

PREPARATION GUIDE
for
North Carolina State
COMPLIANCE SUPPLEMENT
for the Year 2024

**Prepared by the N. C. Department of State Treasurer
State and Local Government Finance Division**

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Overview

Each year the NC Department of State Treasurer, State and Local Government Finance Division (SLGFD), in their role as the Local Government Commission (the Commission), issues the State Compliance Supplement that consists of documents to be used by independent auditors of local governments, public authorities, and non-profit organizations that expend Federal and State financial assistance received from State Agencies.

General Statute 159-34 (c) states that “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. 143C-6.23¹, and NC Administrative Code (09 NCAC 03M .0401) requires each State agency that receives State funds and disburses those funds to local governments, public authorities, and non-profits organizations to provide the Local Government Commission (LGC) with standards of compliance and suggested audit procedures (compliance supplements) for each grant program administered by that State agency.

Federal financial assistance received directly or passed through a nonfederal entity to local governments, public authorities, and non-profit organizations is subject to the U.S. Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Title 2 Code of Federal Regulations, Chapter I, Chapter II, Part 200, or 2 CFR 200). The OMB *Compliance Supplement* is part of the “Uniform Guidance” in Appendix XI to Part 200. The OMB *Compliance Supplement* is updated annually. The OMB Uniform Guidance **2023** Compliance Supplement can be found [at the State Single Audit and Compliance Supplement Resources](#) (link below) and select “Compliance Supplement”:

<https://www.nctreasurer.com/divisions/state-and-local-government-finance/lgc/local-fiscal-management/annual-audit/single-audit-reporting-and-compliance-supplement-resources>

Select 2023 Compliance Supplements, select 2023 Section A. The first link, OMB Compliance Supplement, is the entire 2,061-page document. The other links that follow on the website are sections of the OMB Compliance Supplement.

To ensure that the Supplement continues to provide up to date, legally accurate and reliable information to auditors, this manual was devised to assist State agencies in preparing and drafting a submission for the Supplement.

There has been an increase in the number of Federal Single Audits performed over the past several years. COVID-19 funding has contributed to the increase, but with several legislative ACTS recently passed by U.S. Congress, this trend is expected to continue. Also, as explained in the next section, COVID-19 funding designated as “revenue lost or replacement” passed to subrecipients, could result in increases in State Single Audits.

Federal Funding for COVID-19 and Coronavirus State Local Fiscal Recovery Funds (21.027)

Funding for the COVID-19 pandemic continues to be expended by local governments, public authorities, and NPOs, and this will continue through 2026. Of the five major legislative Acts passed by U.S. Congress to fund COVID-19 pandemic relief, the last of these Acts, American Rescue Plan Act (ARP or ARPA) continues to provide major funding to existing and new federal programs, including the Coronavirus State Local Fiscal Recovery Fund (CLSFRR) 21.027.

¹ Session Law 2006-203 repealed Article 1 of Chapter 143 of the General Statute. Effective July 1, 2007, S.L. 2006-203 combines Article 1 (Executive Budget Act) and 1B (Capital Improvement Planning Act) of G.S. Chapter 143 and recodifies them into a new G.S. Chapter 143C (State Budget Act) to simplify, reorganize, and update the budget statutes, conform the statutes to constitutional provisions governing appropriations, and make other changes.

State Agencies should take care in correctly identifying the federal programs funded by ARPA passed to subrecipients. ARPA is often used when referring to CSLFRF, which has added some confusion. State Agencies are encouraged to use the correct federal program names along with their Assistance Listing Number, such as 21.027 for the CSLFRF program. OMB requires that existing federal programs funded with COVID relief funds be distinguished from the same program funded with usual sources. For existing federal programs funded with ARPA funds, the program should be referenced with a prefix such as “COVID-” or similar distinguishing identification (“ARPA-”). The correct federal program name and Assistance Listing number can be found at <https://sam.gov/>.

Acceptable and common references to CSLFRF are State Fiscal Recovery Funds or Local Fiscal Recovery Funds. These are the names commonly used in State legislation and grant agreements.

One of the four categories that US Treasury allows CSLFRF 21.027 to be used for is “revenue lost.” Recipients have broad discretion to use these funds designated as revenue lost or revenue replacement. The General Assembly has designated a portion of the CSLFRF the State received as revenue lost and has appropriated these funds to State Agencies for State programs/projects. US Treasury has placed limitations on the use of revenue lost funds and requires these funds to be subject to parts of the Uniform Guidance (refer to US Treasury’s Final Rule FAQ No. 13.15). US Treasury does not consider revenue replacements passed to subrecipients as subawards; however, these funds are State awards. These funds are restricted to the compliance requirements that the State Agency imposed on the program/project.

State Agencies are strongly encouraged to correctly identify revenue lost funds passed to subrecipients as State awards. Referring to revenue lost funding passed to subrecipients as State Fiscal Recovery Funds is not necessarily incorrect, but could lead to confusion in determining compliance requirements related to the funds.

A very common and popular funding source for COVID-19 was the Coronavirus Relief Fund (21.019) from the CARES Act. Funding for this program should have been expended by December 31, 2021. So, no State compliance supplement is necessary for this program.

New Funding Sources for Federal Programs

On November 15, 2021, the Infrastructure Investment and Jobs Act (IIJA) was signed into law. It established new programs and provided additional funding for existing programs. Funding arising from the IIJA is referred to as “IIJA funding” or “IIJA program”. The 2023 higher risk list includes one program that includes IIJA funding.

Two other Federal funding Bills that recently passed US Congress and will provide funding for new and existing federal programs are the Chips and Science Act (CHIPS), signed August 9, 2022, and Inflation Reduction Act (IRA), signed August 16, 2022. More information on programs and requirements should be included in the 2024 OMB Compliance Supplement.

Since the 2024 OMB Compliance Supplement is expected to be released in May 2024, this 2024 Preparation Guide can only provide guidance using the 2023 OMB Compliance Supplement. State Agencies are encouraged to consult the 2024 OMB Compliance Supplement, when released, for updates or changes that will affect their State Compliance Supplement and incorporate any necessary updates or changes.

Federal Programs Identified as “Higher Risk.”

The following table includes a selective list of programs that have been identified as “higher risk” for audits subject to the 2023 OMB Compliance Supplement either because of COVID-19 funding, IIJA funding, or because a Federal agency has identified the program to be higher risk. These programs were selected since they are passed-through State Agencies. This list could change once the 2024 OMB Compliance Supplements are issued.

Agency	Assistance Listing (CFDA) Number	Title
Education*	84.425	Education Stabilization Fund
HHS**	93.778/93.777/93.775	Medicaid Cluster
Treasury*	21.023	Emergency Rental Assistance
Treasury*	21.027	Coronavirus State and Local Fiscal Recovery Funds
Treasury*	21.029	Coronavirus Capital Projects Fund
Interior **	15.252	Abandoned Mine Land Reclamation (AMLR)

Note:

* These programs were created by one of the laws cited at the beginning of this section and are thus considered 100% COVID-19 funding.

** These programs were existing programs that received additional COVID-19 funding from one or more of the laws cited at the beginning of this section or IIJA funding.

Financial Assistance or Procurement, Receipt or Payment for Goods and Service?

Federal, State, and local governments provide funding to organizations to obtain or provide for a variety of activities. Payments to organization for goods or services provided as a contractor (vendor) are not considered financial assistance (grants). Activities performed within financial assistance relationships/arrangements are generally subject to more oversight and regulatory guidance than activities performed within a vendor relationship. For guidance in determining whether payments are financial assistance to a subrecipient and potentially require a compliance supplement or payments for goods and services to a contractor, go to the NC Department of State Treasurer’s website, [State Compliance Supplement Preparation Resources](#) (refer to Appendix VIII, “A.”) and Contractor (Vendor) or Subrecipient Questionnaire Form (Appendix IX-1).

Judgment should factor heavily in determining whether there is a Contractor or Subrecipient. Eligibility determination and programmatic decision making, and compliance should carry more weight than other questions.

When an auditee engages a contractor to perform work related to compliance with federal or State awards, the auditee may assign tasks related to compliance to the contractor. Using the contractor for this purpose does not relieve the auditee of its responsibility for ensuring compliance related to federal rewards.

What does the Compliance Supplement do?

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

The Supplement serves to identify existing important compliance requirements which the Federal Government and State Agencies expect to be considered as part of an audit required by the OMB Uniform Guidance and State Single Audit Act. The Supplement 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. It does not create compliance requirements. Without the Supplement, auditors would need to research applicable laws and regulations for each program under audit to determine which compliance requirements are important to the Federal Government and State Agencies and could have a direct and material effect on a program. Providing the Supplement is a more efficient and cost-effective approach to performing this research.

Auditors shall consider the Supplement and the referenced laws, regulations, and OMB Uniform Guidance (as codified by Federal agencies in agency regulations) in determining the compliance requirements that could have a direct and material effect on the programs included herein. That is, use of the Supplement is mandatory. Careful attention should be placed in writing a Supplement for a program, so the auditor is clear on the compliance requirements to be tested. 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 auditors also have a responsibility under Generally Accepted Governmental Auditing Standards (GAGAS) for other requirements when specific information comes to the auditor's attention that provides evidence concerning the existence of possible noncompliance that could have a material indirect effect on a major program.

The North Carolina State Compliance Supplement is divided into five sections. For details of how this is organized refer to Appendix I. The [2023 State Compliance Supplement](#) can be located at the NC Department of State Treasurer's website, [2023 State Compliance Supplement \(refer to Appendix VIII, "A."\)\)](#).

How Programs are Selected to be Audited as Major Programs by Independent Auditors

Auditors are required to perform audits of units of governments, public authorities, and not-for-profit organizations in accordance with OMB Uniform Guidance. A single audit is required to be performed if a local government, public authority, or non-profit organization expends **\$750,000** or more of federal awards in a year. For State awards, units of governments and public authorities are subject to the State Single Audit Act (G.S. 159-34), while not-for-profits are subject to the State Budget Act (143C-6-23). Local governments and public authorities that expend \$500,000 or more in in State financial assistance must have a single audit performed in accordance with guidance found in the *Audit Manual for Governmental Auditors in North Carolina*, and with OMB Uniform Guidance.²

² Changes reflect revisions to U.S. Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* the audit threshold is \$750,000 per year for federal programs and/or \$500,000 or more in a single State financial assistance program.

Guidance for the State Single Audit can be found in the document Discussion of Single Audit in North Carolina which is part of the *Audit Manual for Governmental Auditors in North Carolina* published by the State and Local Government Finance Division. This can be found on the NC Dept. of State Treasurer's, Local Fiscal Management, Single Audit website.

Not-for-profits are not required to perform a Single Audit based only on State awards expenditures. The requirements for single audits of State awards for governmental units and public authorities are established by the LGC (G.S. 159-34); the Office of State Auditor (OSA) has oversight over the audits of State awards for nongovernmental entities ([143C-6.23](#)).

A compliance supplement is not necessary for every program. If an auditor chooses to audit a specific program that does not have compliance supplement, he or she will have to create an audit program for that program. When a compliance supplement is written for a program, it informs the auditor of the specific compliance tests requested by the State agency. Without a State compliance supplement, the State Agency runs a risk of an auditor not testing a key requirement of their program. Also, if another entity receives funding for the same program, and a different audit firm audits the program as major, there may not be consistency in procedures used and compliance requirements tested in auditing a program

Please refer to Appendix IV to determine if a compliance supplement should be written. If a full compliance supplement is not required, a short form should be issued. Careful consideration should be given to determine whether the program is part of the cluster of programs (refer to cluster of programs section below).

