

**PREPARATION GUIDE**  
**for**  
**North Carolina State**  
**COMPLIANCE SUPPLEMENT**  
**for the Year 2025**

**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-6.23, and NC Administrative Code (09 NCAC 03M .0401) requires each State agency that receives State funds and disburses those funds to non-State entities, such as 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.

These documents of standards of compliance are referred to as the North Carolina State Compliance Supplement and are located on the SLGFD website at the link below.

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

The State Compliance Supplement is primarily used by auditors of the subrecipients that receive funding from State Agencies to administer programs that are funded by federal and State financial awards. These subrecipients or grantees should be familiar with the contents in the supplement for their program. The compliance supplement provides guidance to auditors on testing the compliance requirements and the internal controls over compliance of these programs. State Agencies are responsible for preparing and updating these supplements each year, prior to the audit season, which is after June 30. The State Compliance Supplements are posted on the SLGFD website early May of each year.

The State Compliance Supplement is divided into five sections. For details of how this is organized refer to Appendix I. Section A of the State Compliance Supplement is the U.S. Office of Management and Budget (OMB) Compliance Supplement, prepared by federal Agencies. Sections B through E are prepared by State Agencies.

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.

### 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.

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

A State Compliance Supplement is needed when an auditor performs an audit in accordance with the requirements of either OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (referred to as the “Uniform Guidance”)<sup>1</sup>, State Single Audit Act, or State Budget Act. These audits are referred to as “Single Audits.” A Single Audit includes an audit of selected federal or State programs for compliance with laws, regulations, terms, and conditions of the contracts, grant agreements, and internal controls over these compliance requirements. A Single Audit also consists of an audit of the financial statements in accordance to Generally Accepted Auditing Standards (GAAS) and Governmental Auditing Standards (GAGAS).

- A federal single audit is required to be performed, in accordance with requirements found in the Uniform Guidance, if a local government or non-profit organization expends \$750,000 or more of federal awards in a fiscal year.
- For State awards, local governments and public authorities are subject to the State Single Audit Act (G.S. §159-34), which requires local governments and public authorities that expend \$500,000 or more in in State awards to have a State single audit performed in accordance with guidance found in the *Audit Manual for Governmental Auditors in North Carolina*.<sup>2</sup>
- Non-State entities that are not subject to G.S. §159-34, such as not-for-profits, are subject to the State Budget Act (§143C-6-23).<sup>3</sup> A single or program-specific audit prepared and completed in accordance with GAGAS, is required if the non-State entity receives, holds, uses or expends “grants” of \$750,000 or more.

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 Budget and Management (OSBM) has oversight over the audits of State awards for nongovernmental entities (143C-6.23).

Auditors will select federal and State programs to “test” that are considered “major” programs. Federal programs are identified as major programs based on a threshold amount, known as a Type

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<sup>1</sup> The Uniform Guidance is part of the Code of Federal Regulations Title 2, Grants and Agreements, Part 200. Audit requirements are found in Subpart F, §200.501(a).

<sup>2</sup> 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.

<sup>3</sup> Audit requirements for non-State entities that are not subject to G.S. §159-34, such as not-for-profits, can be found in NC Administrative Code, Title 9, Chapter 3, Subchapter M, section .0205. The Single Audit threshold amount increased to be the same as the threshold for a federal single audit as stated in §200.501(a) effective July 1, 2024.

A/B threshold, and are considered “high-risk,” as determined by risk-assessment of the program performed by the auditor.<sup>4</sup> The risk of the program is based on current and prior audit experience, oversight exercised by the granting agencies, and the inherent risk of the program. For most units of governments, and not-for-profits, the Type A/B threshold is \$750,000.

A major federal program is a program that incurred expenditures of \$750,000 or more and is determined to be high-risk by the auditor. An auditor may select a high-risk program that incurred less than \$750,000 as major based on the number of Type A programs determined to be low-risk.

For State awards, the threshold for a major State program is \$500,000. Auditors are not required to perform risk assessment on State programs, but an auditor may select a State program to test as major based on the auditor’s knowledge and experience with the program.

Other criteria are used to determine whether a federal or State program is selected to be tested as a major program, including a percentage of coverage rule. Auditors are required to test at least 40% of the total federal awards expended and 40% of State awards expended during a fiscal year. An exception can be made if the auditee qualifies as a low-risk auditee.

