

How to Use This Document

In general, the following principles of applicability should govern the use of this document:

- **If the program to be audited includes only federal funds received from any entity other than a unit of the State of North Carolina**, the auditor must consider Section A. The auditor need not consider the other sections. The Federal Compliance Supplement must be used whenever the entity is required to have an audit in accordance with OMB Circular A-133, revised in the *Federal Register*, June 27, 2003 (Vol. 68 Notice 38401). Nothing that is contained in the State Compliance Supplement supercedes requirements imposed by the federal government through OMB Circular A-133 or the Federal Compliance Supplement.

Generally, those entities expending \$500,000 or more of federal funds (revised from \$300,000 in the *Federal Register*, Vol. 68 Notice 38401 June 27, 2003) received either directly or indirectly from the federal government are required to have an audit performed in accordance with OMB Circular A-133. The auditor should refer to this Circular for specific audit requirements.

- **If the program to be audited includes federal funds received from any agency or department of the State of North Carolina**, the auditor must consider Sections A, B, and D, if applicable.

Notes:

1. For any federal program being audited, if there is a federal supplement in Section A, the matrix in Section B, at a minimum, will "mirror" the matrix in Section A.
 2. State Agencies may designate requirements applicable to a federal program on the matrix in Section B in addition to the requirements designated on the federal matrix in Section A.
 3. For federal requirements designated as applicable to a federal program on the Matrix in Section B, the auditor must consider all requirements and "Suggested Audit Procedures" stated on the agency prepared supplement in Section B **and** the federal requirements and "Suggested Audit Procedures" provided in Section A, Part 3 and Part 4.
 4. For federal requirements that are applicable to a federal program but the State agency requires no testing of the requirement by the local auditor, the agency will state the reasons under the applicable requirement on the program supplement in Section B.
 5. If a State agency did not provide "Suggested Audit Procedures" for any compliance requirements in Section B, the auditor is expected to consider the "Suggested Audit Procedures" in Section A, Part 3 for the applicable requirement.
 6. If a State agency provided "Suggested Audit Procedures" for compliance requirements in Section B, the auditor is expected to consider the "Suggested Audit Procedures" in Section A, Part 3 for the applicable requirement in addition to the procedures provided by the agency.
- **If the program to be audited includes only state funds received from any agency or department of the State of North Carolina**, the auditor must consider Section C and Section D, if applicable.
 - **If a federal or state program has a portion of the program requirements included in the crosscutting supplement for the Agency/Division, the individual supplement will refer the**

auditor to the crosscutting compliance supplement. There will be instances where an individual requirement on the crosscutting supplement will not be applicable to a program covered by the crosscutting supplement. In those instances, the individual program requirement will state that the auditor need not perform any audit procedures for that requirement. This statement on the individual supplement will take precedence over the requirements on the crosscutting supplement.

- **If a program met the criteria for writing a Short-Form Supplement, no supplement will be found in Sections B, C, or D.**