's fiscal year in which the State funds were received. The accounting shall be in the form required by the State Auditor and provided to grantee by the disbursing agency. ~~Each State agency shall develop a format for these accountings and shall obtain the State Auditor's approval of the format.~~

(d) Grantee Audit Reports.--A grantee that receives, uses, or expends State funds in the amount of three hundred thousand dollars (\$300,000) or more annually, except when the funds are for the purchase of goods or services, must file annually with the State Auditor a financial statement in the form and on the schedule prescribed by the State Auditor. These audit reports shall be filed no later than nine months after the close of the grantee's fiscal year. The financial statement must be audited in accordance with standards prescribed by the State Auditor to assure that State funds are used for the purposes provided by law

(d1) State Auditor Responsibilities. -- The State Auditor shall:

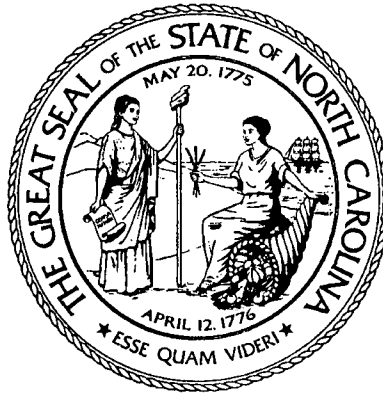
- (1) Review each audit submitted pursuant to subsection (d) of this section and determine that it has been conducted in accordance with generally accepted audit standards and that the grantee has received a clean audit opinion;
- (2) Notify disbursing agencies by December 31 of all grantees that are not in compliance with the reporting requirements set forth in this section;
- (3) Notify disbursing agencies of any material audit findings in the audits of their grantees; and
- (4) Submit a list to the Office of State Budget and Management by December 31 each year of every grantee that received State funds in the prior fiscal year and, for each grantee, whether that grantee has complied with this subsection.

(d2) Before a State agency disburses any funds for the fourth quarter of a fiscal year, the agency shall, in conjunction with the Office of State Budget and Management, verify that the grantee has complied with the reporting requirements of this section. A State agency shall not discharge funds during the fourth quarter of the fiscal year to any grantee that has not complied with this section by March 15.

(d3) The Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by May 1 on all grantees that failed to comply with this section for the prior fiscal year, the amount of State funds that were disbursed to each of those grantees during that fiscal year, and the amount of State funds that were withheld.

(e) Federal Reporting Requirements.--Federal law may require a grantee to make additional reports with respect to funds for which reports are required under this section. Notwithstanding the provisions of this section, a grantee may satisfy the reporting requirements of subsection (c) of this section by submitting a copy of the report required under federal law with respect to the same funds or by submitting a copy of the report described in subsection (d) of this section.

(f) Audit Oversight.--The State Auditor has audit oversight, pursuant to Article 5A of Chapter 147 of the General Statutes, of every grantee that receives, uses, or expends State funds. Such a grantee must, upon request, furnish to the State Auditor for audit all books, records, and other information necessary for the State Auditor to account fully for the use and expenditure of State funds. The grantee must furnish any additional financial or budgetary information requested by the State Auditor.



The General Assembly of North Carolina

Senate Appropriations Subcommittee
On
State Aid to Non-state Entities

2004 Session

Senator Kay Hagan, Chair
Senator Hamilton Horton, Chair
Senator Jeanne Lucas, Chair

Senate Appropriations Subcommittee On State Aid to Non-state Entities

Membership

Senator Kay Hagan, Chair
Senator Hamilton Horton, Chair
Senator Jeanne Lucas, Chair

Senator Bob Carpenter
Senator Katie Dorsett
Senator Fletcher Hartsell
Jennifer Hoffman, Fiscal Research

Mona Moon, Fiscal Research
Senator Robert Pittenger
Senator Bill Purcell
Senator David Weinstein

Principal Clerk _____
Reading Clerk _____

SENATE
NOTICE OF SUBCOMMITTEE MEETING

The Senate Appropriations Subcommittee on **State Aid to Non-State Entities** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	May 26, 2004	10:00 AM	422