As explained in later in this document, State Agencies are recommended to prepare a supplement for programs expected to be selected to be audited as major by the auditor.

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).

### **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.

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<sup>4</sup> For federal programs, major program determination can be found in 2 CFR §200.518.

### Types of Compliance Requirements

OMB has identified twelve (12) types of compliance requirements applicable to the programs with federal awards.<sup>5</sup> 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.

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

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<sup>5</sup> 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.



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 2024 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 2024 other cluster of programs as defined by federal and state agencies.

### **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.

### **State Fiscal Recovery Funds and Funds Designated as “Revenue Loss.”**

There has been an increase in the number of Federal Single Audits performed over the past several years. The increase is primarily due to several legislative ACTS passed by U.S. Congress in previous years to fund COVID-19 relief. Most of the COVID-19 funding for these new and existing programs have been expended. 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 funding to existing and new federal programs, including the Coronavirus State Local Fiscal Recovery Fund (CSLFRF) 21.027.

COVID-19 funding designated by the State as “revenue lost” or “revenue replacement”, could result in increases in State Single Audits when passed to subrecipients. Though OMB has determined that

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revenue loss funds do not create a subaward, these funds are considered State funds when passed to a subrecipient. The State's 2023 Appropriation Act (S.L. 2023-134) appropriated significant "State Fiscal Recovery Funds" to State Agencies to fund programs/projects for subrecipients. It is not clear from S.L. 2023-134 whether these funds are "revenue loss" or CSLFRF 21.027, so State Agencies, that have been appropriated State Fiscal Recovery Funds, may need to further analyze to determine if these are CSLFRF 21.027 federal pass-through or revenue loss funds.

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.

### 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 2024 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 2025 OMB Compliance Supplement.

### 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 2024 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 2025 OMB Compliance Supplements are issued.

Agency	Assistance Listing (CFDA) Number	Title
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
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.

### Uniform Guidance Revisions

OMB has issued final revisions to the Uniform Guidance (*Federal Register*, Vol 89, No. 78, 4/22/2024). The effective date is for fiscal year ends beginning October 1, 2024, and applies to awards issued after that date. For audit reporting, this would be effective for audits with for fiscal year ends on or after September 30, 2025. For most units of governments in North Carolina, this would be June 30, 2026. OMB has issued a memo to federal agencies (M-24-11, 4/4/2024)



further discussing the effective date and implementation of new regulations. State Agencies should be on alert for guidance from federal granting Agencies concerning the implantation of the new requirements to their federal pass-through assistance.

A highlight of key changes to the Uniform Guidance are noted below:

Audit requirements (UG §200.501). A key change to the audit requirements is an increase in the threshold for a federal single audit to \$1,000,000 from \$750,000.

Major program determination (UG §200.518). The threshold for a Type A program will also increase to \$1,000,000 from \$750,000. This this will apply to audits whose total federal award expenditures are \$34 million or less, which is an increase from \$25 million.

Audit Findings (UG §200.516). Added a requirement that if there are known questioned costs, but the dollar amount is undetermined or not reported, a description of why the dollar amount was undetermined or otherwise could not be reported, must be documented.

Definitions (UG §200.1):

- Equipment – Capitalization threshold increased from \$5,000 to \$10,000.
- Modified Total Direct Costs – increased definitional threshold for up to \$50,000 (it was \$25,000) of each subaward.
- Questioned Costs – updated the definition to clarify and provide examples of what a questioned cost is or is not. The definitions of know and likely questioned costs were moved from UG §200.516 into definitions, UG §200.1)

The term non-federal entity has been replaced with “recipient” and/or “subrecipient.” Subpart F, Audit Requirements retained the use of the term non-federal entity to align with the Single Audit Act.

Internal controls. Added emphasis that subrecipients and subrecipients must document internal control (UG §200.303(a)). Added a requirement that a recipient/subrecipient take “reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information” (UG §200.303(e)).

Supplies (UG §200.314). Increase the threshold from \$5,000 to \$10,000 regarding requirement in (UG §200.314(e) to remit unused supplies.

Fixed Amount Subawards (UG §200.333). Increased the threshold for fixed amount subawards from the previous Simplified Acquisition Threshold to \$500,000.

Indirect Costs (UG §200.414). The de minimis rate increase to 15%, from 10%. Established a requirement that pass-through entities must accept all federally negotiated indirect cost rates for subrecipients. Clarified that a recipient or subrecipient may notify OMB of any disputes with Federal agencies regarding the application of a federal negotiated indirect cost rate. OMB clarifies that they will not be a formal arbitrator of indirect cost rate disputes.