NC Department of Health and Human Services Programs with split eligibility and paid by State: OSA has determined that the payments for programs for which eligibility determination is performed at the local level but the State submits payment directly to the beneficiary or provider are not considered financial assistance to the local government or public authority. Therefore, Counties and Public Authorities have been instructed not to report these payments on their Schedule of Expenditures of Federal and State Awards (SEFSA).

[If the County or Public Authority determines eligibility and provides the benefit payment, then the expenditures for these programs should be reported on the SEFSA, along with the benefit payments, even though the State reimburses the County or Public Authority for the benefit payments. Please refer to Appendix XII for the OSA memo for a discussion and a list of these programs.](#)

Types of Compliance Requirements

OMB has identified twelve (12) types of compliance requirements applicable to the programs with federal awards.³ Though Davis Bacon has been removed as a separate type of compliance requirement, it has been included in the “Special Tests and Provisions” type of compliance requirements for some programs. One type of compliance requirement has been renamed. H “Period of Availability of Federal Funds has been renamed “Period of Performance.”

State awards have the same compliance requirements that apply to federal awards, with the exception of 4. Conflict of Interest, which is not part of the federal type of compliance requirements. A list of these compliance requirements along with an explanation of each can be found in Appendix II. Not every program will have each of the twelve federal types of compliance requirements or thirteen State type of compliance requirements. For example, not every program has Program Income (item J for federal & 10 for State) or subrecipients to monitor (item M & 13). In preparing their compliance supplement, the agency staff member should be familiar with each type of compliance requirement that pertains to a federal or State program.

³ In 2017 OMB reduced the fourteen (14) types to twelve (12). Removed are D, “Davis Bacon” and K, “Real Property Acquisition and Relocation Assistance.” The letters assigned to these types of compliance requirements (D & K) have been removed and are held in reserve. The letters assigned to the remaining twelve types of compliance requirements have not changed.

Section A, Part 3, of the OMB Compliance Supplement lists compliance requirements common to all federal programs. If a compliance supplement is to be prepared for a federal program that has state funding, it is not necessary for the agency staff member to duplicate the compliance testing requirements, provided that the compliance test applies. The auditor is responsible for performing all audit procedures for federal awards, found in both Section A, Part 3, and Section B, where the specific requirements are written by the agency.

For both federal awards with State matching (Section B) and State awards (Section C), a matrix of compliance requirements is included in the respective sections that identifies the 12 or 13 types of compliance requirements applicable to the programs. A matrix is presented on each supplement, under III Compliance Requirement, noting the Type of Compliance Requirements that are applicable to the program. State Agencies no longer are responsible for submitting a separate document showing the Types of Compliance Requirements applicable to a program. The LGC staff will compile a matrix for both Federal and State programs showing all the programs included in the State Compliance Supplement and the applicable Type of Compliance Requirements

Crosscutting requirements. State agencies have identified requirements that apply to more than one subgranted federal and or granted state-funded program. Rather than repeating the requirements in each supplement for each program to which the requirements apply, state agencies have identified in Section D of the Compliance Supplement the requirements applicable to more than one program. If a crosscutting matrix is applicable to a program, this is noted on the supplement, on the matrix located in section III. Compliance Requirements.

In addition to reporting on compliance, the auditor will report on the major program's internal controls over compliance requirements. This will be stated in the Single Audit report. Section A, Part 6, of the Compliance Supplement provides guidance to the auditor on procedures for each of the 12 federal compliance requirements for federal programs. No guidance is available in the compliance supplements for State programs so the auditor must develop their own procedures to test the internal controls.

Cluster of Programs

When a group of programs are closely related and share common compliance requirements, they may be considered a “cluster of programs.” The common compliance requirements are not the “generic” compliance requirements applicable to all federal programs found in Section A, Part 3, but unique compliance requirements for that group of programs. There are three types of clusters: research and development, student financial aid, and “other clusters.” State agencies should only be concerned with “other clusters”. OMB defines the clusters of programs for federal programs in Section A, Part 5, of the Compliance Supplement. Programs that have been clustered by federal agencies cannot be “unclustered” by the State agencies; however, State agencies may add additional federal programs and/or State programs.

Whenever possible, State agencies should write one supplement for a federal cluster to prevent confusion by the users of State supplements and to prevent any requirements from being omitted. However, if the State subgrants federal programs that have been clustered by federal agencies and the programs no longer meet the criteria of a cluster, multiple supplements may be written. However, the user of the supplements will still have to consider all the programs in the cluster and will have to use all supplements written in order to audit the cluster.

The matrix of compliance requirements for federal programs, found in the federal compliance supplement, Section A Part 2, lists each Assistance Listing number (ALN), formerly CFDA, associated with the cluster. In Section B of the 2023 compliance supplement, federal programs

with State funding that are clustered are designated by one Assistance Listing number for a program in the cluster followed by “CL”. Clusters illustrated in section B may:

- be identical to the federal clusters in Section A,
- include additional federal programs that have been added by a State agency,
- include State awards that have been added by a State agency,
- may provide multiple supplements for one cluster.

Refer to Appendix III for a list of the [2023](#) other cluster of programs as defined by federal and state agencies.

Guidelines for Preparing and Drafting a Supplement

Preparation of a program in the Supplement is an iterative process between the State agency and the Local Government Commission (LGC). The initial submission is not the "final" submission, nor the last time the agency will be able to provide input on the supplement. Indeed, to ensure the integrity of the information contained therein, input and dialogue are essential throughout the process. These suggested procedures will help in the initial drafting of a program supplement, in minimizing subsequent revisions, and in ensuring the overall consistency of the Supplement.

The guidelines below include information about the narrative portions and the specific formatting requirements. Use the steps provided that applies to whether the supplement for program is a new submission or an update of an existing supplement.

The State agency staff person responsible for writing the supplement should obtain a copy of the templates that corresponds to the type of compliance supplement that is to be written, whether federal or State program. The templates that were designed by the Office of State Auditor will be used. A copy of the [2024](#) version of the templates may be obtained at the Department of State Treasurer, [Compliance Supplement Preparation Resources](#) website (link below) or by email james.burke@nctreasurer.com.

<https://www.nctreasurer.com/state-and-local-government-finance-division/local-government-commission/annual-audit/compliance-supplements-and-resources/compliance-supplement-preparation-resources>

Samples of the compliance templates and instructions are included at the [Compliance Supplement Preparation Resources website](#). A list of forms can be found at Appendix VI.

Read and follow the “Steps to Writing a Compliance Supplement” for the type of compliance supplement that is to be written that follows this section. [These steps were originally written by the Office of State Auditor, but has been updated by the LGC for the current requirements.](#)

- Steps to Writing a Compliance Supplement for a Federal Program, page [11](#)
- Steps to Writing a Compliance Supplement for a State Program, page [17](#)

Carefully consider whether the program should utilize a crosscutting supplement and whether the program is part of a cluster of programs or should be. The supplements for the crosscutting supplements are written in accordance with the procedures for writing either a federal or State program supplement. Crosscutting supplements should be a joint effort by all Divisions whose program grant is involved. The matrices in Section B and D should be cross-referenced.

Complete the Certification of [2023](#) Compliance Supplement Form. A copy is included in Appendix VI (federal), VII (State), and VIII (Short) or may be obtained at the State Treasurer’s website or email addresses referred to above.

State Compliance Supplements submission and website posting Schedule

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

Supplements to be Written and Reviewed by Agency	August through February
Final Supplements Packages to LGC	by March 1, 2024
Review for Format by LGC	April 5, 2024
All Corrections received by LGC	April 26, 2024
Posted on the LGC website by the LGC	May 1, 2024

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).

For new federal program submissions, name the file using the AL (CFDA) number of the federal program for which it is written followed by a "-X." A name will be assigned.

For new State program and crosscutting supplements, use the department abbreviations followed by a "-X." A name will be assigned.

Program Abbreviations:

AGRI	Department of Agriculture and Consumer Services
COM	Department of Commerce
DOA	Department of Administration
DCNR	Department of Cultural Resources
DEQ	Department of Environment and Natural Resources
DHHS	Department of Health and Human Resources (all Divisions)
DPI	Department of Public Instruction
DPS	Department of Public Safety
DOJ	Department of Justice
DOT	Department of Transportation
GOV	Office of the Governor/Office of State Budget and Management
NCHFA	N. C. Housing Finance Agency
NCTTF	N.C. Tobacco Trust Fund Commission
SBOE	State Board of Elections

For new short forms, submit the short form use the document "Short Form-X,"

- Agency certification (must be signed; electronic signature is acceptable. Certifications may be mailed to the address below).

The reporting package should be emailed to slqfdsupplements@nctreasurer.com. Items may be submitted in batches or the entire package may be submitted at one time

The location and mailing address is NC Department of State Treasurer, State and Local Government Finance Division, 3200 Atlantic Avenue, Longleaf Building, Raleigh, NC 27604.

Questions can be directed to Jim Burke at (919) 814-4301 james.burke@nctreasurer.com.

Steps To Writing a Compliance Supplement for a Federal Program

The following guidance is for both new issues (programs that do not currently have State Compliance Supplements) and updating existing compliance supplements.

The staff member or members responsible for writing or updating the compliance supplement should be familiar with the program and its administration at both the State and local level.

1. Determine the amount of federal funding that was passed to subrecipients and the number of subrecipients that received the federal funding.

Whether to issue a new supplement or update an existing supplement will depend on:

- the amount that a subrecipient received for a particular program
- the number of subrecipients that received the funding for a particular program

If a subrecipient expends federal funding it received for a particular program of at least \$750,000, then the program most likely will be a Type A program and will required to be audited as major.⁴ The auditor will need a long form supplement. Type B programs that expend .at least \$187,500 may be subject to tested as a major if the program is considered High Risk.⁵

If only a very few subrecipients received the funding, it may not be necessary to prepare a compliance supplement, if this is a short-term program. Guidance should be provided in a memo, contract, or grant agreement that will provide guidance that can be used by the auditors, if the program is selected to be audited as major. The responsibility of creating an audit program and determining the type of requirement requirements of a particular program would fall on the auditor who will not be as familiar with the program as the granting agency.

In order to determine the amount of federal funding passed to subrecipients for a particular, the Agencies may want to review the year end or confirmation reports that it sends to the subrecipient or auditor.

Another resource that may be useful in determining awards passed to subrecipients is the Statewide Single Audit Report issued by the Office of State Auditor. In the report, there is a Schedule of Expenditures of Federal Awards that lists the federal programs that incurred expenditures by State Agencies. Included on this Schedule is a listing of federal programs and the amounts passed to subrecipients. Though the Statewide Single Audit is only available for the fiscal years prior, this may be useful in identifying programs that pass funding to subrecipients and amount of funds passed.

2. Determine the potential risk of the federal program

The agency should perform a risk assessment for a particular program. The greater risk of a program having instances of noncompliance, the agency should strongly consider creating or updating the compliance supplement.

⁴ The Type A/B threshold will increase from \$750,000 if a subrecipient expends more than \$25 million of federal funds, but less than or equal to \$100 million, then the threshold becomes 3% of total federal expenditures. If federal expenditure exceeds \$100 million, but less than \$1 billion, the threshold is \$3 million.

⁵ Auditors may select a Type B program, if the program is 25% of the Type A/B threshold and is considered high risk, based on criteria found in Uniform Guidance §200.519 (\$187,500 = 25% of \$750,000).