The following will be considered:

- Data Base for State Aid to Non-State Entities

Senator Kay Hagan, Co-Chair
Senator Jeanne Lucas, Co-Chair
Senator Ham Horton, Co-Chair

VISITOR REGISTRATION SHEET

Approp. SC on State Aid to Non-State Entities

Name of Committee

Date

May 26, 04

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE

CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Steve Hartzic	Am... 2123
Wm. Ann Harris	LATTA
Roz Swift	NC Child Care Coalition
Angela Dunn	OFFICE OF THE STATE AUDITOR
DAVID NANCE	OFFICE OF STATE AUDITOR
PETER APRIGLIONE	NCGA (ISD)
LEONAS	OSA
Sue Perry	NCNDC
Man Dany	VIF
Jim P. Dunn	Senate
Phil Sch	For-News
Brad Thompson	OSA

VISITOR REGISTRATION FORM

Approp. SC on State Aid to Non-State Entities

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE

CLERK

CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Don Kane

No.

ANN WOE

DUNS

Dave Ingram

W-S Journal

John M. McKel

Geology

Luke Gunkel

502-2111

Leff Morgan

Inside

Appropriation Subcommittee on State Aid to Non-State Entities

May 26, 2004

Minutes

Senator Kay Hagan called the meeting to order at 10:00 am, May 26, 2004. Ten members were present. After introducing Katie Gray Nellie, Mary Grace Owen and Meredith Wilson, pages from Gastonia, and thanking the committee and guests for coming on such short notice, Senator Hagan announced the purpose of the meeting was to preview a new data base put together by the State Auditor's office regarding state funds received by non-profit agencies.

Before introducing Mr. Dennis Patterson, Communications Director, State Auditor's office, Senator Hagan reviewed **G.S 143—6-1**. (*Attachment 1*)

Mr. Dennis Patterson, State Auditor's office introduced David Nance, manager of the non-governmental audit division and Angela Gunn, the non-profit specialist. Ms. Gunn's position focuses as a resource person for non-profits, particularly on financial matters, and will gather and monitor this information so it can be reported to the public in a useful form. This information is available at **www.ncauditor.net**.

Mr. Patterson explained step-by-step the manner in which non-profit funding can be found. The Auditor's office, the Secretary of State's office, the Revenue Department, and the office of the Controller compiled this information. The report, which includes data from the last three fiscal years, will now offer what is going on in the current fiscal year, thus eliminating the six-months delay after the fiscal year ends and will be current year-to-date. The auditor's office would like to include statutory language that would require agencies and non-profits that receive between \$15,000 and \$300,000 to submit expenditures and revenues report to the auditor's office.

Mr. Campbell has submitted a request to this committee and the General Government sub-committee for appropriations for an expanded budget for three items, the last two directly affecting this project. One is for three additional audit slots, all dedicated to non-profit. The 375 to 400 grantees submitting audits are now handled by one person, Ms. Gunn. The additional resources would also handle the newly requested additional information.

\$380,000 is being requested for the three audit positions and an extra investigative auditor whose work would be 60% non-profit. These positions would be in addition to present staff, uncut as suggested in the governor's budget. A small amount of the money would go to software and technical services. This database was developed in-house for \$22,700, not counting staff time. Senator Horton asked if the statute could be "tweaked"

as suggested in this current session and Senator Hagan will prepare an amendment to follow up the auditor's request of having the information going to the auditor's office as well as to the granting agency. A copy of a comparison of other states to North Carolina in their attitude toward non-government organizations is available from Senator Horton's office.