Required certifications (UG §200.415). Added requirements for subrecipients to certify to the pass-through entity whenever applying for funds, requesting payment, and submitting reports. It is applicable to all tiers of subrecipients.

### **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](mailto: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” that follows this section for the type of compliance supplement that is to be written. These steps were originally written by the Office of State Auditor but have been updated by the LGC for the current requirements.

- Steps to Writing a Compliance Supplement for a Federal Program, page 12
- Steps to Writing a Compliance Supplement for a State Program, page 18

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 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 3, 2025
Review for Format by LGC	April 4, 2025
All Corrections received by LGC	April 25, 2025
Posted on the LGC website by the LGC	May 1, 2025

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
DST	Department of State Treasurer
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 [slgfdsupplements@nctreasurer.com](mailto:slgfdsupplements@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](mailto: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.<sup>6</sup> 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.<sup>7</sup>

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 program, 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.

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<sup>6</sup> 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.

<sup>7</sup> 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 [22](#).

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 percentage (40%) 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, [2023](#).

### **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.

When determining program compliance requirements, do so without being cognizant of whether or not the requirements is relative to one of the 13 State 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 limit the number of types in order for auditors to focus on the types that are most important, such as the six. If both “1” activities allowed or unallowed and “2” allowability of costs or cost principles 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 requirement Types 1) Activities Allowed or Unallowed and/or 2) Allowable Costs/Costs Principles.
- 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 Types, (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.
2. Remember – there are no Statutes that apply to all of the requirements universally except “4” Conflict of Interest.
3. Provide an audit objective for each requirement (what is the local auditor trying to determine by auditing this requirement?)
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.

State Agencies may direct auditors to the generic requirements found in the Compliance Requirements for State Awards.

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.



On the matrix in Section III, based on steps 1 through 7 above, indicate by a “Y” or “N” for the Type of Compliance Requirements that apply to the program.

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 2025**

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 ([20.205-1](#))
  - 2) Enhancement Programs: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) ([20.205-2](#))
  - 3) Bicycle and Pedestrian Transportation Enhancement Programs: Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFEA LU), MAP 21 FAST Act ([20.205-4](#))
  - 4) Metropolitan Planning Program ([20.205-5](#))
  - 5) Safe Routes to School Programs ([20.205-7](#))
  - 6) State Planning and Research ([20.205-8](#))

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 ([14.228-1](#))**

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

**DEQ 14.228 ([14.228-2](#))**

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 ([93.778-1](#))**

Subgrants as: Medical Assistance

**DHHS – Public Health 93.778 ([93.778-7](#))**

Subgrants as: Sickie 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 **passed through State Agency** and OMB **has issued a** Uniform Guidance (UG)  
Compliance Supplement **in Part 4**

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	<b>Sufficiently</b> addresses requirement and suggested audit procedures <b>and</b> 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 <b>not</b> have to address.
Y	Does <b>not</b> sufficiently address and/or there are additional restrictions, details or clarifications needed to evaluate the program	Y	<b>Should</b> address additional requirements / restrictions / clarifications / details. Give authorization. Add suggested audit procedures as necessary.
N or shaded	<b>Not</b> address and requirement is not added by State Agency	N	Do <b>not</b> address.
N or shaded	State Agency adds the requirement and desires for the local CPA to test.	Y	<b>Should</b> address.

Federal Programs **passed through State Agency** and OMB **has not issued a** Uniform Guidance  
(UG) Compliance Supplement **in Part 4**

(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	<b>Sufficiently</b> addresses requirement and suggested audit procedures to audit program <b>and</b> 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 <b>not</b> have to address.
Yes	Does <b>not</b> sufficiently address and/or there are additional restrictions or guidance needed to evaluate the program.	Y	<b>Should</b> address additional requirements / restrictions. Give authorization. Add suggested audit procedures as necessary
No	N/A	N	Do <b>not</b> 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 <b>Agency monitors</b> 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	N	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.

