

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA


STATE AND LOCAL GOVERNMENT FINANCE DIVISION

State Compliance Supplements Preparation

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State and Local Government Finance Division



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Meeting Agenda

- Audit requirements for State subrecipients in North Carolina
- Single Audit requirements in North Carolina
 - 2 CFR 200 (Uniform Guidance)
 - State Single Audit Implementation Act
 - NPOs
- State Compliance Supplements 2023
- Steps to writing a compliance supplement
- Points of emphasis for 2023

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Audits of local governments and non-profit organizations (NPOs) in North Carolina:

- Generally Accepted Auditing Standards (GAAS) - audit of the financial statements in accordance with audit standards issued by AICPA
- *Governmental Auditing Standards (GAGAS)* - audit of the financial statements in accordance with auditing standards issued by Government Accountability Office (GAO), Comptroller General of the US).
 - A compliance audit, commonly referred to as a Yellow Book audit.
 - Tests compliance with certain provisions of laws, regulations, contracts, and grant agreements.
 - Higher standards related to auditor's independence, continuing professional education requirements, quality control and peer review, and for conducting the audit and reporting.

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Audits of local governments and NPOs in NC (cont.)

- A compliance audit of an entity's major federal and/or State programs, which includes:
 1. testing compliance with applicable compliance for each major program and
 2. gaining an understanding and testing internal controls over compliance requirements.
- A single audit consists of a GAAS audit, Yellow Book audit, and audit of major programs.

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Audits of local governments and NPOs (cont.)

- **Federal awards:** If a nonfederal entity expends \$750,000 or more of federal financial assistance, an audit is required in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").
 - Title 2 US Code of Federal Regulations, Part 200, (2 CFR 200)
- Applies to States, local governments/public authorities and not-for-profits.
- **State Awards:** If a local government/public authority expends \$500,000 or more of State financial assistance, an audit is required in accordance with NC G.S. §159-34(a) (State Single Audit Implementation Act). Guidance can be found in "Discussion of Single Audit in NC."

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Audits of local governments and NPOs (cont.)

- If a NPO receives, holds, uses, or expends State financial assistance of \$500,000 or more, a single audit or program-specific audit prepared and completed in accordance with GAGAS (Yellow Book) is required. Refer to NCGS. §143C-6-22, §143C-6-23 and 09 NCAC 03M, *Uniform Administration of State Awards of Financial Assistance*.
- For NPOs, "State Financial Assistance" includes federal awards passed through State Agencies 09 NCAC 03M.0102 (13).

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Determining Federal or State Awards Expended:

- Uniform Guidance and State Single Audit Implementation Act: Expenditures are determined based on when the activity related to the awards occurs. Expenditures related to the activity and must comply with the compliance requirements associated with the award:

Federal Awards	Basis for determining when expended
Grants, cost reimbursement contracts, direct appropriations, contracts with Indian Tribes	When expenditures/expenses incurred
Amounts provided to subrecipients	When the disbursement is made to the subrecipient
Loan and Loan guarantees (prior year loans not applicable)	When the loan proceeds are used by the nonfederal agency
Donated property, including donated surplus property	When property is received
Food commodities	When the food commodities are distributed or consumed
Interest subsidies	When amounts are disbursed entitling the entity to the subsidy
Insurance	When the insurance is enforced
Endowments	When federal restricted amounts are held
Program income	When received or used

- Refer to Uniform Guidance §200.502, §200.1, §200.101

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Determining Federal or State Awards Expended (cont.):

- Payments to individuals for Medicare or Medicaid not considered financial assistance (Uniform Guidance §200.1, financial assistance, §200.502(h)(i))
- OSA does not considers benefit payments to be financial assistance at the local level if paid directly to a beneficiary by a State Agency and the eligibility is determined at a local level (referred to as Split eligibility determination). An example is Medicaid.
- Subrecipient vs Contractor (refer to Uniform Guidance §200.331)

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State Financial Assistance for NPOs

- Non-State entities subject to 09 NCAC 03M .0102 (12), State financial assistance are State funds disbursed as grants, cooperative agreements, non-cash contributions, food commodities, or direct appropriations.
- For questions concerning NPOs, refer to G.S. §143C-6-22, §143C-6-23 and 09 NCAC 03M or contact your Agency's Internal Audit department.

