

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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January 20, 2022

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Meeting Agenda

- Federal Acts that have provided COVID-19 Relief
- State Compliance Supplements
 - When to update an existing supplement or to prepare a new supplement
- Compliance Requirements
- Steps for Writing a State Compliance Supplement
 - Long Form Federal or State
 - Short Form
- State Compliance Supplement Submission
- Type of Compliance Requirements
- State Compliance Supplement Updating/Preparation Suggestions

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Federal COVID-19 Pandemic Relief

- As a result of the COVID-19 pandemic, many new federal programs have been established, and funding has been added to existing federal programs from the following Acts:
 - Coronavirus Preparedness and Response Supplemental Appropriations Act
 - Families First Coronavirus Response Act
 - Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
 - Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
 - American Rescue Plan Act (ARP)
- New Programs created with COVID-19 relief are considered “higher risk.”

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CARES Act (March 2020)

- Coronavirus Relief Fund (21.019):
 - Period of performance has been extended for necessary expenditure incurred to December 31, 2021 (CRRSAA Dec. 2020).
 - General Assembly appropriated funding from CRF primarily to: OSBM, DPI, DHHS in S.L. 2020-4 (H1043) and S.L. 2020-80 (H1023)
 - OMB updated CFR 21.019 guidance in July 2021 OMB Compliance Supplement
 - Most of Uniform Guidance is not applicable, except for Subrecipient Monitoring, Internal Controls and Audit Requirements (refer to “Guidance”)
 - Guidance and FAQ in *Federal Register* January 15, 2021
- Education Stabilization Fund (84.425)

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CRRSA Act (December 2020)

- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) part of the Consolidation Appropriations Act
 - Primary Beneficiaries are direct recipients and existing federal programs
 - Emergency Rental Assistance Program (ERAP) (21.023)
 - Education Stabilization Funds (84.425)
 - General Assembly appropriated funding from CRRSAA to existing programs in March S.L. 2021-3 (H196) to DPI, DHHS, DPS, DOT, AGRI
- Extended the CRF (21.019) performance to December 31, 2021

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American Rescue Plan Act (March 2021)

- Funding under ARPA is for both new and existing programs
- Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) Assistance Listing No. 21.027
 - State of NC to receive \$5.4 billion in two installments in 2021 and 2022 from US Treasury
 - Guidance provided by US Treasury in "Final Rule," released January 6, 2022, effective April 2022. Interim Final Rule had previously provided guidance
 - Overview of Final Rule
 - FAQ (currently only for Interim Final Rule)
 - Compliance and Reporting Guidance (Nov. 2021)

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CSLFRF (21.027)

- Overview of the program. Recipients may use funds to:
 - Replace lost public sector revenues
 - Support COVID-19 public health and economic response
 - Provide premium pay for eligible workers performing essential work
 - Invest in water, sewer, and broadband infrastructure
- All funds must be obligated by December 31, 2024 and expended by December 31, 2026
- All Subparts of the Uniform Guidance apply

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CSLFRF (21.027) (cont.)

- OMB issued compliance supplement in the OMB Compliance Supplement Addendum #1 (December 6, 2021) at <https://www.cfo.gov/2021-addendum-1/>
- List of new programs created by ARP can be found at: https://www.cfo.gov/assets/files/Revised-American-Rescue-Plan-Assistance-Listings_10-29-2021.pdf
- General Assembly has appropriated funding from ARPA to existing programs and CSLFRF in S.L. 2021-25 (S172) and 2021-180 (S105)
- US Dept. of Treasury (Treasury) website: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments>
 - Includes guidance for CRF, ERAP, and CSLRFR

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2021 State Compliance Supplements

- Prepared by federal agencies:
 - Section A – US Office of Management and Budget (OMB) Compliance Supplement - July 2021
- 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 (167 federal programs)
- Part 3 – Compliance Requirements (apply to all federal programs with applicable types)
- Part 4 – Agency Program Requirements (94 NC programs)
- 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 2021 Compliance Supplement
- VI – Program-Specific Audit Guides
- VII – Other Audit Advisories (includes VII-A Other Audit Advisories-Hurricane and NDAA Addendum) Appendices (I to IX)

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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 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, if one applies
 3. Possibly Part 6 to test Internal Controls over compliance

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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 2021 Compliance Supplement (July 2021)
 - 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 2022.
 - Steps for writing federal and State long form supplements
 - OMB 2021 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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Whether to issue a new supplement or update an existing one?