## SECTION .0400 - RESPONSIBILITIES OF AGENCIES

### 09 NCAC 03M .0401 AGENCY RESPONSIBILITIES

(a) An agency that receives State funds and disburses those funds as ~~State financial assistance~~ grant funds to a recipient shall:

- (1) Notify each recipient, at the time the grant award is made, of the purpose of the award and the reporting requirements established in this Subchapter.
- (2) Prior to disbursing any ~~grant funds~~:
  - (A) Register each State assistance program with the Office of State Budget and Management in the format and method specified by the Office of State Budget and Management.
  - (B) Execute a contract with the recipient that complies with the requirements of this Subchapter.
  - (C) Report each individual award to the Office of State Budget and Management in the format and method specified by the Office of State Budget and Management.
  - (D) Follow the procedures for disbursement grant funds.
- (3) Develop compliance supplement reports that describe standards of compliance and audit procedures to give direction to independent auditors. This report shall be provided to the State and Local Government Finance Division in the North Carolina Department of State Treasurer for inclusion in the North Carolina State Compliance Supplement.
- (4) Develop a monitoring plan for each State assistance program the agency oversees and gain approval of the plan ~~to~~ by the Office of State Budget and Management.
- (5) Perform monitoring and oversight functions as specified in agency monitoring plans to ensure that grant funds are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts, and that performance goals are achieved.
- (6) Ensure that grant funds are spent consistent with the purposes for which it was awarded.
- (7) Determine that reporting requirements have been met by the recipient and that all reports have been completed and submitted in accordance with the recipient's contract.
- (8) Monitor compliance by recipients with all terms of a contract. Upon determination of noncompliance the agency shall take appropriate action as specified in Section .0800 of this Subchapter.
- (9) Require agency internal auditors to conduct periodic audits of agency compliance with requirements of this Subchapter.
- (10) Provide all requested documentation when subject to an audit of compliance with the requirements of this Subchapter. Audits may be conducted by the Office of State Budget and Management, the Office of the State Auditor, or the agency's internal auditor.
- (11) Notify the Office of State Budget and Management when to remove entities from the Suspension of Funding List.

(b) Each recipient shall ensure that subrecipients have complied with the applicable provisions of this Subchapter. Failure to comply with such provisions shall be the basis for an audit exception.



## 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 ([2 CFR 200](#)), 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 [2024](#) 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<sup>8</sup> or more.

*State Funded Programs:* If the State agency grants a State-funded program AND does not grant two hundred thousand dollars (\$200,000)<sup>9</sup> 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.

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<sup>8</sup> Major program determination as determined by the Uniform Guidance (§200.518(d)) do not require auditors to perform risk assessments on federal programs that expended less than 25% of the Type A/B threshold. Type A/B threshold for most audits performed under Uniform Guidance is \$750,000. Auditors most likely will not test programs below this amount, \$187,500 (.25 \* \$750,000).

<sup>9</sup> 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><b>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</b></p>
<p><b>Activities Allowed or Unallowed</b>  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><b>Allowable Costs/Cost Principles</b>  This <u>almost always applies</u> since most Federal and State 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>Non-state entities that are subject to NC Administrative Code Title 09, 03M.0201: Expenditures of grants by any recipient or subrecipient shall be in accordance with the cost principles outlined in the Code of Federal Regulations, 2 CFR, Part §200. (Uniform Guidance, Subpart E, Cost Principles).</p> <p>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. <a href="#">Refer to OMB Compliance Supplement Part 3, B. Allowable Costs/Cost Principles, Applicability of Cost Principles.</a></p>
<p><b>Cash Management</b>  Federal requirements can be found in 2 CFR §200.305 which requires written procedures (2 CFR §200.302(b)(6)). Non-federal entities must minimize the time elapsing between the transfer of funds from the US Treasury or pass-through entity and disbursement by the non-federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means (2 CFR §200.305(b)).</p> <p>What constitutes minimized elapsed time for funds transfer will depend on what payment system/method a non-federal entity uses.</p> <p>The reimbursement payment method is the preferred payment method if (a) the non-federal entity cannot be paid in advance (2 CFR §200.305(b)(1)), (b) the federal awarding agency sets a specific condition for use of the reimbursement or (c) if requested by the non-federal entity (2 CFR §200.305(b)(3) and §200.208)). The reimbursement payment method also may be used on a federal award for construction or for other construction activity (2 CFR §200.305(b)(3)).</p> <p><a href="#">Refer to 2 CFR §200.302 Financial Management and §200.305 Federal Payment.</a></p> <p>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><b>Davis-Bacon Act (<a href="#">Wage Rate Determination Act</a>)</b>  This no longer is type of compliance requirement. Any testing for Davis Bacon may be included in M Special Test and Provisions.</p> <p><b>Conflict of Interest: (only applies to State awards)</b>  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.