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Subrecipient vs Contractor ?

• Subrecipient	• Contractor
• Determines eligibility	• Provides goods and services as normal business operations
• Has its performance measures in relation to whether objectives of the program were met	• Provides similar goods or services to many different purchasers
• Has responsibility for programmatic decision-making	• Normally operates in a competitive environment
• Is responsible for adhering to specific program requirements specified in a law, regulation, or contract	• Provides goods and services that are ancillary to the operations of the program
• Uses program funds to carry out a program for public purpose specified in the authorizing	• Is not subject to compliance requirements of the program as the result of an agreement

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Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

- Part of the Code of Federal Regulations
- Uniform Guidance
 - Subpart A: Acronyms and Definitions (§200.0 - (§200.1)
 - Subpart B: General Provisions (§200.100 - (§200.113)
 - Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards (§200.200 - (§200.216)
 - Subpart D: Post Federal Award Requirements (§200.300 - (§200.346)
 - Subpart E: Cost Principles (§200.400 - (§200.476)
 - Subpart F: Audit Requirements (§200.500 - (§200.521)
 - Appendices I to XII
- Revised Uniform Guidance (effective Nov. 12, 2020)
 - Specific areas include procurement standards and grant closeout

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Uniform Guidance Sections that Apply to State Awards

- | | |
|--|--|
| • Subpart A – Definitions, as applicable | • 200.511 – Requirements for pass-through entities |
| • 200.502 – Basis for determining awards expended | • 200.513 – Awarding Agency responsibilities, pass-through entity responsibilities |
| • 200.330 – Subrecipient and contractor determinations | • 200.514 – Scope of audit |
| • 200.503 (a, b, c) – Relation to other audit requirements | • 200.515 – Audit reporting |
| • 200.505 – Sanctions | • 200.516 – Audit findings |
| • 200.508 – Auditee responsibilities | • 200.517 – Audit documentation |
| • 200.509 – Auditor selection | • 200.519 – Criteria for program risk |
| • 200.510 – Financial statements | • 200.520 - Criteria for low-risk auditee |
| • 200.511 – Audit findings follow-up | • 200.521 (a, c, d, e) – Management decisions |

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Uniform Guidance Sections that DO NOT Apply to State Awards

- 200.500 – Purpose
- 200.501 – Audit Requirements
- 200.503 (d, e) – Relation to other audit requirements
- 200.504 – Frequency of audits
- 200.506 – Audit cost
- 200.507 – Program specific audits
- 200.512 – Audit submission
- 200.518 – Major program determination
- Appendix X - Data Collection Form (SF-SAC)

- Guidance for State Awards for the sections that do not apply to the Uniform Guidance, refer to “Discussion of Single Audit in North Carolina” and LGC-205 (Contract to Audit Accounts)

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Cluster of Programs

- Cluster of programs means a grouping of closely related programs that share common compliance requirements (UG §200.17).
 - R&D, SFA, and “other clusters.”
- “Other clusters” are defined by OMB in Part 5 of the OMB Compliance Supplement.
- State may add a program to a federal cluster, but cannot remove a program clustered by OMB.
- A cluster must be considered as one program for determining major programs to be audited.

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Cluster of Programs (cont.)

- Careful consideration should be given before a State Agency adds a federal program to an OMB Cluster of Programs or creates a cluster of programs.
 - Are the programs closely related and do they share common compliance requirements, especially federal compliance requirements?
 - Auditors may have additional testing to test federal compliance requirements for the added program
 - SEFSA reporting requirements: OMB requires the additional programs added to the cluster be presented separate from the OMB cluster.
- Programs that are clustered by State (refer to *Preparation Guide*)

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How is a federal program selected to be audited?

- If a non-federal entity incurred total federal expenditures of \$25 million or less:
 - An auditor identifies programs as Type A (expenditures of \geq \$750,000).
 - Programs that expend $<$ \$750,000 are Type Bs
- Auditors determine if Type A programs are “low-risk.”
 - “Low-risk” if the program was audited as major in either of the two previous two years and, in the prior year, had no material weaknesses, modified opinion on the program, or QC $<$ 5% of program expenditures.
- An auditor may consider the program high-risk if in his/her professional judgment based on Uniform Guidance § 200.519(c)

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How is a federal program selected to be audited? (cont.)