- Determine the potential risk of the federal program (refer to UG §200.519).
 - Current and prior audit experience?
 - Oversight exercised by the granting agency?
 - Inherent risk of the federal program?
 - Mostly applicable to federal programs with expenditures $\geq \$187,500$ and $< \$750,000$
 - Local auditors are not requested to apply risk assessment to State funded programs.

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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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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 (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 – requirements that can be evaluated against objective criteria and auditor can reasonably be expected to have sufficient basis for recognizing noncompliance.

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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 2021 Compliance Supplement.

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Steps for Writing a Long Form Supplement

1. Whether to update an existing supplement or to issue a new supplement?
 - number of subrecipients for a particular program and amount they received
 - Compliance Supplement Questionnaire (new programs)
2. Determine the potential risk of the federal program (refer to UG §200.519).
 - Could determine the frequency of the federal program being audited as major

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Steps for Writing a Long Form Supplement

3. 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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Identifying Compliance Requirements

- For federal programs, OMB may have determined the Type of Compliance Requirements that are applicable to the program. This is noted in Part 2 (matrix) and Part 4 of the 2021 OMB Compliance Supplement.
 - A Type may be applicable, but not part of the “pick six.”
 - A Type may be applicable at the State level, but not to funding passed from the State to subrecipients.
 - The State may add a Type of Compliance Requirement.

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Applicable requirements to the program?

4. 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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Is the program being “monitored” by the State agency?

5. What program requirements are being “monitored” by the State agency?
 - For those requirements that are being monitored by the State agency, determine if there is any information that the agency would have the local auditor verify and report on, i.e. “Reporting” requirements.
 - Is there a compliance requirement that noncompliance could likely result in questioned costs?
 - Does the requirement affect a large part of the federal program (a material amount of program dollars)?
 - Could noncompliance cause the State Agency to take action, such as seek reimbursement or suspend the grantees participation in the program?

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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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6. 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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7. 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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8. Compliance Requirements to be tested by the Local Auditor

- From the list of compliance requirements that were determined in Steps 4 and 5 and categorized into particular Types, prepare for the local auditor the requirements applicable to the program that the agency would have the local auditor to test.
- OMB has removed D, "Davis Bacon" and K / 11 "Real Property Acquisition and Relocation Assistance" as types of compliance requirements. Testing these areas can be placed in "Special Tests and Provisions."
- These compliance requirements will be listed as Item III on the State Compliance Supplement.

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Federal program compliance requirements (A–C, E–J, L, M)

- These are listed on the Compliance Supplement (item III) and are in alpha sequence A-C, E-J, L,M.
- For each requirement applicable, agency staff should determine:
 1. Is the requirement program specific? Make a reference to Part 4 of the OMB Compliance Supplement.
 2. Is all the information necessary for the local auditors included in Part 3 of OMB Compliance Supplement? Do not duplicate. Auditors should use Part 3.
 3. Has the State agency imposed additional requirements? If so, provide details.

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

4. Has the State imposed more stringent requirements on the federal requirements described in Part 3 or Part 4? If so, provide more details.
5. Is the program exempted from parts of the Uniform Guidance? If yes, then provide details of the Agency's requirements.
6. If the requirement shown is applicable based on the federal matrix (Part 2 of the OMB Compliance Supplement), but the agency does not pass the requirements on to the subrecipient, state "not applicable at local level."

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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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9. 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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10. 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 AL/CFDA # of the federal program, i.e. 10.216. If the program does not have an AL/CFDA # then put NOCFDA. See example for positioning. 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.



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.



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 2021 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, 2022
Review for Format by LGC	April 1, 2022
All Corrections received by LGC	April 22, 2022
Posted on the LGC website by the LGC	May 2, 2022

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DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA
Dale R. Folwell, CPA

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 remotely

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***State Auditor's Update: Comments on NC Compliance Supplements**

- Considered the Most Important tool of Auditor Auditing Grants/Financial Assistance
- An important purpose of the Supplement is consistent audit of programs
- Burden is on the State Agency to Identify What They Want Auditors to Consider
- Issues with the NC Prepared Supplements:
 - Not reflective of Most Critical Issues
 - Reflective of Issues Not Useful to Agency
 - Not Timely Issued

* OSC Conference presentation December 11, 2018

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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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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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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