Eligibility applies to most federal and State programs which provide benefits to individuals, groups of individuals, or make subawards. For programs with eligibility requirements, the auditor should review the program laws, regulations, and provisions of federal and State awards to determine the specific eligibility requirements. Furthermore, eligibility involves both who is eligible and the amount of benefits provided to those who are eligible.

**Equipment and Real Property Management**

These requirements apply to Federal and State programs which purchase equipment or real property. 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.

For federal awards, 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 \$10,000 (2 CFR §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)). Refer to 2 CFR §200.311 Real Property and §200.313 Equipment.

For State Awards, refer to laws, rules, and the provisions in the contract or grant agreement pertaining to the project.

**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.

For State Awards, this requirement specifies the acceptable contribution of a stated amount or percentage. Refer to laws, rules, and the provisions in the contract or grant agreement pertaining to the project.

**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 federal requirements for the period of performance are contained in 2 CFR §200.71 (definition of "obligations"), 2 CFR §200.77 (definition of "period of performance"), 2 CFR §200.309 (period of performance), 2 CFR §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 Davis Bacon 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 2024

### SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM CLUSTER:

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

### 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
- 23.003** APPALACHIAN HIGHWAY SYSTEM
- 20.993** BETTER UTILIZING INVESTMENTS TO LEVERAGE DEVELOPMENT (BUILD) TRANSPORTATION GRANTS
- 20.993** REBUILDING AMERICAN INFRASTRUCTURE WITH SUSTAINABILITY AND EQUITY (RAISE) TRANSPORTATION GRANTS (FORMERLY BUILD)

**NOTE:** Cluster created by State agency. This was an OMB Cluster of Programs in 2022.

**State Clusters in Section B 2024 (continued)**

**FEDERAL TRANSIT CLUSTER**

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

**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  
**20.516**     DISABILITIES  
**20.521**     JOB ACCESS - REVERSE COMMUTE PROGRAM  
                 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

**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 2024 (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 <b>not</b> subgrant (pass through) <b>any</b> monies	Certification of Exemption From Requirement to Prepare Compliance Supplements
Agency does <b>not</b> subgrant <b>\$187,500<sup>10</sup> or more</b> to any one local government to any one nonprofit organization	Short-Form Supplement <b>AND</b> signed Certification for Submitting Short-Form Supplement for Fiscal Year <b>2024</b>
Agency <b>does</b> subgrant <b>\$187,500<sup>10</sup></b> 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 <b>2024</b> Compliance Supplements

#### State Program

Scenario	What must Prepare / Submit
Agency does <b>not</b> subgrant (pass through) <b>any</b> monies	Certification of Exemption From Requirement to Prepare Compliance Supplements
Agency does <b>not</b> subgrant <b>\$200,000<sup>11</sup> or more</b> to any one subrecipient.	Short-Form Supplement <b>AND</b> signed Certification for Submitting Short-Form Supplement for Fiscal Year <b>2024</b> . 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 <b>does</b> subgrant <b>\$200,000<sup>11</sup></b> or more to any one local government	Program Compliance Supplement, Agency Matrix for State Program, and signed Certification of <b>2024</b> Compliance Supplements

<sup>10</sup> Major program determination as determined by the Uniform Guidance (§200.518(d)) do not require auditors to perform risk assessments on federal programs that expended less than 25% of the Type A/B threshold. Type A/B threshold for most audits performed under Uniform Guidance is \$750,000. Auditors most likely will not test programs below this amount, \$187,500 (.25 \* \$750,000).

<sup>11</sup> 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 **non-State entities** that receive, use, or expend State funds.***