- Auditor performs risk assessment on Type Bs to determine if they are “high-risk.”
 - This process is limited based on the number of “low-risk” Type A programs.
- Risk assessment is not expected if the Type B program had relatively a small amount of expenditures as determined by a formula (Uniform Guidance §200.518(d)(2).
- Auditor must meet percentage of coverage rule. Forty percent of total federal awards must be audited as major.
 - If an auditee qualifies, twenty percent of total award expenditures may be audited as major.

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How is a State program selected to be audited?

- An auditor identifies State programs that incurred expenditures of \$500,000 or more.
- If the program was audited as major in either of the two previous years, auditor may determine the State program to be “low-risk.”
 - An auditor may consider the program high-risk if in his/her professional judgment, based on Uniform Guidance § 200.519(b)
- Auditor must meet percentage of coverage rule. Forty percent of total State awards must be audited as major.
 - If an auditee qualifies, twenty percent of total award expenditures may be audited as major.

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nt for Goods and Service?



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Programs Identified as “Higher Risk”

Federal Agency	Assistance Listing (CFDA) Number	Title
Education	84.425	Education Stabilization Fund
FCC	32.009	Emergency Connectivity Fund Program
HHS	93.461	Testing for the Uninsured
HHS	93.498	Provider Relief Fund
HHS	93.778/93.777/93.775	Medicaid Cluster
Transportation	20.106	Airport Improvement Program
Transportation	20.500/20.507/20.525/20.526	Federal Transit Cluster
Transportation	20.315	National Railroad Passenger Corp. Grants
Treasury	21.019	Emergency Rental Assistance
Treasury	84.425	Coronavirus State and Local Fiscal Recovery Funds

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State Compliance Supplements - responsibilities

- “All State departments and agencies which provide funds to local governments and public authorities shall provide the Local Government Commission with documents that the Commission finds are in the 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 as required by this section.” (G.S. §159-34(c)).
- An agency that receives State funds and disburses those funds as State financial assistance to a recipient shall...develop compliance supplement reports that describe standards of compliance and audit procedures to give direction to independent auditors. This report shall be provided to the State and Local Government Finance Division in the North Carolina Department of State Treasurer for inclusion in the North Carolina State Compliance Supplement (G.S. 143C-6.23, and NC Administrative Code (09 NCAC 03M .0401)

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Compliance Requirements

- **Compliance requirements** are a series of directives federal and State Agencies established that summarize hundreds of federal and State laws and regulations applicable to federal or State financial assistance.
- There may be additional requirements inserted in contracts and memorandum.
- The auditor is expected to test compliance only for those requirements that are susceptible to testing by the auditor (i.e., the requirements can be evaluated against objective criteria, and the auditor can reasonably be expected to have sufficient basis for recognizing noncompliance).
- The compliance requirements are to be categorized into “Types.”

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Uniform Guidance-Audit Requirements

COMPLIANCE REQUIREMENTS

FEDERAL	STATE
A. Activities Allowed or Unallowed	1. Activities Allowed or Unallowed
B. Allowable Costs/Cost Principles	2. Allowable Costs/Cost Principles
C. Cash Management	3. Cash Management
D. Reserved	4. Conflict of Interest
E. Eligibility	5. Eligibility
F. Equipment & Real Property Mgmt	6. Equipment & Real Property Mgmt
G. Matching, Level of Effort, Earmarking	7. Matching, Level of Effort, Earmarking
H. Period of Performance	8. Period of Performance
I. Procurement, Suspension and Debarment	9. Procurement, Suspension and Debarment
J. Program Income	10. Program Income
K. Reserved	11. Reserved
L. Reporting	12. Reporting
M. Subrecipient Monitoring	13. Subrecipient Monitoring
N. Special Tests and Provisions	14. Special Tests and Provisions

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Sources of compliance requirements

What are the primary sources that are used by the local entities to manage the compliance requirements of a Federal or State program?

- Is there a contract or grant agreements between the State and subrecipient?
- Are memorandums or notifications issued by the subgranting agency to the subrecipient?
- Are there specific Federal or State statutes, Federal Code of Regulations (CFR), NC Administrative Code?
- Is there a resource that is used on unit visits to determine if a grantee is noncompliant?
- sam.gov – System for Award Management, (federal programs).

