





Local Government Commission

- Established G.S. §159
- Staff of LGC: Division of NC Dept. of State Treasurer State and Local Government Finance Division
- G.S. §159 Article 3, Local Government Budget and Fiscal Control Act (§159-7 to §159-42.1),
 - ➤ Oversight of Local Governments and Public Authorities (1,100 units)
 - ➤ G.S. §159-34 Annual Independent Audit, Rules and Regulations
 - ✓ Annual Audit required (GAAP)
 - ✓LGC issues rules and regulations to improve audit quality, comparability of reporting
 - ✓ State Single Audit Implementation Act
 - ✓ State Compliance Supplements (G.S. §159-34(c), NCAC (09 NCAC 03M .0401)





Unit Types that Report to LGC						
•	Municipalities	Airports	 Managed Care Organizations/ Local Management Entities 			
•	Counties	 Council of Governments 	Water and Sewer Districts			
•	Board of Educations	District Health Authorities	Public Housing Authorities			
•	Hospitals (Public)	• Libraries	 Tourism Development Authorities (TDA) 			
•	Miscellaneous (Transportation Authorities, Soil and Water Districts, Jails)					

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

- An audit consists of an audit performed under Generally Accepted Auditing Standards (GAAS) using auditing Standards issued by AICPA.
- Governmental Auditing Standards (GAGAS), "Yellow Book" audits, performed under Standards issued by Governmental Accountability Office.
- A compliance audit of an entity's major federal and/or State programs, which includes:
 - testing compliance with applicable compliance for each major program and
 - 2. gaining an understanding and testing internal controls over compliance requirements.

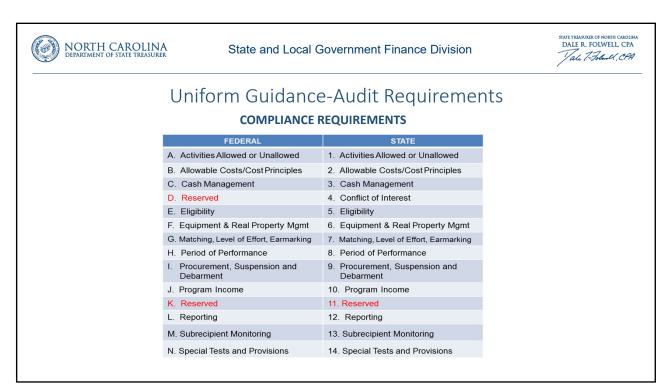




What does the Compliance Supplement do?

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

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State Compliance Supplements

Prepared by federal agencies:

 Section A – US Office of Management and Budget (OMB) Compliance Supplement – April 2022 (effective for audits ending after June 30, 2022)

Prepared by State Agencies:

- Section B Supplements for Federal programs passed through the State (including State matching)
- Section C Supplements for programs funded solely with State funds
- Section D Crosscutting Compliance Supplements
 - Currently only DHHS, DPI, & DOT
- Section E Short Form Compliance Supplements

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State Compliance Supplement - Section B

- Section B: Programs with Federal funding passed through a State Agency to a local government, public authority, or NPO. Includes programs with State matching requirements.
- Format is similar to the OMB Compliance Supplement
- What needs to be communicated in the State Supplement:
 - ➤ Program objectives (are they the same at the local level as the State)?
 - ➤ Program procedures?
 - ➤ How much or what portions of the program requirements have passed to the local level?





State Compliance Supplement - Section C

- Section C: State programs/projects with State funds
- Format is similar to the OMB Compliance Supplement
- State Agencies need to determine the Type of Compliance Requirements that apply at the local level and provide guidance on testing the programs in the Supplement:
 - ➤ What are the program objectives?
 - ➤ What are the program procedures?
- Important: What is the funding source for the program?
 - ➢ If a local government or NPO receives funding for a State program/project, how can the auditor determine what State Compliance Supplement to use?
 - State identifying Nos.?

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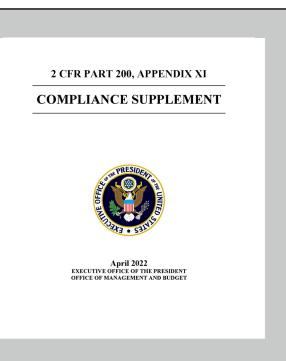


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Section D (Crosscutting Supplements) and Section E (Short Form Supplements

- Section D: Crosscutting Supplements identify compliance requirements that apply to several programs for a particular Agency or Division.
 - Currently issued by DHHS (DSS and DMH), DOT, DPI
- Section E: Short Form Supplements one page supplement that provides contacts, description of the program, and funding sources (Federal or State) for programs that do not require a long form supplement.