Authority:	G.S. 143C-6-22; 143C-6-23; 09 NCAC 03M .0101
Definitions:	<p><b>Grants</b> - State funds disbursed as a grant, cooperative agreement, non-cash contribution, food commodities, or direct appropriation to a recipient or subrecipient.</p> <p><b>Non-State Entity</b> - 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><b>Program-specific audit</b> - means an audit that includes an examination of financial statements, internal controls, and compliance with the requirements and contract clauses for an individual State award.</p> <p><b>Recipient</b> - means a non-State entity that receives grants directly from a State agency to carry out part of a State program, but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission. Recipient includes a "subrecipient" as defined by 2 CFR 200.1 (Uniform Guidance).</p> <p><b>Single Audit</b> - means an audit that includes an examination of an organization's financial statements, internal controls, and compliance with the requirements of Federal or State awards.</p> <p><b>State Funds</b> - means any funds appropriated by the North Carolina General Assembly or collected by the State of North Carolina. State funds include federal financial assistance received by the State and transferred or disbursed to non-State entities. Both Federal and State funds maintain their identity as they are disbursed as financial assistance to other organizations.</p> <p><b>Subrecipient</b> - means a non-State entity that receives grants from a recipient to carry out part of a State program; but does not include an individual that is a beneficiary of such program.</p>
<b>Recipients and Subrecipients Responsibilities and Formats:</b>	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.
<b>Audit Oversight:</b>	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.
<b>All Recipients and Subrecipients</b>	A <b>recipient or subrecipient</b> that receives, holds, uses, or expends <b>shall provide</b> 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 or held, used, or expended for the purposes for which they were awarded. A <b>recipient or subrecipient shall provide</b> an accounting of those same funds <b>and shall report on activities and accomplishments undertaken by the recipient, including reporting on any performance measures established in the contract.</b>
<b>Deadlines:</b>	Required reporting shall be filed with the <b>disbursing</b> agency within three months after the end of the <b>recipient's</b> fiscal year in which the state funds were received.
<b>Reporting for equal or more than \$750,000</b>	A <b>recipient or subrecipient</b> that receives, <i>holds</i> , uses, or expends <b>grants in an amount equal to or greater than the dollar amount requiring an audit in the Code of Federal Regulations 2 CFR 200.501(a), which is currently \$750,000</b> , within its fiscal year <b>shall have a single audit or program specific audit, that includes an audit performed under Governmental Auditing Standards, referred to as Yellow Book. Generally, the audit should be performed under requirements found in Subpart F of 2 CFR 200, if applicable.</b>
<b>Deadlines:</b>	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	
	< \$750,000	≥ \$750,000
	Due 3 months after entity's fiscal year end	Due 9 months after entity's fiscal year end <a href="#">OMB 2 CFR 200.501(a)</a>
State Grant Certification that grants were received, held, used, or expended for the purposes they were awarded.	X	X
An accounting of the grants received, held, used or expended.	X	X
A report on activities and accomplishments undertaken by the recipient and subrecipient, including performance measures established in the contract.	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**  
<sup>12</sup> **From FYEs Sept. 2022 to June 30, 2023**  
**Compiled by the Local Government Commission**

<b>State Agency /Division</b>	<sup>13</sup> <b>Programs Federal</b> (The names of the program listed below are abbreviation. For the correct program name, refer to <a href="https://sam.gov/">https://sam.gov/</a> ).	<sup>14</sup> <b>Programs State</b> (The names of program listed below are abbreviations)
Agriculture N/A		<ul style="list-style-type: none"> <li>Stream Removal Program</li> <li>Special Appropriations</li> </ul>
SBOE	<ul style="list-style-type: none"> <li>90.404 – Election Security Grants</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
Commerce N/A	<ul style="list-style-type: none"> <li>14.228 – NC Small Cities CDBG and Neighborhood Stabilization Program;</li> <li>17.258, 17.259, 17.278 - Workforce Investment Act</li> <li>17.277- WIOA National Dislocated Worker Grants / WIA National Emergency Grants</li> </ul>	<ul style="list-style-type: none"> <li>Special Appropriations</li> <li>Economic Infrastructure Program</li> <li>Industrial Development Fund</li> <li>NC Ready Sites Grant</li> <li>One NC Fund</li> <li>Rural Building Reuse Program</li> <li>Rural Infrastructure Program</li> </ul>
Public Safety GCC	<ul style="list-style-type: none"> <li>16.540 – Juvenile Justice and Delinquency Prevention;</li> <li>16.588 – Violence Against Women Formula Grant;</li> <li>16.738 – Byrne Justice Assistance Grant – BYRNE Jag</li> </ul>	<ul style="list-style-type: none"> <li>Project Safe Neighborhood Grant</li> </ul>
Public Safety EM	<ul style="list-style-type: none"> <li>97.029 – NC Mitigation (FMA);</li> <li>97.036 – Public Assistance Program;</li> <li>97.039 – NC Mitigation (HMGP)</li> </ul>	<ul style="list-style-type: none"> <li>Special Appropriations (</li> </ul>
Public Safety DJJ	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Juvenile Crime Prevention Program</li> </ul>
DNCR N/A	<ul style="list-style-type: none"> <li>20.219-Recreation Trails Program</li> </ul>	<ul style="list-style-type: none"> <li>State Aid to Public Libraries,</li> <li>Special Appropriation</li> <li>Park and Recreation Trust Fund</li> <li>Land and Water Fund</li> </ul>
DEQ/DCM	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Public Beach &amp; Coastal Waterfront Access Program</li> </ul>
DEQ/DAQ	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Volkswagen Mitigation Settlement</li> </ul>
DEQ/State EnergyOffice	<ul style="list-style-type: none"> <li>81.042 Weatherization Assistance for Low-Income Persons</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
DEQ/DWI	<ul style="list-style-type: none"> <li>14.228 – CDBG Infrastructure Fund,</li> <li>21.027 – State Fiscal Recovery Funds ARPA</li> <li>66.458 - Capitalization Grants for Clean Water State Revolving Funds (CWSRF)</li> <li>66.468 - Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)</li> </ul>	<ul style="list-style-type: none"> <li>Clean Water Management Trust,</li> <li>NC Clean Water Revolving Loan and Grant Program,</li> <li>NC Drinking Water Loan and Grant Program</li> </ul>
DEQ/DWM	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Electronics Management Program</li> </ul>
DEQ/DWR	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Water Resources Development Project Grant Program</li> </ul>