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Compliance Requirements that are Direct and Material

- Materiality is based on qualitative and quantitative aspects
- Noncompliance that could result in questioned costs
- The requirement affects a large part of the Federal or State program
- Noncompliance could cause the State agency (or federal agency) to take action
- Be mindful of compliance requirements that are susceptible to testing by the auditor.

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2022 State Compliance Supplements

- Prepared by federal agencies:
 - Section A – US Office of Management and Budget (OMB) Compliance Supplement – May 2022 (effective for audits ending after June 30, 2022)
- Prepared by State Agencies:
 - Section B – Supplements for Federal programs passed through the State (including State matching)
 - Section C – Supplements for programs funded solely with State funds
 - Section D – Crosscutting Compliance Supplements
 - Currently only DHHS, DPI, & DOT
 - Section E – Short Form Compliance Supplements

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Section A: OMB Federal Compliance Supplement

- Part 1 – Background and Purpose
- Part 2 – Matrix of Compliance Requirements
- Part 3 – Compliance Requirements (apply to all federal programs with applicable types)
- Part 4 – Agency Program Requirements
- Part 5 – Cluster of Programs (other clusters)
- Part 6 – Internal Controls
- Part 7 – Guidance for Auditing Programs NOT Included in this Compliance Supplement (good resource on how to prepare a compliance supplement)
- Appendices (I to IX)

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OMB Federal Compliance Supplement - Appendices

- I – Federal Programs excluded from the Uniform Guidance (2 CFR Part 200)
- II – CFRs applicable to Federal Agencies
- III – Federal Agency Single Audit, Key Management Liaison, and Program Contacts
- IV – Internal Reference Tables
- V – List of Changes for the 2022 Compliance Supplement
- VI – Program-Specific Audit Guides
- VII – Other Audit Advisories
- VIII – Examination of EBT Service Organizations
- IX – OMB Compliance Supplement Core Team

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Local auditors testing federal or State programs

- For testing a major program with federal funding (State match), auditor will use:
 1. Section A (OMB Compliance Supplement)
 - Part 2 to identify Types of Compliance Requirements that apply
 - Part 3 for generic compliance requirement
 - Part 4 (if one exists) for specific compliance requirements
 - Possibly Part 6 to test internal controls over compliance, unless the auditor uses another internal control framework
 2. Section B – State supplement for a federal program
 3. Possibly a crosscutting supplement, if one applies
- For testing a major program with State funding, auditors will use:
 1. Section B – State supplement for a federal program
 2. Possibly a crosscutting supplement
 3. Possibly Part 6

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What does the Compliance Supplement do?

- Primarily an auditor's tool for auditing a Federal or State program
- Identifies program compliance requirements and audit procedures for testing those requirements
- Describes the Federal and State program's objectives and procedures, and provides existing regulatory and statutory compliance requirements relevant to the audit, as well as audit objectives and suggested audit procedures for determining compliance with these requirements
- Not an all-inclusive document for auditing programs
- It does not create compliance requirements.

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What does the Compliance Supplement do? (cont.)

- The Supplement can be considered a "safe harbor" by the auditor for identification of compliance requirements to be tested, provided that the auditor performs reasonable procedures to ensure that the requirements in the supplement are current.
- The Auditor should not consider the Supplement to be "safe harbor" for identifying audit procedures to apply in a particular engagement, but the Auditor should be prepared to justify departures from the suggested procedures.

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Important Resources

- OMB 2022 Compliance Supplement (May 2022)
 - Part 2 – OMB Federal Matrix of Compliance Requirements
 - Part 3 - Compliance Requirements for All Programs, if the Type is Applicable
 - Part 4 - Agency program requirements if the program has a federal compliance supplement prepared by OMB
 - Part 7 – Guidance for Auditing Programs not Included in this Compliance Supplement
- Uniform Guidance, Title 2 Part 200: General Provisions (Subpart B), Pre-Federal Award Requirements (Subpart C), Post Federal Award Requirements (Subpart D), and Cost Principles (Subpart E).
 - Exceptions noted in §200.101(d)(e) and UG Appendix 1
- [sam.gov](https://www.sam.gov) (formerly CFDA.gov)

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Important Resources (cont.)