Section A: OMB Federal Compliance Supplement

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

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Local auditors testing federal or State programs

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





OMB Federal Compliance Supplement - Appendices

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

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Appendix III

Federal Agency Single Audit, Key Management Liaison, and Program Contacts:

- Office of Inspector General Contacts for each State Agency (e-mails and phone numbers),
- Federal Agency Key Contacts (emails)
- Federal Agency Program Contacts (e-mails and phone numbers)

	Federal Agency Program Contacts		
Assistance Listing	Agency Contact(s)	E-Mail Address	Telephone Number
84.181	Charles Kniseley (primary) Lynne Fairfax	charles.kniseley@ed.gov lvnne.fairfax@ed.gov	202-245-732 202-245-733
84.282	Ellen Safranek	ellen.safranek@ed.gov	202-453-766
84.287	Miriam Lund	Miriam.Lund@ed.gov	202-401-287
84.365	Supreet Anand	supreet.anand@ed.gov	202-401-979
84.367	Nkemjika Ofodile-Carruthers	nkemjika.ofodile-carruthers@ed.gov	202-401-438
84.424 84.425	Kay Rigling	Kay.Rigling@ed.gov	202-401-607
84.938	Meredith Miller	Meredith.Miller@ed.gov	202-401-836
87	Gulf Coast Restoration Council (Restoration Council)		
87.051 87.052	Steve Sigler David Gilliland	steve.sigler@restorethegulf.gov david.gilliland@restorethegulf.gov	504-494-382 504-444-504
93	Department of Health and Human Services (HHS)		
93.044 93.045 93.053	Greg Link Director, Office of Supportive and Caregiver Services	Greg.Link@acl.hhs.gov	202-795-738
	Carol Crecy Director, Office of External Affairs	Carol.Crecy@acl.hhs.gov	202-795-733
93.090	Gail Collins Director, Division of Program Implementation	Gail.Collins@acf.hhs.gov	202-205-855
93.095 93.096	Marsha Werner Lead Social Services Program Specialist	Marsha, Werner@acf.hhs.gov	202-401-528
	Maxine Maloney Social Services Block Grant	Maxine.Maloney@acf.hhs.gov	202-401-723

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Appendix IV

Internal Reference Tables

- Programs With "Higher Risk" Designation
- Federal Acts that have established new federal programs with COVID-19 relief
- Impact of "Higher Risk" Status on Major Program Determination
- Programs with "Other Information" in Part 4

there are no changes to the normal risk assessment process for Type B programs identified as "higher risk." That is, the "higher risk" identification must be considered with the other factors in section 200.519.

Further, the auditor is not required to prioritize the assessment of risk for "higher risk" Type B programs over other Type B programs.

PROGRAMS WITH "OTHER INFORMATION" IN PART 4

The following is a list of programs in Part 4 which have requirements defined in IV, "Other Information." If the listing is a cluster, all program numbers are shown, but only the primary program name is presented.

10.551/10.561	Supplemental Nutrition Assistance Program (SNAP)
10.553/10.555/10.556/10.559	School Breakfast Program (SBP)
10.557	Special Supplemental Nutrition Program for Women, Infants,
	and Children (WIC)
10.558	Child and Adult Care Food Program (CACFP)
10.760	Water and Waste Disposal Systems for Rural Communities
10.766/10.780	Community Facilities Loans and Grants
11.300/11.307	Investments for Public Works and Economic Development
14.157	Supportive Housing for the Elderly (Section 202)
14.181	Supportive Housing for Persons with Disabilities (Section 811)
14.218/14.225	Community Development Block Grants/Entitlement Grants and
	Non-Entitlement Counties in Hawaii
14.228	Community Development Block Grants/State's Program and
	Non-Entitlement Grants in Hawaii
14.239	Home Investment Partnerships Program
14.256	Neighborhood Stabilization Program (Recovery Act Funded)
14.850	Public and Indian Housing
14.862	Indian Community Development Block Grant Program
14.867	Indian Housing Block Grants
14.871/14.879	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund (CFP)
14.873	Native Hawaiian Housing Block Grant



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Appendix V

List of Changes for the 2022 Compliance Supplement

- State Agencies should review Appendix V in the 2023 Compliance Supplement and, if necessary, modify 2023 State Compliance Supplements to incorporate changes to programs.
- This is in addition to reviewing the Type of Compliance Requirements reported in the 2023 Compliance Supplements and incorporating any changes to the applicable Types.

List of Changes for the 2022 Compliance Supplemen

APPENDIX V LIST OF CHANGES FOR THE 2022 COMPLIANCE SUPPLEMENT

This appendix provides a list of changes from the 2021 Supplement dated August 2022, including changes to documents added from addenda 1 & 2 and the technical update. Plean note that changes in the Matrix of Compliance Requirements are reflected in Part 2 of this supplement and are not reflected in this appendix.