Criteria for federal program risk can be found in the Uniform Guidance §200.519. Factors to consider:

- Current and prior audit experience: Potential weaknesses in internal control over federal programs would indicate a higher risk. Prior audit findings would indicate higher risk. Federal programs not recently audited as major may be of a higher risk than federal programs recently audited as major without findings.
- Oversight exercised by the granting agency: The federal agency may consider the program to be high risk. An example is Medicaid.
- Inherent risk of the federal program: The complexity of the program, the extent to which the program contracts for goods and services should be considered. If funds are disbursed through third party contracts or involves high payroll cost may be considered high risk. The life cycle of the program at both the granting level and at the subrecipient level should be considered. Programs with large amount of expenditures are more risky than ones with lesser amounts.

3. Determine what federal compliance requirements are applicable to the program

If a federal supplement exists, the matrix in Section A, Part 2 will identify [the Type of Compliance](#) requirements that are applicable to that program. The current OMB Uniform Guidance federal supplement is for [May 2023](#) and should be used as the State agency guidelines. State agencies are responsible for determining if there are any updates/changes to the federal program, [since the OMB 2024 Compliance Supplement](#), for which a supplement is being written may not have been issued.

If a federal compliance supplement does not exist, the State agency must determine by other means the requirements that apply to the program. Sources may include, but are not limited to:

- Grant/Award agreement between the federal agency and the State and/or State agency,
- State Plan, if one is required by the federal awarding agency,
- Memorandums/notifications from federal agencies have been issued for the federal program,
- Section A, part 7 of the State Compliance Supplement.
- Summary information from [Assistance Listing \(formerly Catalog of Federal Domestic Assistance\)](#),
- Federal regulations.

Important: “Pick 6” Initiative: Beginning with the 2019 Compliance Supplement, OMB changed the compliance matrix in Part 2 of the OMB Compliance Supplement and mandated federal agencies limit applicable compliance requirements to no more than six (6) requirements. If both A. activities allowed or unallowed and B. allowability of costs or cost principles (B) are applicable to the program then an agency may consider these as a single requirement, and not, two. Then the program can have seven (7) requirements. The purpose was to reduce the audit burden on auditors and auditees of the various programs. Programs that have a type of compliance requirement that is normally applicable, may not require testing if Part 2 has an “N” for that compliance requirement.

4. Determine which requirements are applicable to the program at the local level.

This will be based on how much or what portions of the program’s administration 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 minimal portions of the program to be administered by the subrecipient? i.e., “Eligibility” and “Reporting.”
- Has the State agency eliminated any requirements based on certain measures the agency has taken or policies and procedures they have initiated?

Sources for this information may include but are not limited to:

- Contract or grant agreement between the State agency and the subrecipient.
- Memorandums or notifications issued by the subgranting agency to the subrecipient detailing requirements and other “Do’s and Don’ts”.
- General Statutes of North Carolina
- North Carolina Administrative Code

Additionally, agency staff should determine if the State agency subgranting the award has imposed requirements in addition to the federal requirements or have made the federal requirements more stringent.

Any requirements imposed by the State agency on a federal requirement should include verbiage that states where the sources of the requirements came from.

If a program found in the federal compliance supplement (Section A) notes that one of the 12 compliance requirements applies to that specific program, then the State agency staff member writing the State requirements should also note that that specific requirements are applicable at the State level. However, if no testing can be performed by the auditor since this compliance requirement is handled at the state level, it should be noted. For example, if the State is required to have a twenty five percent (25%) match to a federal program and it is passed to a local, the agency staff should note that “G. Matching” applies to this program. Within the supplement, under “G. Matching, Level of Effort, or Earmarking” the statement “not applicable at local level”, or similar wording, should be noted and a “Y” noted on the matrix for the program. Refer to the table prepared by the Office of State Auditor on page 19.

OMB encourages that when one is determining program compliance requirements, do so without being cognizant of whether or not the requirements are relative to one of the 12 federal requirements, i.e. “Cash Management” or “Activities Allowed or Unallowed” or “Eligibility.”

State agencies are encouraged to follow OMB’s guidance and limit the number of types in order for auditors to focus on the types that are most important, such as the “pick six” discussed in the previous section. If your agency believes that a type is significant at the local level, then this type of compliance requirement should be added.

A person responsible for writing a compliance supplement may find that keeping a list of 12 federal requirements in view may help “trigger” the requirements that are applicable to the program.

If the author of the supplement is having difficulty in determining which of the 12 compliance requirements a particular compliance test should be included should include it under “Special Test and Provisions.”

5. Determine what program requirements are being “monitored” by the State agency.

- A. 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.

At the time the local auditor is performing an audit on a subrecipient, the State agency is already aware of whether or not the subrecipient is submitting their reports timely. What the agency may not have is documentation or proof that the information being reported to the agency is accurate or valid. The agency may choose to have the auditor verify on a sample basis that the information the subrecipient has reported does in fact have supporting documentation, that the money was spent as reported to the agency, that the appropriate personnel is authorizing the expenditures, etc.

- B. For those requirements that are not being monitored by the State agency: Determine what areas of noncompliance are a “high risk” of occurring and are significant to the improper administration of the program.

Determine what the State agency deems necessary for the local auditor to investigate and report on.

6. Determine what the objective of the program is.

The objective may be from the perspective of the State (the program in its entirety is administered at the local level) or it may be on a more local level (i.e. federal grant money is used to fund a State objective/program at a local level).

This is described in item I. on the compliance supplement (refer to Appendix VI, page VI-6, for sample).

7. Program Procedures

Prepare for the local auditor a summary of how the program is administered. This information should include but is not limited to:

- a) A brief description of how the grant is acquired by the State,
- b) Components of the Grant – federal, State, and/or local dollars. (If applicable, specify if the State and local moneys are a matching requirement or are they simply in addition to the federal grant,
- c) A description of how a subrecipient acquires the grant from a State agency,
- d) A description of the application process,
- e) A list of which forms are to be used in the application process and where obtained,
- f) A description of any attestations that the subrecipient must make on the application,
- g) A description of how the grant is transferred to the subrecipient, i.e., advance or reimbursements,
- h) A description of how the federal requirements and any State agency requirements are communicated to the subrecipient,
- i) A general description of what the grant money can be used for and if there are any major “Don’ts” involved with the grant. (This may be repeated in more detail under requirements A and/or B).

- j) A brief description of any monitoring done by the State agency. (Details of the monitoring should be included with the compliance requirements to which it is applicable.)
- k) If a federal supplement exists, address items that a State may opt to pursue, such as waivers to certain requirements or agreements, rebates, etc.
- l) A description of any policies and procedures manuals that may be needed by the CPA for reference and where they might be obtained,
- m) A definition of any acronyms, which may be necessary to use.

This is described in item II. on the compliance supplement (refer to Appendix VI, page VI-6 for sample).

8. Compliance Requirements: For Requirements A – C, E-J, L, M

Prepare for the local auditor, by requirement category, (A. Activities Allowed or Unallowed) the requirements that are applicable to the federal program that the agency would have the local auditor audit.

OMB has removed D, “Davis Bacon” and K, “Real Property Acquisition and Relocation Assistance” as type of compliance requirements. The letters assigned to these types of compliance requirements have been removed and are held in reserve. The letters assigned to the remaining twelve types of compliance requirements have not changed. Though Davis Bacon has been removed as a separate type of compliance requirement, it has been included in the “Special Tests and Provisions” type of compliance requirements for some programs. One type of compliance requirement has been renamed. H “Period of Availability of Federal Funds has been renamed “Period of Performance.”

For each requirement applicable agency staff should determine:

1. Is the requirement program specific? If so, the details of the requirement or references to the where the requirements are located should be spelled out on the individual program supplement, Section B, Part 4.
2. Is all the information that is necessary for the local auditors to audit this requirement found in Section A, Part 3? If so, the agency staff need not address the requirement on the individual program supplement.
3. Has the subgranting agency imposed additional requirements of their own on the program? If so, the details of the requirements should be written on the individual program supplement and addressed as being State imposed.
4. Has the State imposed more stringent requirements on the federal requirements described in Section A, Part 3? If so, details of the more stringent requirements should be written on the individual program supplement.
5. Is the program exempt from parts of the Uniform Guidance? If so, the State must impose its policies and the details of these policies should be written on the individuals program supplement.
6. Is the requirement shown as being applicable on the federal matrix in Section A, Part 2, but the agency has not passed the requirements on to the subrecipient or for some other reasons does not want the local auditor to address the requirement? If so, the agency staff should state this under the appropriate requirement and let the local auditor know that there is nothing for him to address on this requirement.

If the requirement is applicable but the agency is monitoring the requirement, then list the requirement and supply that information on the supplement. The agency may want to include some details on the monitoring.

For every requirement listed, agency staff should refer to the “Suggested Audit Procedures” listed in Section A, Part 3. Agency may need to obtain the most current version of OMB Uniform Guidance Compliance Supplement. This may be located at OMB website or State treasurers Single Audit resources website.

After reading through “Suggested Audit Procedures” for the requirements, if the agency staff can determine that the audit of the compliance requirement(s) can be accomplished with the “Suggested Audit Procedures” shown in Section A, Part 3, the agency staff need not write any additional audit procedures.

After reading through “Suggested Audit Procedures” for the requirements, if the agency staff determines that the audit of the compliance requirement(s) cannot be accomplished, the agency staff should write additional procedures and include them on the supplement under the compliance requirement being addressed.

These are listed following the Objectives and Procedures on the Compliance Supplement and are in alpha sequence (A through N).

9. Determining of “Special Tests and Provisions,” Requirement 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), and
- “Suggested Auditing Procedures.”

10. Completing the Matrix for Federal Programs.

A matrix is presented on each supplement, under section III Compliance Requirement, noting the Type of Compliance Requirements that are applicable to the program. State Agencies are no longer be responsible for submitting a separate document showing the Types of Compliance Requirements applicable to a program. The LGC staff will compile a matrix for both Federal and State programs showing all the programs included in the State Compliance Supplement and the applicable Type of Compliance Requirements.

In Section III Compliance Requirements, there is a matrix that lists the 12 Types of Compliance Requirements. Based on steps 1 through 9 above, indicate by a “Y” or “N” for the Type of Compliance Requirements that apply to the program on the matrix provided.

For a cluster of programs, the same requirements must be applicable for all programs in the cluster, but will be shown only once on the Matrix.

For those programs for which Cross-Cutting requirements apply, another column has been included on the Matrix. State Agencies with Divisions that have issued a Crosscutting Compliance Supplement, the template The “FederalTemplate-CC programs.docx” should be used.

Steps To Writing a Compliance Supplement for a State Program

The following guidance is for both new issues (programs that do not currently have State Compliance Supplements) and updating existing compliance supplements.

The staff member or members responsible for writing or updating the compliance supplement should be familiar with the program and its administration at both the State and local level.

1. Determine the amount of State funding that was passed to subrecipients and the number of subrecipients that received the State funding.

Whether to issue a new supplement or update an existing supplement will depend on:

- the number of subrecipients that received the funding for a particular program
- and the amount that a subrecipient received for a particular program

If only a very few subrecipients received the funding, it may not be necessary to prepare a compliance supplement, if this is a short-term program. Guidance should be provided in a memo, contract, or grant agreement that will provide guidance that can be used by the auditors, if the program is selected to be audited as major. The responsibility of creating an audit program and determining the type of requirement requirements of a particular program would fall on the auditor who will not be as familiar with the program as the granting agency.