- Compliance Supplement Preparation Resources
 - *Preparation Guide for the North Carolina State Compliance Supplements* for the Year 2023.
 - Steps for writing federal and State long form supplements
 - OMB 2022 Compliance Supplement
 - Part 2, Federal Matrix
 - Part 3, Compliance Requirements
 - Appendix III, Key Federal Agency Contacts
- www.nctreasurer.com, select SLGFD, select Compliance Supplement and Related Resources

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Whether to issue a new supplement or update an existing one?

- Determine the number of subrecipients that received the funding for a particular program and amount they received.
 - State Agency may want to review the year end confirmation reports available
- If a new program, is it a one-year occurrence or event?
 - Where would an auditor find guidance to audit the program if there is no supplement?

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Whether to issue a new supplement or update an existing one?

- Consideration should be given to:
 - The Type A / B threshold
 - Type A programs \geq \$750,000
 - Type B programs between \$187,500 and \$750,000
 - State major program threshold is \geq \$500,000; however, State programs with expenditures of \$200,000 should be considered.
 - Percentage of coverage rule is 40% of total expenditures for both Federal and State awards
 - For Federal awards, an auditee may audit 20% of total expenditures if it qualifies as a low-risk auditee (Uniform Guidance §200.520)

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Are federal compliance requirements current?

- In preparing or updating a State Compliance Supplement for a federal program, OMB will not have released the Compliance Supplement for the year being audited. State Agencies should use the most recent version.
- State agencies are responsible for determining if there are any updates/changes to the federal program for which a supplement is being written.
- While a federal program may have many compliance requirements, normally there are only a few key compliance requirements that could have an affect on the program.
- The auditor should be made aware that a particular non-federal entity or federal award may be subject to provisions that are unique to that entity or award.

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Steps for Writing a Long Form Supplement

- Three sections (Items) of a long form Federal and State compliance supplement:
 - I. Program Objectives
 - II. Program Procedures
 - III. Compliance Requirements
- An auditor will primarily focus on testing procedures identified in the Compliance Requirements section.
- In preparing or updating a compliance supplement, it may be preferred to initially focus on the compliance requirements section.
- If this is a federal program, determine if OMB has issued a supplement in Part 4 of the OMB 2022 Compliance Supplement.

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What are the program objectives?

- An objective may be from the State or mandated by the federal agency.
- An objective may be useful in determining the scope of testing, whether to expand testing or to limit testing.
- Ideally, this needs to be a few sentences, or a couple of paragraphs at the maximum.
- This will be described on the compliance supplement as item I.

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What are the program procedures?

- There should be a summary of the program procedures that explains how the program is administered.
- Be mindful of what an auditor needs to know to test the program.
- This will be described in item II on the compliance supplement
- This should include but not be limited to:
 - Briefly discuss how the grant is acquired by the State.
 - Components of the grant: federal, State, and/or local dollars
 - Description of how a subrecipient acquires the grant from State
 - Description of application process
 - List of forms to be used in the application process and where obtained

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Program Procedures? (cont.)

- A description of any attestation that the subrecipient must make on application
- A description of how the grant is transferred to the subrecipient
- A description of how the federal requirement and any State requirements are communicated to the subrecipient
- A general description of what the grant money is used for and if there are any major "Don'ts" involved
- A brief description of any monitoring done by the State agency
- If a federal supplement exists, address items that a State may opt to pursue, such as waivers to certain requirements or agreements or rebates
- A description of any policy and procedure manuals that may be needed by the CPA for reference and where they might be obtained
- A definition of any acronyms, which may be necessary to use.

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Steps for Writing a Long Form Supplement

- Determine what compliance requirements are applicable to the program.
 - What are the authoritative sources to manage the program?
 - If a federal supplement was issued by OMB in Part 4, the Type of Compliance Requirements has been identified. Review the requirements
 - If the program is not in the OMB Compliance Supplement or it is a State program (funded only with State funds), the State Agency is responsible for determining the Type.

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Applicable requirements to the program?

- Determine which requirements are applicable to the program at the local level.
 - How much or what portions of the program have been passed on to the subrecipient?
 - Is the program in its entirety passed on to the subrecipient for administration at the local level?
 - Has the State agency passed only the minimal portion of the program, such as Eligibility and Reporting?
 - Has the State eliminated any requirements?

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Which requirements are applicable and are direct and material to the program at the local level?

