

# **Grantee Requirements**

## **State and Federal funding compliance conditions**

The grant funds awarded by the North Carolina Arts Council are public funds that require accountability. Both the Office of State Budget and Management and the National Endowment for the Arts (NEA) pass along certain regulations to which the N.C. Arts Council, its grantees, and any subgrantees must adhere. These regulations as well as N.C. Arts Council procedures are summarized below. Adherence to regulations is required even if they have changed during the contract period.

## **Tax-exempt status changes and IRS form 990**

A grantee must notify the N.C. Arts Council of any changes in its tax-exempt status with the Internal Revenue Service under Section 501(c)(3). It must also file the IRS Form 990 or 990-N annually.

## **Non discrimination and other federal requirements**

The N.C. Arts Council and all of its grantees are contractually committed to abiding by federal regulations which bar discrimination on the basis of race, color, national origin, disability, age, or sex and which require accessibility for persons with disabilities.

Grantees are required to conduct their operations in compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Americans With Disabilities Act of 1990, Executive Order 13166 Improving Access to Services for Persons with Limited English Proficiency, the Age Discrimination Act of 1975 and, where applicable, Title IX of the Education Amendments of 1972. All Arts Council grantees must ensure that people with disabilities have access to both the location and content of all funded programs.

Grant recipients must also be in compliance with other federal regulations including the Fair Labor Standards Act, the National Environmental Policy Act, the National Historic Preservation Act, Debarment and Suspension, Davis-Bacon and Related Acts, and the Drug-Free Workplace Act. [Detailed information regarding all relevant federal regulations and policies.](#)

## **Fiscal agents**

In cases where a grantee is using a fiscal agent, the fiscal agent, as well as the grantee organization, is fiscally and legally responsible for all grant requirements.

A copy of the letter from the IRS stating that the application for tax-exempt status has been received or a copy of the application submitted to the IRS is required with your application support materials.

When the grant is awarded, the fiscal agent and grantee sign the grant agreement agreeing to all its terms. The fiscal agent receives the grant payment directly from the N.C. Arts Council. It is strongly recommended that the fiscal agent handle the accounting for the grant by receiving all income and paying all expenses for the project. It is allowable to charge the grantee for this service or have the cost included in the budget as a grant expense. The fiscal agent can transfer the grant payments to the grantee who would then handle the grant expenditures, but the fiscal agent would still be responsible for these expenditures.

The fiscal agent and the grantee sign the final report certifying its accuracy. The fiscal agent is liable for the repayment of any grant funds not spent or misspent. The fiscal agent should be aware that receiving these additional grant dollars may increase its audit obligations to the N.C. Arts Council and the Office of State Budget & Management.

## **Subgrantees**

Subgrantees are responsible for expenditure, reporting, and compliance procedures. They are to file Conflict of Interest Policies and the “State Grant Certification – No Overdue Tax Debts” form with our grantee that awarded them the subgrant before they receive payment. They are to file, with the grantee, the reports required by the Office of State Budget and Management according to the appropriate threshold of state funds they have received. There can be no overlapping project costs between two or more awards. Subgrantees must maintain reports and accounting records that support the allowable expenditure of state grant funds. The Office of State Budget and Management, the N.C. Arts Council, the National Endowment for the Arts, and the Comptroller General of the United States or any duly authorized representatives, shall have access to any report, books, documents, working papers, and records maintained to account for funds expended under the terms and conditions of this grant for oversight, monitoring, and evaluation purposes. The subgrantee agrees to abide by the standards in General Statute 143C-6.21-23 and the North Carolina Administrative Code Chapter 09, Subchapter 03M “Uniform Administration of State Grants” and to provide all information to allow the grantee to comply with these standards.

## **Grant contracts**

If the N.C. Arts Council determines that a grantee is not in compliance with its contract, then it shall give the grantee 60 days written notice to come into compliance. After that period, the N.C. Arts Council shall terminate the contract if the grantee is still not in compliance and begin the process to retrieve unexpended funds or unauthorized expenditures and suspend payments pending negotiation of a plan of corrective action. The grant contract can be terminated by mutual consent with 60 days written notice to the other party, or as otherwise provided by law.