The threshold for a major State program is currently \$500,000. However, local auditors are auditing program as major that have expenditures that are less than this amount, in order to meet the forty percent (40%) percentage of coverage rule. This is especially the case for Counties. Therefore, it is recommended that if a subrecipient expends State funding it received for a particular State program of at least \$200,000, then the State Agency should strongly consider preparing a long form State compliance supplement. State agencies should review Appendix V for a list of State programs that were audited as major for fiscal year ending June 30, 2020.

In order to determine the amount of federal funding passed to subrecipients for a particular, the Agencies may want to review the year end or confirmation reports that it sends to the subrecipient or auditor.

2. Determine what State compliance requirements are applicable to the program

Sources may include, but are not limited to:

- Contract or Grant Agreement between the agency subrecipient,
- Subgranting agency policies and procedures,
- Memorandums/notifications from subgranting agency,
- North Carolina General Statutes,
- North Carolina Administrative Code.

This is a reduction from fourteen (14) types that Office of State Auditors has identified in previous years. Removed is 11, "Real Property Acquisition and Relocation Assistance." The letters assigned to these types of compliance requirements have been removed and are held in reserve. The letters assigned to the remaining thirteen types of compliance requirements have not changed. One type of compliance requirement has been renamed. 8 "Period of Availability of Federal Funds has been renamed "Period of Performance."

OMB encourages that when determining program compliance requirements, do so without being cognizant of whether or not the requirements is relative to one of the 13 federal requirements, i.e. "Cash Management" or "Activities Allowed or Unallowed" or "Eligibility."

A person responsible for writing a compliance supplement may find that keeping a list of 13 federal requirements in view may help "trigger" the requirements that are applicable to the program.

If the author of the supplement is having difficulty in determining which of the 13 compliance requirements a particular compliance test should be included should include as "Special Test and Provisions."

State agencies are encouraged, but not required, to follow OMB's guidance and limit the number of types in order for auditors to focus on the types that are most important, such as the "pick six." With the 2019 Compliance Supplement, OMB changed the compliance matrix in Part 2 of the OMB Compliance Supplement and mandated federal agencies limit applicable compliance requirements to no more than six (6) requirements. If both "A" activities allowed or unallowed and "B" allowability of costs or cost principles (B) are applicable to the program then an agency may consider these as a single requirement, and not, two. Then the program can have seven (7) requirements. The purpose of the "pick six" is to reduce the audit burden on auditors and auditees of the various programs. Programs that have a type of compliance requirement that is normally applicable may not require testing, if Part 2 has an "N" for that compliance requirement.

3. Determine what program requirements are being "monitored" by the State agency.

- A. 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.

At the time the local auditor is performing an audit on a subrecipient, the State agency is already aware of whether or not the subrecipient is submitting their reports timely. What the agency may not have is documentation or proof that the information being reported to the agency is accurate or valid. The agency may choose to have the auditor verify on a sample basis that the information the subrecipient has reported does in fact have supporting documentation, that the money was spent as reported to the agency, that the appropriate personnel is authorizing the expenditures, etc.

- B. For those requirements that are not being monitored by the State agency: Determine what areas of noncompliance are "high risk" of occurrence and are significant to the improper administration of the program.

Determine what the State agency deems necessary for the local auditor to investigate and report on to the agency.

4. Determine what the objective of the program is.

The objective may be from the perspective of the State. Sources may include:

- Contract or Grant Agreement between the agency subrecipient,
- North Carolina General Statutes,
- North Carolina Administrative Code.

This is described in item I. on the compliance supplement (refer to Appendix VII for sample).

5. Program Procedures

Prepare for the local auditor a summary how the program is administered. This information should include but is not limited to:

- a) A brief description of how the grant is acquired by the State,
- b) Components of the Grant – State and/or local dollars. (If applicable, specify if the local moneys are a matching requirement,
- c) A description of how a subrecipient acquires the grant from a State agency,
- d) A description of the application process,
- e) A list of forms used in the application process and where obtained,
- f) A description of any attestations that the subrecipient must make on the application,
- g) A description of how the grant is transferred to the subrecipient, i.e., advance or reimbursements,
- h) A description of how the program requirements are communicated to the subrecipient,
- i) A general description of what the grant money can be used for and if there are any major “Don’ts” involved with the grant. (This may be repeated in more detail under requirements A and/or B).
- j) A brief description of any monitoring done by the State agency. (Details of the monitoring should be included with the compliance requirements to which it is applicable.)
- k) A description of any policies and procedures manuals that may be needed by the CPA for reference and where they might be obtained,
- l) A definition of any acronyms, which may be necessary to use.

This is described in item II. on the compliance supplement (refer to Appendix VII for sample).

6. Compliance Requirements: For Requirements 1 – 13

Prepare for the local auditor, by requirement category, (1. Activities Allowed or Unallowed) the requirements that are applicable to the federal program that the agency would have the local auditor audit.

For each requirement applicable agency staff should determine:

1. Provide the details of the requirement or references as to where the requirement is located, Section B, Part 4.
3. Remember – there are no Statutes that apply to all of the requirements universally except “4” Conflict of Interest.
4. Provide an audit objective for each requirement (what is the local auditor trying to determine by auditing this requirement?)
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.

If a program requirement is being monitored by the subgranting agency, then list the requirement and supply that information on the supplement. The agency may want to include some details on the monitoring.

These are listed following the Objectives and Procedures on the Compliance Supplement and are in alpha sequence (1 through 13).

7. Determining of “Special Tests and Provisions,” Requirement 14.

Agency staff should determine if there are any program requirements that could not be classified in any of the first 12 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), and
- “Suggested Auditing Procedures.”

8. Completing the Matrix for State Programs in Section C.

A matrix is presented on each supplement, under section III Compliance Requirements, noting the Type of Compliance Requirements that are applicable to the program. State Agencies are no longer responsible for submitting a separate document showing the Types of Compliance Requirements applicable to a program. The LGC staff will compile a matrix for both Federal and State programs showing all the programs included in the State Compliance Supplement and the applicable Type of Compliance Requirements.

In Section III Compliance Requirements, there is a matrix that includes the 13 Types of Compliance Requirements. Based on steps 1 through 7 above, indicate by a “Y” or “N” for the Type of Compliance Requirements that apply to the program on the matrix provided.

For a cluster of programs, the same requirements must be applicable for all programs in the cluster, but will be shown only once on the Matrix.

For those programs for which Cross-Cutting requirements apply, another column has been included on the Matrix. State Agencies with Divisions that have issued a Crosscutting Compliance Supplement, the template The “StateTemplate-CC programs.docx” should be used.

State Compliance Supplement
Multiple State Supplements Prepared for One Federal Program
For the Fiscal Year 2024

A federal program may be granted to multiple State agencies or Division of a State agency. The agencies/divisions may use that same federal award to fund multiple State objectives/programs that fits the criteria for the federal award. This is common for federal block grants (social service block grant). For example:

DOT subgrants a federal award to fund multiple NC objectives/programs.

DOT 20.205 Federal Program: Highway Planning and Construction

- Subgrants as:
- 1) Highway, Planning, and Construction
 - 2) Enhancement Programs: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)
 - 3) Bicycle and Pedestrian Transportation Enhancement Programs: Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFEA LU), MAP 21 FAST Act
 - 4) Metropolitan Planning Program
 - 5) Safe Routes to School Programs
 - 6) State Planning and Research

COM and DEQ uses the same federal program to fund different NC objectives/programs.

Federal Program Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

COM 14.228

Subgrants as: North Carolina Small Cities CDBG and Neighborhood Stabilization Program

DEQ 14.228

Subgrants as: Community Development Block Grant – Infrastructure Fund

Different Divisions within an Agency receive the same federal funding to fund State objectives/programs.

DHHS – DMA 93.778

Subgrants as: Medical Assistance

DHHS – Public Health 93.778

Subgrants as: Sickle Cell Patient Services

Each agency/division should prepare its own supplement for the federal program it subgrant. On each supplement provided, the federal program name should be the same on all supplements (item A. on federal template) and should match the name of the federal program in the Assistance Listing (formerly Catalog of Federal Domestic Assistance). All subgrants should be identified to the subrecipients so that they may record the information in a manner that makes the audit of money less confusing.

Whether to Address a Compliance Requirement in the Program Supplement

Federal Programs with Uniform Guidance (UG) Compliance Supplement

UG Part 2 Matrix Compliance Requirement	Compliance Requirement Addressed In OMB Compliance Supplement Part 3 or Part 4	State Agency Prepared Federal matrix Section B	Requirement Addressed in State Agency Prepared Compliance Supplement Section B
Y	Sufficiently addresses requirement and suggested audit procedures and the State Agency is not adding restrictions or does not need to clarify the federal requirements or added details of North Carolina's program implementation are not needed.	Y	Do not have to address.
Y	Does not sufficiently address and/or there are additional restrictions, details or clarifications needed to evaluate the program	Y	Should address additional requirements / restrictions / clarifications / details. Give authorization. Add suggested audit procedures as necessary.
N or shaded	Not address and requirement is not added by State Agency	-	Do not address.
N or shaded	State Agency adds the requirement and desires for the local CPA to test.	Y	Should address.

Federal Programs without Uniform Guidance (UG) Compliance Supplement (not included in Part 2 – Matrix or Part 4 – Program Supplements)

Compliance Requirement Applicable to Program	Compliance Requirement Addressed In Part 3	State Agency Prepared Federal matrix Section B	Requirement Addressed in State Agency Prepared Compliance Supplement Section B
Yes	Sufficiently addresses requirement and suggested audit procedures to audit program and the State Agency is not adding restrictions or does not need to clarify the federal requirements or added details of North Carolina's program implementation are not needed.	Y	Do not have to address.
Yes	Does not sufficiently address and/or there are additional restrictions or guidance needed to evaluate the program.	Y	Should address additional requirements / restrictions. Give authorization. Add suggested audit procedures as necessary
No	N/A	-	Do not address.

State Program

- There is **not** a Part 3 with general compliance requirement descriptions and suggested audit procedures.

Compliance Requirement Applicable	Scenarios	State Agency Prepared State Matrix in Section C	Requirement Addressed in State Agency Prepared Compliance Supplement Section C
Y	State Agency monitors and does not want the CPA to perform test work.	Y	Indicate no audit procedures necessary for that compliance requirement. Additionally, briefly state that the state agency is monitoring and how.
Y	State Agency does not monitor and wishes for the CPA to perform test work.	Y	Address the requirement and provide suggested audit procedures.
Y	State Agency does some monitoring but still has a need for the CPA to perform test work.	Y	Address the requirement and indicate the type of monitoring performed by the state agency. Provide specific suggested audit procedures.
N	N/A	-	Do not address.

N.C. G.S. §159-34. Annual independent audit; rules and regulations.