- After identifying which requirements are direct and material and that the State agency would have the local auditor to test, categorize them in one of the 12 (13 for State program) Types of Compliance Requirements (ex. A. or 1. Activities Allowed or Unallowed).
- Important: Carefully, read the definition of a particular Type to determine if a requirement meets the definition before placing the requirement into that Type. If a particular Type cannot be determined, Type N (13) Special Testing and Provisions may be used.

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Compliance Requirements at the Local Level

- “Pick six” initiative: If possible, limit the number of applicable Types of compliance requirements to six (allowed/unallowed activities and allowable costs/cost principles can count as one, if both are applicable).
 - The purpose is to reduce the audit burden on auditors and auditees of the various programs and focus on the significant Types.
 - State Agencies may add a Type, but cannot change a “Y” to a “N.”
 - A Type for a federal award may only be applicable at the State level, and not passed to a local government or NPO.

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Compliance Requirements for A–C, E–J, L, M (cont.)

Other Suggestions:

- Add any information on the State monitoring that may be helpful.
- Read the “Suggested Audit Procedures” for each compliance type OMB Compliance Supplement (Part 3 and 4, if applicable).
 - If the audit objective can be met at the State level, state agency need not address on the State Compliance Supplements.
 - If audit objective cannot be met, write additional procedures and include them on the supplement.
- Ideally, each compliance requirement should have a “Suggested Audit Procedure” and an “Audit Objective.”

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State program compliance requirements (1–10, 12, 13)

- These are listed on the Compliance Supplement (item III) and are in numerical sequence 1-10, 12, 13.
- For each requirement applicable, agency staff should:
 1. Provide the details of the requirement or references as to where the requirement is located, Section B, Part 4.
 2. Remember – there are no Statutes that apply to all of the requirements universally, except “4” Conflict of Interest.
 3. Provide an audit objective for each requirement (what is the local auditor trying to determine by auditing this requirement?)

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Compliance Requirements for 1–10, 12, 13 (cont.)

4. Provide “Suggested Audit Procedures” for each requirement to be audited. There are no “General” Suggested Audit Procedures in Section C of the State Supplement. Therefore, the state agency has to write all Suggested Audit Procedures for each requirement listed on the supplement.
- Add any information on the State’s monitoring of the program that may be helpful.
 - Ideally, each compliance requirement should have a “Suggested Audit Procedure” and an “Audit Objective.”

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Determining of Special Tests and Provisions (N)

- Agency staff should determine if there are any program requirements that could not be classified in any of the first 11 federal compliance requirement categories.
- For those requirements, agency staff should provide:
 - Detail of the compliance requirement
 - The audit objective (what is the local auditor trying to determine by auditing this requirement?)
 - “Suggested Auditing Procedures”

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Completing the “Table”

- Agencies must present the Type of Compliance Requirements on a “table” located on the supplement, under section III Compliance Requirements.
 - A separate document listing applicable Types no longer required
- If the program is shown on the Matrix in Part 2 of the OMB Compliance Supplement, all of the requirements that are shown as applicable, (designated “Y”) must be shown as applicable on the Table of the State Supplement.
 - This is the case even if the state does not pass the requirement to the subrecipient.
- Any requirement shown as not applicable on the Matrix Part 2 of the OMB Compliance Supplement, (designated “N”) will be designated with “N” on the Matrix in State Compliance Supplements (Section B, Part 2).
- Matrix for State Program should designate a “Y” or “N,” as applicable.

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Federal Long Form Template

- **TIME SAVER:** In lieu of using a Long Form Program Template, the previous supplement may be updated, or a similar supplement may be used (**IMPORTANT:** insert a Type of Compliance Supplement Table)
- Date for the State Compliance Supplements should be April 2022.
- A. Enter the Assistance Listing (formerly CFDA #) of the federal program, i.e. 10.216. If the program does not have an AL/CFDA # then put "None." (The instance of should not occur often)
- B. Enter the name of the federal grant/award as it is shown in sam.gov.

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Federal Program Template (cont.)

- C. Enter the State Project/Program name that the State Agency has assigned to the federal grant/award. (If State Agency uses the same name as appears in the Catalog of Federal and Domestic Assistance then repeat that name).
- D. Enter the name of the federal awarding agency, i.e. U. S. Department of Health and Human Services.
- E. List the federal laws and regulations that authorize the program and its requirement.
- F. Enter the name of the State Agency and Division subgranting the federal award/grant.
- G. List the State laws and regulations that authorize the federal program and its requirements, if applicable.

