



NORTH CAROLINA

DEPARTMENT OF STATE TREASURER

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

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Memorandum #2025-04

TO: State Agencies, Independent Auditors, North Carolina Local Governments and Public Authorities, Interested Parties

FROM: Kendra Boyle, Director, Fiscal Management Section

SUBJECT: State Single Audit Implementation Act Changes

DATE: April 2, 2025

In April 2024, the U.S. Office of Management and Budget (OMB) issued the Final Rule¹, which includes revisions to the federal single audit requirements found in Title 2 of the Code of Federal Regulations, Part 200, also known as the *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, Final Rule*, (Uniform Guidance). Subpart F of the Uniform Guidance addresses the audit requirements. Among the changes, thresholds for federal single audits will increase to \$1,000,000 from \$750,000. The Type A/B major program determination will increase to a minimum of \$1,000,000 from \$750,000. **The effective date of Subpart F of the Uniform Guidance is for fiscal years beginning on or after October 1, 2024, which is June 30, 2026, for most local governments and public authorities in North Carolina.**² OMB has revised the OMB Guidance for Grants and Agreements in the Final Rule, which is now the OMB Guidance for Federal Financial Assistance. We have included in this memo a list of selective changes to the subparts of the Uniform Guidance that will affect federal single audits.

The Council of Federal Financial Assistance website, recently established by OMB, has 2024 Uniform Guidance [Revisions and Resources](#). Included on the website are the Final Rule, redline edits, key revisions to 2 CFR, and a 2 CFR FAQ document.

See the next page for an overview of the information presented in this memorandum.

¹ On April 22, 2024, the OMB issued a Final Rule significantly revising several parts of the OMB Guidance for Grants and Agreements, now the OMB "Guidance for Federal Financial Assistance." The [Guidance for Federal Financial Assistance](#) and OMB's [memorandum M-24-11](#) to agencies state that the revisions aim to streamline and clarify the grant rules and improve management, transparency, and oversight of federal financial assistance. The final guidance reflects public comments received in response to the OMB Notification of Proposed Guidance published in October 2023 and comments received from Federal agencies. Guidance for Federal Financial Assistance consists of 2 CFR Parts 1, 25, 170, 175, 180, 182, 183, 184, §200. Refer to the Federal Register Vol. 89, No. 78, April 22, 2024.

² Units of government in North Carolina that have fiscal years ending October 31, December 31, and March 31 include public housing authorities, hospitals, tourism development authorities, and one airport authority. These units will be subject to the 2024 Uniform Guidance revisions. While the threshold changes to the State Single Audit Implementation Act should have no effect on these entities, they are advised to review the changes to confirm this.

This memorandum is organized as follows:

- Changes to the State Single Audit Requirements
- Single Audit Requirements of State Awards for Non-State Entities Not Subject to the LGC Requirement
- Changes to the Federal Single Audit Requirements
- Important Change to Audit Submission Date
- Contact and Additional Resources

Changes to the State Single Audit Requirements

Whenever OMB makes changes to the federal single audit requirements, the staff of the Local Government Commission (LGC) assesses the State Single Audit requirements and makes any appropriate changes after consulting with state agencies, units of governments, and local auditors. State Single Audit requirements will be adapted to reflect changes resulting from the Uniform Guidance.

The effective date for changes to the State Single Audit Implementation Act is for fiscal years ending on or after June 30, 2026.

The following summarizes the changes to the State Single Audit Implementation Act.

- The threshold for a State Single Audit will increase to \$1,000,000 from \$500,000.
- The threshold to determine a major state program will increase to \$1,000,000 from \$500,000.

State agencies believe it will be less confusing for the threshold for a State Single Audit to be the same amount as the federal threshold. The state threshold will stay the same amount, \$1,000,000, and will not change, regardless of the amount of total state expenditures a unit of government incurs.