Senator Pittenger referred to a letter received on March 28, 2003 regarding the outcome of performance audits and inquired as to whether there was any provision in the budget that would relate to this request. This letter addressed the focus on independent verification of performance on random audits. The current staff is not able to do this, even on a random basis, as their focus is on the certified audit reports that are required. Senator Pittenger referred to the most current reporting that has been done on the agencies receiving \$300,000 and noted that about half of the agencies reporting had not complied. *The new system will immediately reflect whether the agencies have complied and make tracking more efficient. The public will also have access to this information.*

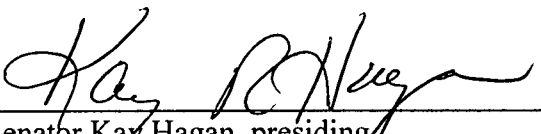
Senator Lucas was recognized and commended the State Auditor for this accomplishment and asked the chair to repeat the checklist of the changes in the statute. Senator Hagan reinforced that the information on this new database is a result of the requested change in the statute by this committee. Mr. Patterson cautioned that this only takes grants that go through the North Carolina accounting system, currently. This accounts for roughly 75% of all the grants. The next step is to go to agencies that are not on the accounting system. Examples are the Department of Transportation, some Health and Human Services, and a few of the universities are using systems not compatible with the North Carolina accounting system. *Under the new statute, the granting agency is required to notify the non-profit agency to submit this information to them and to the auditor's office.*

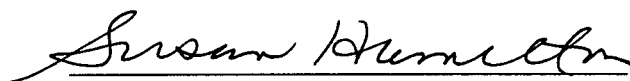
Senator Dorsett was recognized and asked about what monitoring and follow-up was done of the agencies not complying with this requirement in a timely fashion. This has not been possible currently because it was difficult to establish this information. The new database will enable the auditor's office to have access to this information and keep track of when the fiscal year ends for each grantee. The system will be automated to note when the required report has not been submitted. These reports are due at the end of the grantee's fiscal year, with each agency being different. The granting agency will be contacted first.

Senator Pittenger was recognized with the question as to the percentage of the agencies below \$300,000 whose requirement is to submit a signed, personal statement. This exact data was not available. Of approximately 5800-6000 grantees, only 375 to 400 receive in excess of \$300,000 and are required to submit certified audits. Jennifer Hoffman, staff member from Fiscal Research, reported that over 80% of the money is \$300,000 and above, but this is probably only a handful of grantees, leaving the majority of the grantees falling under \$300,000. Senator Horton added that 7630 grantees in 2002 received less than \$300,000, resulting in \$120 million not requiring an audit.

Before Senator Hagan adjourned the meeting, Senator Horton commended the chair for following through and arranging this meeting and moved, as a committee, to endorse the idea of adopting the "tweaking" requested by the auditor's office that grantees receiving between \$15,000 and \$300,000 submit their sworn statement and activities report to the auditor's office as well as to the grantor. This does not affect grantees receiving less than \$15,000.

The motion passed and the meeting was adjourned at 10:50.



Senator Kay Hagan, presiding

Susan Hamilton, Committee Assistant

Attachment

G.S. 143-6.1. Report on use of State funds by non-state entities.

- Grantees that receive less than \$15,000 annually do not have to report (no change from previous law)
- Grantees that receive between \$15,000 and \$300,000 must submit to the grantor agency a sworn accounting of receipts and expenditures of State funds and a description of activities and accomplishments undertaken by the grantee with State funds within 6 months after the end of the grantee's fiscal year. (submission of description of activities and accomplishments is new)
- Grantees that receive over \$300,000 must file audit reports with the State Auditor no later than 9 months after the close of the grantee's fiscal year. These grantees must also submit to the grantor agency a description of activities and accomplishments undertaken by the grantee with State funds within 90 days after the end of the grantee's fiscal year. (submission of description of activities and accomplishments is new)
- Requires grantor agencies to notify each grantee in writing of the reporting requirements set forth in statute and of the consequence of failing to comply with reporting requirements. (new requirement)
- Grantor agencies shall not disburse fourth quarter allotments to any grantee that has not complied with the reporting requirement in statute. (new requirement)

2003-2004 Standing Committees

Box

Box Contents

9	2003-2004 Senate Commerce
	2003-2004 Senate Education/Higher Education
	2003 Senate Finance