<sup>12</sup> 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.

<sup>13</sup> Only Assistance Listing Number (formerly CFDA) and State project/name are presented. Federal program names may be found at [www.sam.gov](http://www.sam.gov)

<sup>14</sup> 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. 2022](#) to June 30, [2023](#)**  
**Compiled by the Local Government Commission**

State Agency Agency Division	Programs Federal	Programs State
DHHS DAAS	<ul style="list-style-type: none"> <li>• <b>93.044, 93.045, 93.053</b>- Aging Cluster;</li> <li>• 93.052-Family Caregiver Support Program</li> </ul>	<ul style="list-style-type: none"> <li>• In-Home Services (90% Funds),</li> <li>• Home Delivered Meals (90% Funds),</li> <li>• Access(90% Funds),</li> <li>• Congregate Nutrition (90% Funds),</li> <li>• Ombudsman Nutrition (90% Funds)</li> </ul>
DHHS DCDEE	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>
DHHS DMA.	<ul style="list-style-type: none"> <li>• 93.778-Medicaid</li> <li>• 93.767-CHiPS</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>
DHHS DMHDDSAS	<ul style="list-style-type: none"> <li>• 93.667, <a href="#">Social Service Block Grant (Multiple Programs)</a></li> <li>• 93.788 State Targeted Response to Opioid Crisis Grant</li> <li>• 93.958 Mental Health Services</li> <li>• 93.959 Substance Abuse Services</li> </ul>	<ul style="list-style-type: none"> <li>• Single Streamline Funding</li> <li>• LME Administration</li> <li>• <a href="#">Three Way</a></li> <li>• <a href="#">TCLI Community Living Assistance (CLA)</a></li> <li>• TCLI Transition Management Services</li> <li>• Crisis Service – Local Psych Inpatient</li> <li>• Alcohol &amp; Drug Abuse Treatment Center</li> </ul>
DHHS DPH	<ul style="list-style-type: none"> <li>• 10.551, 10.561 SNAP Cluster</li> <li>• 10.557-WIC;</li> <li>• 10.559 Child Nutrition Cluster</li> <li>• <a href="#">93.217 Family Planning Services</a></li> <li>• 93.224 Consolidated Health Centers</li> <li>• 93.297 Teen Pregnancy Prevention Program</li> <li>• <a href="#">93.268 Immunization Cooperation Agreements</a></li> <li>• 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)</li> <li>• <a href="#">93.354 - COVID-19 Cooperative Agreement for Emergency Response: Public Health Crisis Response</a></li> <li>• <a href="#">93.870 Maternal, Infant and Early Childhood Home Visiting Grant</a></li> <li>• 93.994-Material and Child Services Block Grant (various state programs)</li> </ul>	<ul style="list-style-type: none"> <li>• General Aid to Counties</li> <li>• School Nurse Funding Initiative</li> <li>• Minority Diabetes Prevention Program</li> <li>• Nurse Family Partnership</li> <li>• Child Development Service</li> <li>• Child Health</li> <li>• Community Health Medical Access Planning Grant</li> <li>• Evidence Base Strategies for MCH</li> <li>• Public Health Capacity Building</li> <li>• TPPI – Adolescent Pregnancy Prevention</li> <li>• Triple P</li> <li>• <a href="#">Communicable Disease Pandemic Recovery</a></li> </ul>
DHHS DSS	<ul style="list-style-type: none"> <li>• 93.558-Work First;</li> <li>• 93.568-LIHEAP;</li> <li>• 93.563 NC Child Support Enforcement;</li> <li>• <b>93.645</b> -Adoption Assistance Program IV-B)</li> <li>• 93.667- Child Protective Services (TANF to SSBG)</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>