- (a) Each unit of local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. When specified by the secretary, the audit shall evaluate the performance of a unit of local government or public authority with regard to compliance with all applicable federal and State agency regulations. This audit, combined with the audit of financial accounts, shall be deemed to be the single audit described by the "Federal Single Audit Act of 1984". The auditor shall be selected by and shall report directly to the governing board. The audit contract or agreement shall (i) be in writing, (ii) include the entire entity in the scope of the audit, except that an audit for purposes other than the annual audit required by this section should include an accurate description of the scope of the audit, (iii) require that a typewritten or printed report on the audit be prepared as set forth herein, (iv) include all of its terms and conditions, and (v) be submitted to the secretary for his approval as to form, terms, conditions, and compliance with the rules of the Commission. As a minimum, the required report shall include the financial statements prepared in accordance with generally accepted accounting principles, all disclosures in the public interest required by law, and the auditor's opinion and comments relating to financial statements. The audit shall be performed in conformity with generally accepted auditing standards. The finance officer shall file a copy of the audit report with the secretary, and shall submit all bills or claims for audit fees and costs to the secretary for his approval. Before giving his approval the secretary shall determine that the audit and audit report substantially conform to the requirements of this section. It shall be unlawful for any unit of local government or public authority to pay or permit the payment of such bills or claims without this approval. Each officer and employee of the local government or local public authority having custody of public money or responsibility for keeping records of public financial or fiscal affairs shall produce all books and records requested by the auditor and shall divulge such information relating to fiscal affairs as he may request. If any member of a governing board or any other public officer or employee shall conceal, falsify, or refuse to deliver or divulge any books, records, or information, with an attempt thereby to mislead the auditor or impede or interfere with the audit, he is guilty of a Class 1 misdemeanor.
- (b) The Local Government Commission has authority to issue rules and regulations for the purpose of improving the quality of auditing and the quality and comparability of reporting pursuant to this section or any similar section of the General Statutes. The rules and regulations may consider the needs of the public for adequate information and the performance that the auditor has demonstrated in the past, and may be varied according to the size, purpose or function of the unit, or any other criteria reasonably related to the purpose or substance of the rules or regulation.
- (c) Notwithstanding any other provision of law, except for Article 5A of Chapter 147 of the General Statutes pertaining to the State Auditor, all State departments and agencies shall rely upon the single audit accepted by the secretary as the basis for compliance with applicable federal and State regulations. All State departments and agencies which provide funds to local governments and public authorities shall provide the 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. The secretary shall be responsible for the annual distribution of all such standards of compliance and suggested audit procedures proposed by State departments and agencies and any amendments thereto. Further, the Commission with the cooperation of all affected State departments and agencies shall be responsible for the following of all affected State departments and agencies shall be responsible for the following:

- (1) Procedures for the timely distribution of compliance standards developed by State departments and agencies, reviewed and approved by the Commission to auditors retained by local governments and public authorities.
- (2) Procedures for the distribution of single audits for local governments and public authorities such that they are available to all State departments and agencies which provide funds to local units.
- (3) The acceptance of single audits on behalf of all State departments and agencies; provided that, the secretary may subsequently revoke such acceptance for cause, whereupon affected State departments and agencies shall no longer rely upon such audit as the basis for compliance with applicable federal and State regulations.

APPENDIX I

How the North Carolina Compliance Supplement is organized

The Supplement is organized into five sections as described below:

Section A – Office of Management and Budget (OMB) Uniform Guidance Compliance Supplement.

This section is a reproduction of the most recent Compliance Supplement issued by the Office of Management and Budget (OMB), hereafter referred to as the Federal Compliance Supplement, and is electronically linked to the document at the federal Office of Management and Budget. The compliance requirements and the relevant information in this Section have been identified and provided by the federal agencies and OMB. Organizations receiving federal funds should refer to the OMB Uniform Guidance, Subpart F, for federal audit requirements.

The OMB Federal Compliance Supplement is divided into seven Parts.

- Part 1 – Background, Purpose, and Applicability of Compliance Supplements,
- Part 2 – Matrix of program for 12 compliance requirements,
- Part 3 – Compliance requirements that are generic to nearly all programs,
- Part 4 – Agency requirements for specific programs (approximately 150 programs),
- Part 5 – Identifies cluster of programs that are defined by federal agencies,
- Part 6 – Internal control testing guidance for each of the 12 federal compliance requirements,
- Part 7 – Guidance for auditing federal programs that do not have compliance supplements issued.

Appendix I - Federal Programs Excluded from Portions of 2 CFR Part 200

Appendix II - Federal Agency Codification of Government-wide Requirements and Guidance for Grants and Cooperative Agreements

Appendix III _ Federal Agency Single Audit, Key Management Liaison, and Program Contacts

Appendix IV - Internal Reference Tables

Appendix V - List of Changes for the 2022 Compliance Supplement

Appendix VI - Program-Specific Audit Guides

Appendix VII - Other Audit Advisories

Appendix VIII - Examinations of EBT Service Organizations

Appendix IX - Compliance Supplement Core Team

Section B – Compliance Supplements for Federal Programs passed through the State written by State Agencies.

This section provides the following for federal programs subgranted by a State agency for:

- 1) federal programs for which federal agencies have identified program compliance requirements (programs in Section A), this Section identifies additional requirements imposed by State agencies and/or provides more specific details on federal requirements as they apply to federal programs subgranted by State agencies,

- 2) federal programs for which federal agencies have not identified program compliance requirements (programs in Section A), State agencies identifies federal requirements and their own requirements and provide details as to how these requirements relate to the federal programs subgranted by State agencies.

Section B contains two parts:

- 1) Matrix of federal program with compliance requirements for State programs with federal pass-through funding,
- 2) Compliance requirements for State programs with federal pass-through funding.

Section C – Compliance Supplements For State Programs with only State funding written by State Agencies

Section C contains two parts:

- 1) Matrix of compliance requirements for State programs with only State funding,
- 2) Compliance requirements for State programs.

Section D – Crosscutting Requirements.

State agencies have identified requirements that apply to more than one subgranted federal and/or state-funded program. Rather than repeat the requirements in each supplement for each program to which the requirements apply, state agencies have identified the requirements in this section applicable to more than one program.

Section E – Short Form Compliance Supplement.

Federal Programs: State agencies are not required to write compliance supplements for every program they subgrant. This section provides a short form that details information relating to the program for those programs that did not meet the minimum threshold for writing a standard supplement. A compliance supplement is required whenever the amount subgranted to any one local government or public authority is \$187,000 or more.

State Funded Programs: If the State agency grants a State-funded program AND does not grant two hundred thousand dollars (\$200,000)⁶ or more in one State program to a subrecipient, then the short form supplement is all that is necessary to be completed by the subgranting agency.

⁶ The threshold for a major State program is \$500,000. State programs with expenditures of \$200,000 are commonly being audited as major for auditors to meet the requirement that forty percent (40%) of total State awards expended must be audited.

APPENDIX II

Federal and State Requirements

Federal Requirements

- A. Activities Allowed or Unallowed
- B. Allowable Costs/Costs Principles
- C. Cash Management
- D. Removed/Reserved
- E. Eligibility
- F. Equipment & Real Property Management
- G. Matching, Level of Effort, Earmarking
- H. Period of Performance
- I. Procurement & Suspension & Debarment
- J. Program Income
- K. Removed/Reserved
- L. Reporting
- M. Subrecipient Monitoring
- N. Special Tests & Provisions

State Requirements

- 1. Activities Allowed or Unallowed
- 2. Allowable Costs/Costs Principles
- 3. Cash Management
- 4. Conflict of Interest
- 5. Eligibility
- 6. Equipment & Real Property Management
- 7. Matching, Level of Effort, Earmarking
- 8. Period of Performance
- 9. Procurement & Suspension & Debarment
- 10. Program Income
- 11. Removed/Reserved
- 12. Reporting
- 13. Subrecipient Monitoring
- 14. Special Tests & Provisions

TYPE OF COMPLIANCE REQUIREMENT
<p>Indicate which of the 12 types(federal) or 13 (State) of compliance requirements are applicable to this program. More information about these requirements may be found in Part 3 of the OMB Compliance Supplement (http://www.whitehouse.gov/OMB/grants)</p>
<p>Activities Allowed or Unallowed The specific requirements for activities allowed or unallowed are unique to each Federal or State program and are found in the Federal and State statutes, regulations, and the terms and conditions (contracts) of the Federal or State award pertaining to the program. For Federal programs listed in the OMB Compliance Supplement, the specific requirements of the governing statutes and regulations are included in Part 4, "Agency Program Requirements." This type of compliance requirement specifies the activities that can or cannot be funded under a specific program. This <u>almost always applies</u> to Federal and State programs.</p>
<p>Allowable Costs/Cost Principles The cost principles in 2 CFR part 200, subpart E (Cost Principles), prescribe the cost accounting requirements associated with the administration of Federal awards by: a) States, local governments and Indian tribes, b) Institutions of higher education (IHEs), and c) Nonprofit organizations.</p> <p>2 CFR subpart E applies to federal awards received directly or indirectly from a federal agency. State agencies should indicate an authoritative source where allowable costs for a State program can be found.</p> <p>As provided in 2 CFR section 200.101, the cost principles requirements apply to all Federal awards with the exception of grant agreements and cooperative agreements providing food commodities; agreements for loans, loan guarantees, interest subsidies, insurance; and programs listed in 2 CFR section 200.101(d) (see Appendix I of OMB Compliance Supplement). Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from 2 CFR part 200, subpart E, but are subject to the requirements 45 CFR part 75, Appendix IX of OMB Compliance Supplement, the Department of Health and Human Services (HHS) implementation of 2 CFR part 200. The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal awarding agency or indirectly through a pass-through entity.</p> <p>This <u>almost always applies</u> since most Federal programs have charges for goods or services. However, if a program only involves benefits to eligible recipients, with no administrative costs, purchases of goods or services (including salaries and overhead), or allocated costs, then allowable costs may not apply.</p>
<p>Cash Management When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced to recipients, they must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and State Treasurer disbursement. When advance payment procedures are used to pay subrecipients, recipients must establish similar procedures for subrecipients. The requirements for cash management are contained Treasury regulations at 31 CFR part 205, Federal awarding agency regulations, and the terms and conditions of the award.</p> <p>When funds are provided on a reimbursement basis, program costs must be paid for with the entity's funds before the entity requests payment from the federal awarding agency or pass-through agency. Cash management requirements apply to State awards, especially if the State funds are received in advance. State agencies should indicate an authoritative source where allowable costs for a State program can be found.</p> <p>This <u>almost always applies</u> to Federal and State programs.</p>
<p>Davis-Bacon Act This no longer is type of compliance requirement. Any testing for Davis Bacon may be included in M Special Test and Provisions.</p> <p>Conflict of Interest: (only applies to State awards) G.S. 14-234 includes a general prohibition against any public official having a personal interest in any contract to which he/she is a party in his/her official capacity. Any other statute or agency policy that applies should be tested as part of this compliance requirement.</p>

Eligibility

The specific requirements for eligibility are unique to each Federal or State program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. For Federal programs listed in the Compliance Supplement, these specific requirements are in Part 4 – Agency Program Requirements. This compliance requirement specifies the criteria for determining the individuals, groups of individuals (including area of service delivery), or subrecipients that can participate in the program and the amounts for which they qualify.

Equipment and Real Property Management

This compliance requirement refers to rules governing the vesting, use and disposition to a non-Federal or State entity of a title to equipment or real property acquired by that entity with Federal or State awards. These requirements apply to Federal and State programs which purchase equipment or real property.

Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000 (2 CFR section 200.33). Title to equipment acquired by a non-Federal entity under grants and cooperative agreements vests in the non-Federal entity subject to certain obligations and conditions (2 CFR section 200.313(a)).

Matching, Level of Effort, Earmarking

This compliance requirement is unique to every program and is defined, respectively as, (1) *matching* or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal and State awards; (2) *level of effort* includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal/State sources for specified activities to be maintained from period to period, and (c) Federal or State funds to supplement and not supplant non-Federal or State funding of services; (3) *earmarking* includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

The requirements for matching are contained in 2 CFR section 200.306, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for level of effort and earmarking are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

Period of Performance

This compliance requirement refers to the period during which an entity may use the Federal or State funds. A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309). This almost always applies to Federal programs.