The following sections³ of the Uniform Guidance that apply to the State Single Audit Implementation Act have changes effective for fiscal years ending June 30, 2026. These changes should be implemented as they apply to state awards:

Subpart A

§200.1 Definitions, as applicable

Subpart D

§200.303 Internal controls

§200.331 Subrecipient and contractor determinations

Subpart F

§200.514 Standards and scope of the audit (heading change)

§200.516 Audit findings

³ A discussion of each of these sections can be found in "[Discussion of Single Audit in North Carolina.](#)"

Subpart A Acronymns and Definitions

§200.1 Definitions

Questioned costs - A key definitional change is that of questioned costs, as it applies to Subpart F, §§200.514, 515, 520. The definition is revised with more specific and clarifying policy. Known questioned cost is defined and the reference to likely questioned costs is now included in the definition of questioned costs in §200.1.

Questioned cost has the meaning given in items (1) through (3).

(1) *Questioned cost* means an amount, expended or received from a Federal or State award, that in the auditor's judgment:

- (i) Is noncompliant or suspected noncompliant with Federal and State statutes, regulations, or the terms and conditions of the Federal or State award;
- (ii) At the time of the audit, lacked adequate documentation to support compliance; or
- (iii) Appeared unreasonable and did not reflect the actions a prudent person would take in the circumstances.

(2) The questioned cost amount under (1)(ii) is calculated as if the portion of a transaction that lacked adequate documentation was confirmed noncompliant.

(3) There is no questioned cost solely because of:

- (i) Deficiencies in internal control; or
- (ii) Noncompliance with the reporting type of compliance requirement (described in the compliance supplement) if this noncompliance does not affect the amount expended or received from the Federal award.

Subpart D Post Award Requirements

Please note that the term "non-federal entity" has been replaced with "recipient" and/or "subrecipient" throughout this subpart. This change in terminology applies to subparts A – E of the Uniform Guidance.

§200.303 Internal controls

§200.303(e) added the requirement "Take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information."

§200.303(a) - Recipients must establish, "document," and maintain effective internal control over the Federal and State awards that provides reasonable assurance that the recipient or subrecipient is managing the Federal and State award in compliance with Federal and State statutes, regulations, and the terms and conditions of the Federal award. The word document has been added as a requirement, though OMB does not consider this a policy change, but a clarification⁴.

⁴ Federal Register Vol. 89, No. 78, April 22, 2024, 30076.

§200.331 Subrecipient and contractor determinations

Added wording that agencies do not have a direct legal relationship with subrecipients or contractors for monitoring the pass-through entity. Also, a characteristic of a subrecipient or contractor is not limited to the sample characteristics listed.

Subpart F Audit Requirements

Please note that subpart F retains the use of the term “non-federal entity”.

§200.514 Standards and scope of the audit (heading change)

Requirement §200.514(d)(4) was revised to read as follows: “The compliance testing must include tests of transactions or other auditing procedures necessary to provide the auditor with sufficient appropriate audit evidence to support an opinion on compliance.”

§200.514(e) was clarified to state that “The auditor must follow-up on audit findings, regardless of whether a prior auditing finding is related to a major program in the current year.”

§200.516 Audit findings

Removed the description of known questioned costs from §200.516(a)(3) and placed it within the definition of questioned costs in §200.1.

Added an additional requirement to §200.516(b), §200.516(b)(7): “When there are known questioned costs but the dollar amount is undetermined or not reported, a description of why the dollar amount was undetermined or otherwise could not be reported.”

Single Audit Requirements of State Awards for Non-State Entities Not Subject to the LGC Requirement

The Office of State Budget and Management (OSBM) revised the audit requirements of state grants of non-state entities that are subject to NC Administrative Code Title 9, 03M ([09 NCAC 03M](#))⁵ and NC G.S. [§143C-6-23](#). These requirements apply primarily to nonprofit organizations (NPOs) and do not apply to local governments and public authorities (refer to G.S. §143C-6-23(a)(2), 09 NCAC 03M.0102(14)). Included in 09 NCAC 03M.0102 are important definitions, such as recipient and subrecipient, as they apply to state grants as defined in 09 NCAC 03M.0102(10). The definition of some of the items listed, such as recipient and subrecipient, are defined differently in NCAC than in the Uniform Guidance (§200.1). When auditors are auditing NPOs, they should not apply the audit requirements found in the State Single Audit Act.