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Federal Program Template (cont.)

- H. Enter the name and phone number of the State Agency contact person for the program (include the area code).
- I. Enter the following information for the person to whom the confirmation letters should be sent:
 - Name
 - State agency
 - Mailing address
- J. Enter Assistance Listing (CFDA) No. of federal program (i.e. 10.216). If the program does not have a number, then put NO AL#. The instructions for "[J]" apply to the first page of the supplement and all subsequent pages.

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Federal Program Template - subsequent pages

- Enter the State Project/Program name as a header on each subsequent page.
- The footer on the first page should appear on each subsequent page. The only change would be the page number. The B – 4 (on left side footer) and AL/CFDA No. (center footer) would not change on the pages.
- For examples, please look at Section B of the State Compliance Supplements on the website.

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State Program template Steps

- Steps are similar to the steps for using a federal supplement.
- If updating supplement, a prior year supplement may be used.
- The identifying number used (State Agency abbreviation and assigned number appears only on the bottom, along with C-4 and page no.)
- State program/project is the only name to appear at the top of the page.
- There is no federal agency, federal laws, or code of federal regulations applicable to a State program.

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State Program Template Steps (cont.)

- Type of compliance requirement must be placed on the Table on the supplement in section III. Compliance Requirements
- When determining the State compliance requirements that are applicable to the program:
 - there are 13 State types of compliance requirements
 - Conflict of interest is a type of State compliance requirement
 - Types of State compliance requirements are identified by a system of numbers (1, 2, 3, etc.)

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Short Form Templates

- State agencies are not required to write compliance supplements for every program they subgrant. If a long form is not prepared, a short form that includes State authorization and Agency contact information, a brief description of the program (including allowable activities), and sources of funds are to be provided (located in Section E of the State Compliance Supplements).
- This is for both federal and State programs.
- Short form is provided a number and entitled "Short-Form-XXX."
- Short form templates are provided.

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Compliance Supplement Numbering

- For new federal program submissions, name the file using the Assistance Listing number of the federal program for which it is written. If more than one program has the same Assistance Listing number, you may use a "-" and a number to distinguish it from the other, i.e. 10.557-1.doc.
- For a program that is considered a cluster of programs, use one of the CFDA numbers and note -CL, i.e. 10.553-CL.doc.
- For State program and crosscutting supplements, use the department abbreviations (see appendix) along with the numeric sequencing in numbering the supplement.
- For new programs, leave as X (ex. 10.557-X, DHHS-X, Short-Form-X) and LGC will assign number.

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State Compliance Supplement – federal programs with COVID-19 funding

- Should only apply to federal programs passed through the State
- Applies to existing programs that the General Assembly has allocated the CARES Act, CRRSAA, and ARPA.
- Not necessary to issue a separate State supplement, but include guidance for COVID-19 in the existing supplement.
- If a compliance requirement only applies to COVID funding or is more restricted due to COVID, note “COVID-19 in the Type of Compliance section that is applicable.
- As an optional, the heading of the supplement may include 2 federal program names: COVID 19 – “federal program name.”
- List of programs: The American Rescue Plan Act (ARP) of 2022 COVID-19 Financial Assistance Program

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Finding the Correct Supplement for the Program

- Auditors should confirm amounts reported on the Schedule of Expenditures of Federal and State Awards with the granting agency.
- The auditor should be able to determine what State Compliance Supplements to use based on the program name reported on the SEFSA.
- Federal programs should have an Assistance Listing Number (CFDA No.) and a pass-through identifying number associated with the award (both will be reported on the SEFSA, with the program name and program expenditures).
- Program funded solely with State funds should have an identifying number.