## **Management of grant funds**

Grant recipients are sent a grant contract and an instruction page, which must be agreed to as part of the grant contract. Grantees must manage any funds received in accordance with federal regulations for administrative requirements and applicable cost principles. (Applicants with concerns about

their ability to fulfill governmental regulations may, prior to applying for funds, contact the Grants Office for a referral to locations where the complete requirements can be obtained.)

The Grant Award details page specifies the grant amount and any special stipulations. Grant funds will not be available to the grant recipient until the grant contract is signed and returned to the N.C. Arts Council.

Payment of state grant funds is made upon complete processing of the signed grant contract, any necessary budget revisions, any other required forms, and according to the state payment schedule in place at the time.

Any payment is contingent upon the N.C. Arts Council's receipt and approval of all prior grant reports. A grantee must have matching funds in its possession before spending the grant funds. It must match this grant according to the project budget shown in the application or any subsequent approved revision of that budget. Neither grant funds nor their matching funds can be used to match another N.C. Arts Council grant.

If a grantee needs to revise the description of its funded project or revise its budget by more than 10-percent of the total, it must submit a written request in advance.

Grantees must maintain reports and accounting records that support the allowable expenditure of state grant funds. The Office of State Budget and Management, the N.C. Arts Council, the National Endowment for the Arts, and the Comptroller General of the United States or any duly authorized representatives, shall have access to any report, books, documents, working papers, and records maintained to account for funds expended under the terms and conditions of this grant for oversight, monitoring, and evaluation purposes.

The grant recipient is obligated to maintain complete and accurate records of all activities connected with the grant, and these financial records must be

available to state and federal officials for audit. The records are to be kept for five years from the date of submission of the final report or, if an audit is begun, for three years from the date when the audit is resolved, whichever is later. Also, the grantee must adhere to standard administrative and accounting practices.

Any grant money remaining unspent at the end of the grant period must be refunded.

By April 1 of the grant project period, the grantee must inform the staff if it will not be able to spend all of the grant funds. Refunds should be returned to the N.C. Arts Council as soon as possible and no later than May 31 of the grant project period. If unspent grant funds are returned after this deadline and are reverted to the state budget office, the grantee may not be eligible to receive grant funds for the next fiscal year or future grants may be paid on a reimbursement basis.

## **Final reports**

At the end of the grant period, the grantee must submit a complete and accurate final report on the N.C. Arts Council's online GO Smart report form describing the grant project, giving an accurate account of how grant and matching funds were spent.

The report will include any specific reporting requirements described in the guidelines for each grant category. It will also include demographics data for national report statistics.

## **Report violations and consequences**

A late final report is a violation of the N.C. Arts Council grant contract. A report is late when it is received after the report due date shown on the Grant Award details page. Violations are taken into consideration when an organization applies for future grants. Funding may be denied or future grants may be paid on a reimbursement basis based on reporting practices.

An extension of the report due date may be requested in exceptional circumstances. Requests for final reporting extensions must be made in writing before the report due date. No funds will be paid until all previous reports due have been received and approved.

Any reports more than five weeks delinquent (not received or incomplete) may be turned over to the Attorney General's office for collection. If a grantee's grant contract must be turned over to the Attorney General's Office for collection, the grantee will not be eligible for current or future grant funds for one fiscal year. Grantees must pay any collection agency costs involved in the N.C. Arts Council's obtaining a final report or grant refund.

## **Office of State Budget and Management**

A grantee is subject to the requirements of General Statute 143C-6-23, "Use of State Funds by Non-State Entities," and the rules for enforcing it, which are found in the North Carolina Administrative Code, Title 09, Chapter 03, Subchapter 3M for the "Uniform Administration of State Grants." These requirements can be found in detail on the [Office of State Budget and Management's website](#).

If the grantee receives \$500,000 or more in state funds from one or multiple sources within any fiscal year, it must submit to additional reporting requirements by OSBM, including an online form and the "Yellow Book" audit.

A grantee that receives less than \$500,000 in state funds within any fiscal year of the grantee is not required to have an audit performed. However, the N.C. Arts Council encourages all organizations to have basic financial statements for each fiscal year prepared in accordance with generally accepted accounting principles. These basic financial statements should be audited in conformity with generally accepted auditing standards on a regular basis. All financial records, including the financial records of any subgrantees, must be furnished to the Office of State Budget and Management, if requested, to provide full accountability for the use and expenditure of state funds.