If a recipient or subrecipient, as defined in 09 NCAC 03M.0102, receives, holds, uses, or expends grants in an amount equal to or greater than the dollar amount requiring audit as listed in the Uniform Guidance §200.501(a), which is currently \$750,000, within a fiscal year, the recipient or subrecipient shall have a single or program specific audit prepared and completed in accordance with Yellow Book. Auditors of these recipients or subrecipients should read the requirements, including definitions, found in 09 NCAC 03M and G.S. §143C-6-23.

⁵ 09 NCAC 03M applies to a non-state entity that receives state funds as a grant from a state agency but does not include any non-state entity subject to the audit and other reporting requirements of the LGC. Please note that the information in this section is provided purely as a courtesy to auditors and finance staff of NPOs; the LGC plays no role in advising or overseeing NPOs.

NPOs are subject to audit requirements found in the Uniform Guidance for federal awards. For questions concerning audits of NPOs, contact the state granting agency for compliance requirements pertaining to the grant, or OSBM for the audit requirements at NCGrants@osbm.nc.gov.

Changes to the Federal Single Audit Requirements

The effective date for the 2024 Uniform Guidance is for fiscal years beginning on or after October 1, 2024. This is applicable for new awards entered into on or after October 1, 2024, and Notice of Funding Opportunities that will result in awards issued on or after October 1, 2024. Federal agencies were given the opportunity to apply the final guidance to federal awards issued prior to October 1, 2024, but not before June 21, 2024. Recipients, subrecipients, and local auditors that receive federal grants prior to October 1, 2024, should determine if Final Rule requirements apply to these grants.

Some of the more significant changes in the 2024 Uniform Guidance are as follows:

As stated above, throughout Subparts A – E of the revised Uniform Guidance, the term “non-federal entity” has been replaced with “recipient” and/or “subrecipient.” Subpart F continues to use the term “non-federal entity.”

Subpart F Audit Requirements

§200.514 Standards and scope of the audit and §200.516 Audit findings: Refer to page 4 of this memo.

Audit requirements (§200.501(a)) - The threshold for a federal Single Audit has increased to \$1,000,000 of federal awards expenditures per fiscal year. The previous threshold was \$750,000.

§200.512 Report submission - Added that a cognizant or oversight agency for the audit may authorize an extension when the nine-month timeframe would place an undue burden on the auditee. Please refer to OMB M-24-11 for information on extension requests.

Important: Cognizant and oversight agencies do not have the authority to grant extensions for audits required to be submitted in accordance with G.S. §159-34. LGC staff does not grant extensions to audit due dates. Units of local government are required (applies to fiscal years ending on or after June 30, 2025) to submit their audit to the LGC six months from fiscal year end. If a unit of local government expects to miss the federal submission date, in order to meet the federal requirements, the unit should contact the cognizant agency or oversight agency.

Type A / B programs thresholds (§200.518(b)) - The thresholds for Type A and Type B programs were revised. The minimum threshold has increased to \$1,000,000 from \$750,000. The maximum threshold that is applicable has increased to \$34 million, from \$25 million. After \$34 million, the threshold increases according to the following:

When total federal award expenditures are...	Type A/B threshold will be...
\$1,000,000 ≤ \$34 million	\$1,000,000
\$34 million ≤ \$100 million	.03 times total federal awards expended
\$100 million ≤ \$1 billion	\$3 million

Subpart A Acronyms and Definitions

§200.1 Questioned costs – refer to page 3 of this memo.

Removed the definition of **federal awarding agency**. Federal agency is the referenced, replacing federal awarding agency, throughout the Uniform Guidance.