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State Compliance Supplements: Important Dates

The production schedule for this year's Supplement is as follows

Supplements to be Written and Reviewed by Agency	August through February
Final Supplement Packages to LGC	by March 1, 2023
Review for Format by LGC	April 3, 2023
All Corrections received by LGC	April 21, 2023
Posted on the LGC website by the LGC	May 1, 2023

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Submission by State Agencies: Required Documents

- The compliance supplement should be submitted in the form prescribed by the LGC. Send by email to the Local Government Commission the following:
 - **Agency-prepared Supplement** (Name the compliance supplement file same as last year.)
 - If applicable: **Compliance Supplement Questionnaire**
 - **No longer required: Agency-prepared Matrix.** Types should be reported on the Table on the supplement. LGC will create a State-wide matrix.
- Hard copies of the following are also to be submitted to the LGC:
Agency certification

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State Compliance Supplements submission

- The reporting package should be emailed to slgfdsupplements@nctreasurer.com. Items may be submitted in batches or the entire package may be submitted at one time.
- Physical location (and mailing address):
NC Department of State Treasurer,
State and Local Government Finance Division,
3200 Atlantic Avenue,
Longleaf Building,
Raleigh, NC 27604
- James Burke, 919-814-4301, james.burke@nctreasurer.com
 - I'm working at the office, not remote

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Common issues with State Compliance Supplements

- Inconsistencies within the supplement and other sources that are referenced. This would include inconsistencies with other supplements (federal or crosscutting), laws and regulations, and contracts.
- The compliance requirement objective, or suggestive audit procedure is vague.
- Links do not work, are not applicable, or they are not specific. References to websites should be specific, not to a home webpage. References to applicable statutes or codes should include subsections, paragraph, and subparagraph numbers. Documents should use page and paragraph numbers.
- Most OMB Circulars have been superseded by the Uniform Guidance, and should not be referenced, such as Circular A-89, 102, 110, and 133.
- Compliance supplements are not used to test major programs. Evaluate whether a supplement for a particular program is needed.

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Point of Emphasis for 2023

- Limit the Type of Compliance Requirements that auditors are required to test to six (6), if possible.
- Carefully review Section II “Program Procedures” being mindful of what is important to the local auditors.
- When identifying their awards sent to local governments or nonprofits, either in confirmation reports or other documentation identifying the awards, the name of the program/project should be consistent with the name of the program/project on the Compliance Supplement.

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State Compliance Supplement Updating/Preparation Suggestions

- Do not tackle this alone. Build a team.
 - Key program contacts that are very knowledgeable of the program
 - It is essential for those that know the program be involved
 - Finance and Budget personnel
 - Procurement personnel
 - Accountants/auditors with Agency that are familiar with audit techniques
- Internal audit staff may offer suggestions or recommendations, if it does not affect their independence.
- Subrecipients, local auditors, and OSA representatives may be a good resource
- OMB Compliance Supplement Appendix III: Federal Agency Single Audit, Key Management Liaison, and Program Contacts

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State Compliance Supplement Updating/Preparation Suggestions (cont.)

- Become familiar with the Uniform Guidance 2 CFR 200 (Title 2, Part 200, sections .0 - .520)
- Become familiar with sections of the OMB Compliance Supplement
- Understand the Type of Compliance Requirements and how they apply to a program
- Understand how your agency provides funding to subrecipients and informs subrecipients of funding
- sam.gov (enter assistance listing number or key word of the program)
- Read the “Audit Risk Alerts” at AICPA’s Governmental Audit Quality Center (GAQC)
 - <https://www.aicpa.org/interestareas/governmentalauditquality.html>

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Single Audit Reporting and Compliance Supplement Resources

- At “treasurer.com,” select “State and Local Government Finance Division”
- Select: “Access compliance supplements and related resources”
- Website: “Single Audit Reporting and Compliance Supplement Resources”
 - Discussion of Single Audit in North Carolina
 - Summary of Single Audit in North Carolina
 - Single Audit Reporting
 - Compliance Supplements
 - NCDEQ, NCDHHS, NCDOT Reports
 - Compliance Supplement Preparation Resources

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Compliance Supplement Preparation Resources

- “Preparation Guide for the NC State Compliance Supplement for 2023”
 - Detailed instructions on completing a federal or State long-form or short form compliance supplement
 - Programs that were audited as major in fiscal years ending 2020-2021
- Templates of forms
 - Federal and State long form and short form templates
 - Instructions
 - Certifications
- Type of Compliance Requirements – definitions
- Guidance for Auditing Programs not included in the OMB Compliance Supplement (Part 7 of the OMB CS)
- Federal Agencies Key Contacts 2023
- Questions: james.burke@nctreasurer.com, 919-814-4301