The requirements for the period of performance are contained in 2 CFR section 200.71 (definition of "obligations"), 2 CFR section 200.77 (definition of "period of performance"), 2 CFR section 200.309 (period of performance), 2 CFR section 200.343 (closeout), program legislation, Federal awarding agency regulations; and the terms and conditions of the award.

Procurement and Suspension and Debarment

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200.

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Procurement and Suspension and Debarment applies any time the non-Federal entity procures goods or services. Suspension and debarment applies to both procurements and subawards.

2 CFR sections 200.318 through 200.326 apply to federal awards received directly or indirectly from a federal agency. State entities that expend State awards are subject to the NC procurement laws, which are more restrictive than federal procurement laws.

Program Income

This compliance requirement refers to gross income received that is directly generated by the Federally funded or State funded project during the grant period. Program income includes, but is not limited to, income from: fees for services performed the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. Generally, it does not include interest on grant funds (covered under Cash Management), rebates, credits, discounts, refunds, etc. (covered under Allowable Costs/Cost Principles), or interest earned on any of them (covered under Cash Management). Program income does not include the proceeds from the sale of equipment or real property.

Real Property Acquisition/Relocation Assistance

This no longer is type of compliance requirement. Any testing for Real Property Acquisition/Relocation Assistance may be included in M Special Test and Provisions.

Reporting

This compliance requirement refers to financial, performance of other unique reporting required of the non-Federal entity. For federal awards, all reports required must have valid OMB control numbers. Reporting almost always applies.

Subrecipient Monitoring

This refers to the requirement that a pass-through entity perform various monitoring activities, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, arranging for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations, reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings and the subrecipient's corrective action plan. This applies when awards are passed through to a subrecipient. If the entity is not a pass-through entity, this requirement does not apply.

Special Tests and Provisions

This requirement refers to specific requirements that are unique to each Federal or State program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program, and do not fall within one of the above requirements.

STATE CLUSTERS IN SECTION B 2023

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM CLUSTER:

- 10.551** SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)
- 10.561** STATE ADMINISTRATIVE MATCHING GRANTS FOR SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

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CHILD NUTRITION CLUSTER:

- 10.553** SCHOOL BREAKFAST PROGRAM
- 10.555** NATIONAL SCHOOL LUNCH PROGRAM
- 10.555** AFTER SCHOOL SNACK PROGRAM
- 10.555** SEAMLESS SUMMER PROGRAM
- 10.556** SPECIAL MILK PROGRAM
- 10.559** SUMMER SCHOOL FOOD PROGRAM FOR CHILDREN
- 10.579** CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY
- 10.582** FRESH FRUIT & VEGETABLE PROGRAM

NOTE: DPI has added **10.579** to the OMB Cluster of Programs. **10.559** has a separate State Compliance Supplement

FOOD DISTRIBUTION CLUSTER:

- 10.565** COMMODITY SUPPLEMENT FOOD PROGRAM
- 10.568** EMERGENCY FOOD ASSISTANCE PROGRAM
(ADMINISTRATIVE COSTS)
- 10.569** EMERGENCY FOOD ASSISTANCE PROGRAM
(FOOD COMMODITIES)

NOTE: **10.565** has a separate State Compliance Supplement

WORKFORCE INNOVATION AND OPPORTUNITY ACT CLUSTER:

- 17.258** WIOA ADULT PROGRAMS
- 17.259** WIOA YOUTH ACTIVITIES
- 17.278** WIOA DISSLOCATED WORKER FORMULA GRANTS
- 17.277** WIOA NATIONAL DISLOCATED WORKER GRANTS/WIA NATIONAL EMERGENCY GRANTS

HIGHWAY PLANNING, RESEARCH & CONSTRUCTION CLUSTER:

- 20.205** HIGHWAY PLANNING AND CONSTRUCTION
- 20.933** BETTER UTILIZING INVESTMENTS TO LEVERAGE DEVELOPMENT (BUILD) TRANSPORTATION GRANTS
- 23.003** APPALACHIAN HIGHWAY SYSTEM

NOTE: Cluster created by State agency. This is no longer an OMB Cluster of Programs as of 2023.

State Clusters in Section B 2023 (continued)

FEDERAL TRANSIT CLUSTER

- 20.507 FEDERAL TRANSIT – FORMULA GRANTS (URBANIZED AREA BUSES AND BUS FACILITIES FORMULA, COMPETITIVE, AND LOW OR NO EMISSION PROGRAMS)
- 20.526

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NOTE: DOT has a separate Compliance Supplement for 20.507 and 20.526

TRANSIT SERVICES PROGRAM CLUSTER:

- 20.513 ENHANCED MOBILITY FOR SENIORS AND INDIVIDUALS WITH DISABILITIES
- 20.516 JOB ACCESS - REVERSE COMMUTE PROGRAM
- 20.521 NEW FREEDOM PROGRAM

HIGHWAY SAFETY CLUSTER:

- 20.600 ALCOHOL TRAFFIC SAFETY AND DRUNK DRIVING PREVENTION INCENTIVE GRANTS
- 20.611 INCENTIVE GRANT PROGRAM TO PROHIBIT RACIAL PROFILING
- 20.616 NATIONAL PRIORITY SAFETY PROGRAMS

SPECIAL EDUCATION CLUSTER

- 84.027 SPECIAL EDUCATION – Grants to States
- 84.173 SPECIAL EDUCATION – Preschool Grants

AGING CLUSTER

- 93.044 SPECIAL PROGRAMS FOR THE AGING--TITLE III, PART B--GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS
- 93.045 SPECIAL PROGRAMS FOR THE AGING--TITLE III, PART C--NUTRITION SERVICES
- 93.053 NUTRITION SERVICES INCENTIVE PROGRAM

NOTE: STATE AGENCY ADDED STATE FUNDING.

SPECIAL CHILDREN ADOPTION FUND (ADOPTION PROMOTION PROGRAM FUND)

- 93.558 TEMPORARY ASSISTANCE FOR NEEDY FAMILIE
- 93.556 MARYLEE ALLEN PROMOTING SAFE AND STABLE FAMILIES
- 93.645 STEPHANIE TUBBS JONES CHILD WELFARE SERVICE PROGRAM
- 93.603 ADOPTION INCENTIVE PAYMENTS PROGRAM

NOTE: Cluster created by State agency.

REFUGEE AND ENTRANT ASSISTANCE CLUSTER

- 93.566 REFUGEE AND ENTRANT ASSISTANCE STATE / REPLACEMENT DESIGNEE ADMINISTERED PROGRAMS
- 93.576 REFUGEE AND ENTRANT ASSISTANCE DISCRETIONARY GRANTS

NOTE: CLUSTER CREATED BY STATE AGENCY

State Clusters in Section B 2023 (continued)

CHILD DEVELOPMENT CONTRACT CLUSTER:

93.575 CHILD CARE DEVELOPMENT BLOCK GRANT (CCDBG)
93.575 CHILD CARE DEVELOPMENT FUND, DISCRETIONARY (CCDF)
NONE CHILD CARE DEVELOPMENT FUND, MANDATORY/MATCH (CCDF)
STATE APPROPRIATIONS

NOTE: STATE AGENCY ADDED STATE GRANTS TO OMB'S CCDF CLUSTER

SUBSIDIZED CHILD CARE PROGRAM CLUSTER

93.489 CHILD CARE DISASTER RELIEF
93.575 CHILD CARE DEVELOPMENT FUND, DISCRETIONARY (CCDF)
93.596 CHILD CARE DEVELOPMENT FUND, MANDATORY/MATCH (CCDF)
93.658 FOSTER CARE TITLE IV-E
93.558 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)
NONE SMART START
NONE STATE APPROPRIATIONS

NOTE: State agency added 93.558, 93.658 & State Grants to OMB's CCDF Cluster.

FOSTER CARE, ADOPTION, AND GUARDIANSHIP ASSISTANCE PROGRAM:

93.658 FOSTER CARE – TITLE IV-E
93.659 ADOPTION ASSISTANCE

NOTE: Cluster created by State agency.

MENTAL HEALTH, INTELLECTUAL AND DEVELOPMENTAL DISABILITIES, AND SUBSTANCE USE SERVICES

93.667 SOCIAL SERVICE BLOCK GRANT
STATE APPROPRIATIONS

NOTE: Cluster created by State agency.

MEDICAID CLUSTER

93.775 STATE MEDICAID FRAUD CONTROL UNITS
93.777 STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS AND SUPPLIERS (TITLE XVIII) MEDICARE
93.778 MEDICAL ASSISTANCE PROGRAM (MEDICAID TITLE XIX)

NOTE: 93.775 & 93.777 are not passed to Local Governments (expended at State level).

HIV CLUSTER:

93.940 HIV PREVENTIVE ACTIVITIES-HEALTH DEPARTMENT BASED
93.944 HIV/AIDS SURVEILLANCE

NOTE: Cluster created by State agency.

APPENDIX IV

Requirements for Compliance Supplement Filing by State Agency

Federal Programs

Scenario	What must Prepare / Submit
Agency does not subgrant (pass through) any monies	Certification of Exemption From Requirement to Prepare Compliance Supplements
Agency does not subgrant \$187,500 or more to any one local government to any one nonprofit organization	Short-Form Supplement AND signed Certification for Submitting Short-Form Supplement for Fiscal Year 2024
Agency does subgrant \$187,500 or more to any one local government and/or to any one nonprofit organization	Program Compliance Supplement, Agency Matrix for Federal Program, and signed Certification of 2024 Compliance Supplements

State Program

Scenario	What must Prepare / Submit
Agency does not subgrant (pass through) any monies	Certification of Exemption From Requirement to Prepare Compliance Supplements
Agency does not subgrant \$200,000⁷ or more to any one subrecipient.	Short-Form Supplement AND signed Certification for Submitting Short-Form Supplement for Fiscal Year 2024 . However, if the funds subgranted have a direct and material effect on the financial statements of the recipient, the local CPA could select the program for audit as a major and may contact the agency to provide instructions on the program. (i.e. funds represent the majority of the subrecipients revenues or operating funds.)
Agency does subgrant \$200,000⁷ or more to any one local government	Program Compliance Supplement, Agency Matrix for State Program, and signed Certification of 2024 Compliance Supplements

⁷ The threshold for a major State program is \$500,000. State programs with expenditures of \$200,000 are commonly being audited as major for auditors to meet the requirement that forty percent (40%) of total State awards expended must be audited. .

Oversight and reporting requirements of nongovernmental entities that receive, use, or expend State funds.

