

North Carolina State Compliance Supplement

June 2009

Introduction

The North Carolina State Compliance Supplement has been developed in cooperation with state agencies to assist the local auditor in identifying program compliance requirements and audit procedures for testing those requirements.

[G.S. 159-34](#), as amended (S.L. 2001-160), requires state departments and agencies which provide funds to local governments and public authorities to provide the Local Government Commission (LGC) with documents approved by the LGC in a prescribed format describing standards of compliance and suggested audit procedures sufficient to give adequate direction to independent auditors retained by local governments and public authorities to conduct a single audit under [G. S. 159-34](#). [G.S. 143-6.1](#) has similar requirements for State agencies that receive State funds and then disburses the State funds to corporations, organizations, and institutions. State agencies are to 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.

Auditors must use this Compliance Supplement when performing audits of grantees receiving and expending state and/or federal funds from the State of North Carolina. The State Compliance Supplement is effective for audits of fiscal years beginning after June 30, 2009 and supersedes the compliance supplements issued prior to that date for the programs contained herein. The auditor should recognize that previously issued compliance supplements may need to be used if the beginning date of the period being audited does not coincide with the effective date of this Compliance Supplement.

The audit requirements for local governments and public authorities are contained in [G. S. 159-34](#). The audit requirements for nongovernmental organizations are contained in [G.S. 143-6.2](#) and further explained in Audit Advisory Number 2 issued by the Office of the State Auditor. These requirements are in addition to those of the federal government related to the audit of federal funds contained in Office of Management and Budget (OMB) Circular A-133.