**Schedule of Programs Audited as Major**  
**From FYEs [Sept. 2022](#) to June 30, [2023](#)**  
**Compiled by the Local Government Commission**

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

## Templates, Instructions, and Certifications

These forms can be found on NC Dept. of State Treasurers website  
(at [www.nctreasurer.com](http://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 <a href="#">2025</a> Federal or State Compliance Supplements
Certification Federal Short Form	Certifications for <a href="#">2025</a> Federal Short Form Compliance Supplements
Certification State Short Form	Certifications for <a href="#">2025</a> State Short Form Compliance Supplements
Long Form Federal Template	Template for Federal Program Compliance Supplements <a href="#">2025</a> (Crosscutting supplements are not used)
Long Form Federal Template – CC Programs	Template for Federal Program Compliance Supplements <a href="#">2025</a> 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 <a href="#">2025</a> (Crosscutting supplements are not used)
Long Form State Template – CC Programs	Template for State Program Compliance Supplements <a href="#">2025</a> 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 <a href="#">2025</a>
Short Form State Template	Template for State Short-Form Compliance Supplement <a href="#">2025</a>
Short Form Template Instructions	Instructions for Federal or State Short Form Template

## APPENDIX VII

### Terminology

**Below are commonly used terms referenced in this document and in State Compliance Supplement resources. These terms may be used more broadly than defined in the Uniform Guidance 2 CFR 200.1, State Budget Act (§ 143C-1-1(d)), or 09 NCAC 03M.0102.**

**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.

**Auditee** refers to any entity that expends Federal or State awards which must have an audit performed under Subpart F of the Uniform Guidance, State Single Audit Act (§159-34(a), or State Budget Act (09 NCAC 03M .0205)

**Cluster of programs** means a grouping of closely related programs that share common compliance requirements. A cluster of programs must be considered as one program for

determining major programs, as described in § 200.518. Federal and State Agencies determine cluster of programs and what programs are included in a cluster of programs.

**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.

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

**Federal financial assistance** means assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions or donations of property (including donated surplus property), direct appropriations, food commodities, and other financial assistance. Federal financial assistance also includes assistance that non-Federal entities receive or administer in the form of loans, loan guarantees, interest subsidies, and insurance.

**Finding** – The auditor's discovery of a violation or act of noncompliance in a grant program or a discrepancy in internal controls over compliance that is at a level of significant deficiency or material weakness.

**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 \$750,000 or more in **one-single** state program or auditor selected the program to meet the percentage of coverage requirement).

**Non-State Entity** - The State Budget Act defines a non-State entity as 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.

**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.

**Parts** – The divisions of each Section

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

**Program-specific audit** means an audit that includes an examination of financial statements, internal controls, and compliance with the requirements and contract clauses for an individual State award.

**Sections**– The divisions of the State's Supplement

**Single Audit** – means an audit that includes an examination of an organization's financial statements, internal controls, and compliance with the requirements of Federal or State awards.

Single audits are 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)

**State Funds** means any funds appropriated by the North Carolina General Assembly or collected by the State of North Carolina. The State Budget Act considers State funds to include federal financial assistance received by the State and transferred or disbursed to non-State entities. Both Federal and State funds maintain their identity as they are disbursed as financial assistance to other organizations.

**Subrecipient** – An entity (local government, public authority, not-for-profit organization) receiving federal or State financial assistance indirectly, from another entity (State agencies) that received the assistance directly from the federal or State agency that created and funded the program.

Note: Could be also an entity receiving federal or State awards from a subrecipient.

**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.*

	<b>YES</b>	<b>NO</b>
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 [2024](#) 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>