Authority:	G.S. 143C-6-22; 143C-6-23; 09 NCAC 03M .0101
Definitions:	<p>Non-State Entity - Any of the following that is not a State agency: an individual, a firm, a partnership, an association, a county, a corporation, or any other organization or group acting as a unit. The term includes a unit of local government and public authority.</p> <p>State funds: - Any moneys including federal funds deposited in the State treasury except moneys deposited in a trust fund or agency fund as described in G.S. 143C-1-3.</p> <p>Grantee - means 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 Local Government Commission.</p> <p>Subgrantee - means a non-State entity that receives State funds as a grant from a grantee or from another subgrantee but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission.</p>
Grantee Reporting Responsibilities and Formats:	The Office of State Budget and Management adopt rules to ensure the uniform administration of State grants by all grantor State agencies and grantees or subgrantees. The rules shall establish policies and procedures for disbursements of State grants and for State agencies oversight, monitoring, and evaluating of grantees and subgrantees.
Audit Oversight:	The State Auditor has audit oversight with respect to grant funds received by the grantee or subgrantee, pursuant to Article 5A of Chapter 147 of the General Statutes, of every grantee or subgrantee that receives, uses, or expends grant funds.
Reporting for less than \$25,000	A grantee that receives, uses, or expends at least \$1.00 but less than \$25,000 in state funds within its fiscal year must file annually with the state agency that disbursed the funds a certification completed by the grantee Board and management stating that the state funds were received, used, or expended for the purposes for which they were granted; and an accounting of those same funds. <i>State Grants Compliance Reporting: Receipt of Less Than \$25,000</i> provides the standard reporting formats to be used to meet the requirements of certification and accounting.
Deadlines:	Required reporting shall be filed with the funding agency within six months after the end of the grantee's fiscal year in which the state funds were received.
Reporting for at least \$25,000 but less than \$500,000	A grantee that receives, uses, or expends at least \$25,000 but less than \$500,000 in state funds within its fiscal year must file annually with the state agency that disbursed the funds a certification completed by the grantee Board and management stating that the state funds were received, used, or expended for the purposes for which they were granted; an accounting of receipts and expenditures of the state funds, and a description of the activities and accomplishments undertaken by the grantee with those state funds. For purposes of reporting, the grantee fiscal year is used in determining the amount received, used, or expended. <i>State Grants Compliance Reporting: \$25,000 but less than \$500,000</i> provides the standard reporting formats to be used to meet the requirements of the sworn accounting and program accomplishments.
Deadlines:	Required reporting shall be filed with the funding agency within six months after the end of the grantee's fiscal year in which the state funds were received.
Reporting for more than \$500,000	A grantee that receives, uses, or expends state funds in the amount of \$500,000 or more within its fiscal year must file annually with the State Auditor and the funding agencies a financial statement in the form and on the schedule prescribed by the Office of State Auditor. The financial statement must be audited in accordance with standards prescribed by the Office of the State Auditor to assure that state funds are used by the purposes provided by law. In addition to submission of the audit report, grantees are also required to file annually with the funding state agency and with the Office of State Auditor a description of the activities and accomplishments undertaken with state funds. <i>State Grants Compliance Reporting \$500,000 or more</i> provides the form and schedule requirements and the prescribed auditing standards. Generally, the financial statements should be audited in accordance with Government Auditing Standards (Yellow Book) and, as applicable, OMB Circular A-133.
Deadlines:	These audit reports must be files no later than nine months after the close of the grantee's fiscal year end.

The use of the grantee fiscal year for establishing applicability of the statute is consistent with the prior statute requirements and the current changes to the Federal Single Audit Act

Auditing Standards			
Form	Funding Level (click level for instructions)		
	<\$25,000	≥\$25,000 but < \$500,000	≥\$500,000
	Due 6 months after entity's fiscal year end		Due 9 months after entity's fiscal year end OMB A-133
State Grant Certification and Sworn Statement	X	X	X
State Grants Compliance Reporting: Receipts <\$25,000	X		
State Grants Compliance Reporting \$500,000 or more		X	X
Program Activities and Accomplishments Report Schedule of Receipts and Expenditures		X	X
"Yellow Book" Audit			X
Schedule of Federal and State Awards (included in audit)			X

Audit Specifications:

GAO - GAS - The audit should be conducted in accordance with the standards applicable to financial audits contained in *Governmental Auditing Standards* (also referred to as the *Yellow Book*) issued by the Comptroller General of the United States of the U. S. Government Accountability Office (GAO). These standards incorporate the auditing standards generally accepted in the United States of America (GAS) as issued by the American Institute of Certified Public Accountants (AICPA).

Compliance testing is required for all programs on the *Schedule of Federal and State Awards* that could have a direct and material effect on the financial statements. Examples of programs having a direct and material effect would include those programs that exceed the auditor's planning materiality, those that would create a significant reduction in revenue if State funding were not received, and those that would cause a significant effect on the available unrestricted funds if noncompliance were determined.

The auditor should identify on the *Schedule of Federal and State Awards* all programs that could have a direct and material effect and, for those programs, the auditor should gain an understanding of the terms and conditions of the award(s) and the applicable compliance supplements and should test compliance with those requirements. In testing compliance, the auditor should evaluate the applicable internal controls in place that ensures compliance with those requirements and assess control risk. All instances of noncompliance except those that are clearly inconsequential and significant deficiencies in internal controls designed to ensure compliance should be included in the auditor's report on compliance and on internal controls.

OMB/Uniform Guidance - The audit should be conducted in accordance with the Federal Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Final Rule* (Title 2 Code of Federal Regulations, Chapter I, Chapter II, Part 200).

OMB/Uniform Guidance also requires that the audit be conducted in accordance with standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States of the U.S. Governmental Accountability Office (GAO). Therefore, the requirements discussed above under **GAO-GAS** are applicable. State programs identified on the *Schedule of Federal and State Awards* that could have a direct and material effect on the financial statements should be evaluated and compliance tested.

APPENDIX V
Schedule of Programs Audited as Major
⁸ From FYEs **Sept. 2021 to June 30, 2022**
Compiled by the Local Government Commission

State Agency /Division	⁹ Programs Federal (The names of the program listed below are abbreviation. For the correct program name, refer to https://sam.gov/).	¹⁰ Programs State (The names of program listed below are abbreviations)
Agriculture N/A	<ul style="list-style-type: none"> • 10.923 Emergency Watershed Protection Program 	<ul style="list-style-type: none"> • Stream Removal Program • TVA Settlement Program • Special Appropriations
SBOE	<ul style="list-style-type: none"> • 90.404 – Election Security Grants 	<ul style="list-style-type: none"> • None
Commerce N/A	<ul style="list-style-type: none"> • 14.228 – NC Small Cities CDBG and Neighborhood Stabilization Program; • 17.258, 17.259, 17.278 - Workforce Investment Act • 17.277- WIOA National Dislocated Worker Grants / WIA National Emergency Grants 	<ul style="list-style-type: none"> • Special Appropriations • Economic Infrastructure Program • Industrial Development Fund • NC Ready Sites Grant • One NC Fund • Rural Building Reuse Program • Rural Infrastructure Program
Public Safety GCC	<ul style="list-style-type: none"> • 16.540 – Juvenile Justice and Delinquency Prevention; • 16.588 – Violence Against Women Formula Grant; • 16.738 – Byrne Justice Assistance Grant – BYRNE Jag 	<ul style="list-style-type: none"> • Project Safe Neighborhood Grant
Public Safety EM	<ul style="list-style-type: none"> • 97.029 – NC Mitigation (FMA); • 97.036 – Public Assistance Program; • 97.039 – NC Mitigation (HMGP) 	<ul style="list-style-type: none"> • Special Appropriations (
Public Safety DJJ	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Juvenile Crime Prevention Program
DNCR N/A	<ul style="list-style-type: none"> • 20.219-Recreation Trails Program 	<ul style="list-style-type: none"> • State Aid to Public Libraries, • Special Appropriation • Park and Recreation Trust Fund • Land and Water Fund
DEQ/DCM	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Public Beach & Coastal Waterfront Access Program
DEQ/DAQ	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Volkswagen Mitigation Settlement
DEQ/State EnergyOffice	<ul style="list-style-type: none"> • 81.042 Weatherization Assistance for Low-Income Persons 	<ul style="list-style-type: none"> •
DEQ/DWI	<ul style="list-style-type: none"> • 14.228 – CDBG Infrastructure Fund, • 21.027 – State Fiscal Recovery Funds ARPA • 66.458 - Clean Water State Revolving Fund (CWSRF); Capitalization Grants for Clean Water State Revolving Funds • 66.468 - Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) 	<ul style="list-style-type: none"> • Clean Water Management Trust, • NC Clean Water Revolving Loan and Grant Program, • NC Drinking Water Loan and Grant Program, • Connect NC Bond Grants and Loans,
DEQ/DWM	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Electronics Management Program
DEQ/DWR	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Water Resources Development Project Grant Program

⁸ Major programs for [September 30, 2021 to June 30, 2022](#) are taken from audit reports received by the LGC. Information for audits with subsequent year ends were not available when this report was updated.

⁹ Only Assistance Listing Number (formerly CFDA) and State project/name are presented. Federal program names may be found at www.sam.gov

¹⁰ Program names listed are how they were reported in audit reports – on the Schedule of Expenditures of Federal and State Awards and as Identification of Major Programs

Schedule of Programs Audited as Major
From FYEs [Sept. 2021](#) to June 30, [2022](#)
Compiled by the Local Government Commission

State Agency Division	Programs Federal	Programs State
DHHS DAAS	<ul style="list-style-type: none"> • 93.041-Special Programs for the Aging Title VII, Chapter 3; • 93.042- Special Programs for the Aging Title VII, Chapter 2; • 93.043- Special Programs for the Aging Title III; • 93.044, 93.045, 93.053- Aging Cluster; • 93.052-Family Caregiver Support Program 	<ul style="list-style-type: none"> • In-Home Services (90% Funds), • Home Delivered Meals (90% Funds), • Access(90% Funds), • Congregate Nutrition (90% Funds), • Ombudsman Nutrition (90% Funds)
DHHS DCDEE	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
DHHS DMA.	<ul style="list-style-type: none"> • 93.778-Medicaid • 93.767-CHIPS 	<ul style="list-style-type: none"> • None
DHHS DMHDDSAS	<ul style="list-style-type: none"> • 93.667, Social Service Block Grant (Multiple Programs) • 93.788 State Targeted Response to Opioid Crisis Grant • 93.958 Mental Health Services • 93.959 Substance Abuse Services • 21.019 Coronavirus Relief Fund 	<ul style="list-style-type: none"> • Single Streamline Funding • LME Administration • Three Way • TCLI Community Living Assistance (CLA) • TCLI Transition Management Services • TCLI Mental Health Services • TCLI Incentives • TCLI Diversion Screening • Transition to Community Living Voucher (TCLV) • Crisis Service – Local Psych Inpatient • Alcohol & Drug Abuse Treatment Center • Traumatic Brain Injury (TBI) • Substance Abuse PAC Training
DHHS DPH	<ul style="list-style-type: none"> • 10.923 Emergency Watershed Protection Program • 10.551, 10.561 SNAP Cluster • 10.557-WIC; • 10.559 Child Nutrition Cluster • 93.217 Family Planning Services • 93.224 Consolidated Health Centers • 93.297 Teen Pregnancy Prevention Program • 93.268 Immunization Cooperation Agreements • 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) • 93.461 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund • 93.870 Maternal, Infant and Early Childhood Home Visiting Grant • 93.994-Material and Child Services Block Grant (various state programs) 	<ul style="list-style-type: none"> • General Aid to Counties • School Nurse Funding Initiative • Minority Diabetes Prevention Program • Nurse Family Partnership • Child Development Service • Child Health • Community Health Medical Access Planning Grant • Evidence Base Strategies for MCH • Public Health Capacity Building • TPPI – Adolescent Pregnancy Prevention • Triple P
DHHS DSS	<ul style="list-style-type: none"> • 93.558-Work First; • 93.568-LIHEAP; • 93.563 NC Child Support Enforcement; • 93.645 -Adoption Assistance Program IV-B) • 93.667- Child Protective Services (TANF to SSBG) 	<ul style="list-style-type: none"> •

Schedule of Programs Audited as Major
From FYEs [Sept. 2021](#) to June 30, [2022](#)
Compiled by the Local Government Commission