Equipment - Increases the capitalization threshold for equipment to \$10,000 from \$5,000.

Modified Total Direct Costs – Increased definitional threshold for up to \$50,000 (previously \$25,000) of each subaward (regardless of the period of performance of the subaward under the award).

Supplies - Threshold for unused supplies increased to \$10,000 from \$5,000.

Subpart D Post Federal Award Requirements

§200.303 Internal Controls and §200.331 Subrecipient and contractor determinations - Refer to pages 3 and 4 of this memo.

§200.306 Cost Sharing – Revised definition to clarify that “matching” is a type of cost sharing and not a synonym for cost sharing.

§200.313 Equipment – Increase the thresholds to \$10,000 from \$5,000 for equipment purchased with federal awards.

Unless specified in a federal statute otherwise, title to the equipment must be a conditional title. Clear title is withheld by the federal agency until conditions and requirements specified in the terms and conditions have been fulfilled. Provides federal agencies with the flexibility to determine if disposition requirements are necessary.

§200.314 Supplies - Increased threshold to \$10,000 from \$5,000. Unused supplies are defined as in new condition, not having been used or opened before.

The aggregate value of unused supplies consists of all supply types, not just like item supplies.

If the supplies are sold, the federal agency or pass-through entity is entitled to be compensated by an amount determined in §200.314.

§200.320 Procurement methods - Changed the term “small purchases” to “simplified acquisitions” to be consistent with standard terminology. Clarification that “micro-purchases” and “simplified acquisitions” are types of “informal procurement methods for small purchases.”

§200.320(a)(2)(i) – Revised to include “the recipient or subrecipient may exercise judgment in determining what number is adequate” when referring to the number of rate quotations to be obtained.

§200.333 Fixed amount subawards - Increased the threshold for fixed amount a recipient may provide as subwards to \$500,000 from \$250,000.

Subpart E Cost Principles

§200.407 Prior written approval (prior approval) – Removed nine (9) cost categories

§200.201	Use of Grant Agreement	§200.454	Membership, subscriptions, and professional activity costs
§200.311	Real Property		
§200.313	Equipment	§200.456	Participant support costs
§200.413	Direct costs	§200.467	Selling and marketing costs
§200.438	Entertainment costs	§200.470	Taxes

§200.414 Indirect costs – De minimis rate – Increased the de minimus rate from 10% to 15% of modified total indirect costs. An amount up to implies that an entity may not recover an amount greater than actual indirect costs incurred.

Clarified that federal agencies do not have the authority to set their own indirect rates without justification or support in statute or regulation.

Clarified that a recipient or subrecipient may notify OMB of any disputes with federal agencies regarding the application of a federally negotiated indirect cost rate

Clarified to the requirement that pass-through entities must accept all federally negotiated indirect cost rates for subrecipients.

Added that the de minimis rate does not require documentation to justify its use and may be used indefinitely. Once elected, the recipient or subrecipient must use the de minimis rate for all federal awards until it chooses to receive a negotiated rate.

§200.415 Required certifications – Clarified that subrecipients must certify to pass-through entities that financial information submitted to the pass-through entity is complete and accurate.

Important Change to Audit Submission Date

As previously announced, LGC staff has changed the date by which an audit of a local government or public authority must be submitted to the LGC. Beginning with audits with fiscal years ending June 30, 2025, auditors will have six months from fiscal year end to submit an audit. This changes the due date to December 31, 2025, for most units of local government. This will apply to all audits, not just audits performed under single audit requirements. Please refer to the [blog post](#) from December 20, 2024.

Contact and Additional Resources

If you have questions about these changes, please contact James Burke at (919) 814-4301 or james.burke@nctreasurer.com.

See also:

[Single Audit Reporting and Compliance Supplement Resources](#)

[Discussion of Single Audit in North Carolina](#)

[Overview of the 2024 Updates to the Federal Uniform Guidance](#) (UNC School of Government)