State Agency Agency Division	Programs Federal	Programs State
DHHS DSS (cont.)	<ul style="list-style-type: none"> • 93.667 SSBG Administration • 10.551, 10.561 -Food Stamp Cluster • 93.658, 93.659-Foster Care & Adoption Cluster 	<ul style="list-style-type: none"> • State Aid To Counties, • State Foster Care • CWS Adoption Program • Child Protective Services • State Foster Home • SFHF Maximization • 1571 Adm. Cost Crosscutting
Golden Leaf	•	• Infrastructure Grants
DOJ	•	• Opioid Settlement Funds
NC 911 Board	•	• NC 911 Board Emergency PSAP Center Grant
NCHFA N/A	• 14.239-Single Family Rehabilitation Program	•
Office of the Governor N/A	<ul style="list-style-type: none"> • 21.019 – Coronavirus Relief Fund • 21.027 – Coronavirus State Local Fiscal Recovery Funds (CSLFRF) 	<ul style="list-style-type: none"> • Special Appropriations • State Capital Infrastructure Fund (SCIF)
DPI N/A	<ul style="list-style-type: none"> • 10.553, 10.555, 10.556, 10.559 –Child Nutrition Cluster; • 21.019 – Coronavirus Relief Fund • 21.027 – Coronavirus State Local Fiscal Recovery Funds (CSLFRF) • 84.010-1-, Title I Grants to LEAs; • 84.010-2-Title I School Improvements; • 84.027, 84.173-Special Ed Cluster; • 84.048-Career & Tech Education;; • 84.365-English Language Acquisition; • 84.366-Math & Science Partnership; • 84.367-Improving Teacher Quality; • 84.424 – Student Support and Academic Enrichment Program • 84.425 -Education Stabilization Fund 	<ul style="list-style-type: none"> • Vocation Education-Program Support Funds; • Vocation Education-State Months of Employment; • Drivers Training-SPSF • Digital Resources • School Technology Fund-SPSF, • Public School Building Capital Fund (including Lottery Proceeds), • State Public School Fund, • State Public School Fund Charter Schools, • State Textbook Funds • Buses Appropriations, • NC School Resource Officer
DOT N/A	<ul style="list-style-type: none"> • 20.106-State Block Grant Program; • 20.205-Highway, Planning , Research & Construction; • 20.319 – High Speed Corridors and Intercity Passenger Rail Service; • 20.505-Metropolitan Planning Program; • 20.507 – Urbanized Area Formula Grant Program • 20.509-Community Trans Program • 20.513-CL-Elderly Persons w/Disab; • 20.526 – Federal Transit Administration • 20.600 –CL (20.600-20.613) Governors Hwy Safety Program • 20.993 – National Infrastructure Investment 	<ul style="list-style-type: none"> • Municipal Agreements; • Powell Bill; • Public Transportation Planning Assistance; • State Maintenance Assistance; • Highway Construction Program; • Rural Operating Assistance Program (ROAP); • State Aid to Airports • DOT Cluster • Transit Development Program • Urban State Match

Templates, Instructions, and Certifications

These forms can be found on NC Dept. of State Treasurers website

(at www.nctreasurer.com, select “State and Local Government Finance Division,” scroll to “I Want To...” and select Access “Compliance Supplements and Related Resources,” select “Compliance Supplement Preparation Resources,” select “Templates.”

Certification Long Form	Certifications for 2024 Federal or State Compliance Supplements
Certification Federal Short Form	Certifications for 2024 Federal Short Form Compliance Supplements
Certification State Short Form	Certifications for 2024 State Short Form Compliance Supplements
Long Form Federal Template	Template for Federal Program Compliance Supplements 2024 (Crosscutting supplements are not used)
Long Form Federal Template – CC Programs	Template for Federal Program Compliance Supplements 2024 that uses Crosscutting Supplements
Long Form Federal Template Instructions	Instructions for Federal Long Form Template
Long Form State Template	Template for State Short-Form Compliance Supplement 2024 (Crosscutting supplements are not used)
Long Form State Template – CC Programs	Template for State Program Compliance Supplements 2024 that uses Crosscutting Supplements
Long Form State Template Instructions	Instructions for State Long Form Template
Short Form Federal Template	Template for Federal Short-Form Compliance Supplement 2024
Short Form State Template	Template for State Short-Form Compliance Supplement 2024
Short Form Template Instructions	Instructions for Federal or State Short Form Template

APPENDIX VII

Terminology

State's Compliance Supplement – The document that is published in conjunction with State Agencies who subgrant federal and State funds, the Local Government Commission and the Office of the State Auditor that contains that is to be used by local CPAs who audit program compliance for local governments, public authorities, and not-for-profit organizations. The document contains:

- A. Uniform Guidance Compliance Supplement.
 - (Section A) (7 Parts, 9 Appendices)
 - Prepared by Federal Agencies
 - More useful for audits at the state level but is a “building block” for agency prepared supplements.
- B. Compliance Supplements for federal programs subgranted by State agencies.
 - (Section B) (2 Parts)
 - Prepared by the subgranting State agencies.
 - Used by CPAs auditing local governments, public authorities, and nonprofit organizations,
 - Written and used in conjunction with Parts 3 and 4 in Section A,
 - Section B will contain supplements for federal programs with State matching funds, for federal programs supplemented with State funds, or federal programs which have been clustered with State funds,
- C. Compliance Supplements for State programs granted by State agencies.
 - (Section C) (2 Parts)
 - Prepared by the State agencies granting the funds,
 - Contains supplements for only State funded programs,
 - Section is not to be used in conjunction with Section A.
- D. Compliance Supplements for Cross-Cutting Requirements.
- E. Short form Compliance Supplements for programs not meeting certain criteria

Assistance listings refers to the publicly available listing of Federal assistance programs managed and administered by the General Services Administration, formerly known as the Catalog of Federal Domestic Assistance (CFDA).

Assistance listing number means a unique number assigned to identify a Federal Assistance Listings, formerly known as the CFDA Number. Denoted as XX.XXX, i.e., 93.558. First two numbers identify the federal agency and the last 3 are for sequencing.

Program Supplement – an individual supplement written for a single program or a cluster of programs.

Sections– The divisions of the State's Supplement

Parts – The divisions of each Section

Direct Programs – Programs funded directly from federal agencies, not passed through any State agencies.

Major Programs – Federal Programs that meet certain dollar criteria and have been assessed as high-risk program. These programs will be audited by a local CPA at a local government, public authority, or not-for-profit organization.

Major Programs – State Programs audited by a local CPA at a local government, public authority, or not-for-profit organization because the program met certain dollar criteria. (Subrecipient received \$500,000 or more in **one-single** state program.

OMB – Office of Management and Budget – Executive Office of the President

Among other things OMB is responsible for implementing the Single Audit Act of 1984, the Amendments of 1996 and various other regulations concerning federal grants, audits, and cost principles.

Circulars – Term used for documents that are issued by OMB to help the implementation of federal laws, regulations, policies, and procedures. The circulars have been superseded by the Uniform Guidance (Subparts A-E) effective for December 26, 2013. Circulars concerning Audit Requirements (A-133, A-50) have been superseded by Uniform Guidance Subpart F effective for year ends beginning after December 26, 2014.

Code of Federal Regulations (CFR) is the codification of the general and permanent rules and regulations (sometimes called administrative law) published in the Federal Register by the executive departments and agencies of the federal government of the United States. The CFR is divided into 50 titles that represent broad areas subject to federal regulation.

Finding – The auditor's discovery of a violation or act of noncompliance in a grant program.

Subrecipient – An entity (local government, public authority, not-for-profit organization) receiving federal financial assistance indirectly, from another entity (State agencies) that received the assistance directly from the federal agency that created and funded the program. Note: Could be also an entity receiving federal awards from a subrecipient.

Single Audit – An audit performed in accordance with the provisions of OMB Uniform Guidance 2 CFR 200 (Title 2 Code of Federal Regulations Chapter II Part 200) that encompasses:

- A. an audit of the basic financial statements,
- B. review of internal controls (at the entity level and the federal and State program level), and
- C. additional test of compliance with laws and regulations (at the entity level and the federal and State program level)

**Contractor (Vendor) or Subrecipient Questionnaire Form
(PURCHASE OF GOODS and SERVICE VS. FINANCIAL ASSISTANCE)**

*Place a check mark in the box under either the YES or NO column for each question.
Additional space is provided for comments if needed.*

	YES	NO
1. Does the contract Provider determine client eligibility? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Does the contract Provider authorize services on a client specific basis? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. Does the contract Provider determine the appropriateness of the services to be provided? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. Does the contract Provider provide programmatic functions for the contract, such as?		
a. Program evaluation? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b. Program planning? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c. Monitoring? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d. Develop program standards, procedures, and rules? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. Does the contract Provider have responsibility for program compliance? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6. Does the contract Provider have to submit a cost report to satisfy a cost reimbursement arrangement? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7. Does the contract Provider have any obligation to the funding authority other than the delivery of the specified goods/services? Comments: _____	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8. Does the contract Provider operate in a competitive environment? Comments: _____	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. Does the contract Provider provide similar goods and/or services to many different purchasers? Comments: _____	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. Does the contract Provider provide the goods and/or services within normal business operations? Comments: _____	<input checked="" type="checkbox"/>	<input type="checkbox"/>

*Check marks inside the gray boxes may indicate a Purchase of Good or Service Contract.
Check marks inside the clear boxes may indicate a Financial Assistance Contract
Judgment should factor heavily in determining whether there is a Contractor or Subrecipient.
Eligibility determination and programmatic decision making, and compliance should carry more weight than other questions.*

APPENDIX VIII

Websites

Below is a list of websites which may be useful in the preparation of your agency's compliance supplements:

A. NC Department of State Treasurer, Single Audit Resources website:

Link to the [2022](#) State Compliance Supplement:

a. <https://www.nctreasurer.com/divisions/state-and-local-government-finance-division/lgc/local-fiscal-management/compliance>

b.

For detailed instructions on writing compliance supplements and templates of the various supplement documents start at the following link: <https://www.nctreasurer.com/state-and-local-government-finance-division/local-government-commission/annual-audit/compliance-supplements-and-resources/compliance-supplement-preparation-resources>

B. Official U.S. government website for people who make, receive, and manage federal awards.
<https://sam.gov/>

C. Assistance Listing is part of sam.gov (refer to B. above). Catalog of Federal Domestic Assistance website (formerly has been replaced)

D. Federal Audit Clearinghouse (<https://fac.gov/>) - The Federal Audit Clearinghouse (FAC) is the place to submit and review federal grant audits. FAC is now hosted by the U.S. General Service Administration (GSA) from the U.S. Census Bureau.

E. OMB – Office of federal financial management: <https://www.whitehouse.gov/omb/office-federal-financial-management/>
(Link to OMB Compliance Supplement and other circulars, OMB memoranda and bulletins.)

F. US Dept. of Treasury: <https://home.treasury.gov/policy-issues/coronavirus>
(US Treasury funded programs information and other resources.)

G. Code of Federal Regulations: <https://www.ecfr.gov/>

H. United States Code: <https://uscode.house.gov/>

I. Office of Management and Budget (OMB)
Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award (Title 2 Code of Federal Regulations, Chapter I, Chapter II, Part 200).
This contains the Cost Principles, Administration requirements, and Audit requirements of federal awards:
<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>

J. The Uniform Guidance is printed in the Federal Register Vol 78 No. 248 Thursday, December 26, 2013. The link to the Federal Register:
<https://www.federalregister.gov/>

K. North Carolina State Statutes: <https://www.ncleg.gov/Laws/GeneralStatutesTOC>

L. N. C. Administrative Code: <http://reports.oah.state.nc.us/ncac.asp>