The Table of Contents has been updated to show additions and deletions

Part 1 – Background, Purpose, and Applicability Updated for the effective date of the Supplement.

Part 2 – Matrix of Compliance Requirements

Matrix of Compliance changes and corrections were made for 2022; these are indicated in the Part 2 Matrix. Changes are shown in yellow highlights.

Part 3 – Compliance Requirements

- 10.000 Updated link to the FNS contact.
- 10.500 Updated II, "Program Procedures," updated link for Plans of Work.

- 14.228 Updated I, "Program Objectives," new link to public laws; II, "Program Procedures," links to CDBG-MIT, to see NSP funds notices, notices at HUDClips, additional information about CDBG-CV, RFP, updates to NSP notice and a new link to NSP Definition and Modification Notice, and Federal Register



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Part 6 Internal **Controls**

Incorporates the Uniform Guidance on Internal Control (§200.303)

Incorporates the COSO and Green Book Concepts Relevant to Internal Control over Compliance

Component

- Control Environment (5 principles)
- Risk Assessment (4 principles)
- Control Activities (3 principles)
- Information and Communication (3 principles)
- Monitoring (2 principles)

Appendix 1 - Illustrative Entity - Wide Controls

Appendix 2 - Illustrative Specific Controls

PART 6 - INTERNAL CONTROL

The focus of this part is on internal control over compliance requirements for federal awards (sometimes referred to as internal control over compliance). It is intended for the consideration of both non-federal entities and auditors and includes the following:

The 2 CFR section 200.303 requires that non-foderal entities receiving federal awards establis and maintain internal control over the federal awards that provides reasonable assurance that non-federal entity is managing the federal awards in compliance with federal attance. In the control of the control o

- Permit the preparation of reliable financial statements and fed-Maintain accountability over assets; and

- ions are executed in compliance with:
 - Federal statutes, regulations, and the terms and conditions of the federal awa that could have a direct and material effect on a federal program; and

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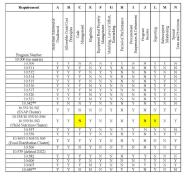
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Part 2 Matrix of Compliance Requirements

- Type of compliance requirements that apply are noted as "Y."
- Federal program is listed by Assistance Listing No. (ex. 14.228). Cluster of programs are listed together as one program.
- If a Type changed from prior year, it will be in bold and highlighted.
- State Agencies can add a Type, but cannot change a Type from "N" to "Y." If an applicable Type is not passed to the local level, it should be noted as "Y" on the State



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Part 3 – Compliance Requirements

- Provide guidance to local auditors on testing Type of Compliance requirements that are applicable to potentially all federal programs if the Type is applicable.
- · These types are generic in nature.
- Provides audit objective and suggested audit procedures.
- Provides guidance on testing internal control over compliance.
- Since Part 3 is applicable at the State level, and includes guidance not applicable at the local level, auditors need to use judgment on applying Part 3.

April 2022 Compliance Requirements - Period of Performance

H. PERIOD OF PERFORMANC

Compliance Requirements

A non-federal entity may charge only allowable costs incurred during the approved budget period of a federal award's 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 sections 200.308 200.309 and 200.0430h). A priori of ferformance may contain one or more budget neriods.

Unless the federal awarding aparty or pass-through entity authorizes an extension, a non-federal entity must liquidal affinancial obligations incurred under the federal award not late than 12 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award (CPE section 20144(b)). When used in connection with a non-federal entity's utilization of funds under a federal award. "Fanancial obligations" means offered peach of properly and services, contracts and subawards made, and similar transaction during a given period that require payment by the non-federal entity during the same or a future provid CPE Rescion 70.11.

Period of Performance requirements for cost reimbursement contracts subject to the FAR are contained in the terms and conditions of the contract.

Source of Governing Requirements

The requirements for the period of performance are contained in 2 CFR section 200.1 Definition for "budget period," "financial obligations," "period of performance," 2 CFR section 200.308 (revision of budget and program plans), 2 CFR section 200.309 (modifications to period of performance), 2 CFR section 200.344 (closeout), program legislation, federal awarding agency regulations, and the terms and conditions of the award.

Audit Objectives

- Obtain an understanding of internal control, assess risk, and test internal control ar required by 2 CFR section 200.514(c).
- Determine whether the federal award was only charged for: (a) allowable costs incurred during the period of performance; or (b) costs incurred prior to the date the federal award was made that were authorized by the federal awarding a sence or pass-through entity.
- 3. Determine whether financial obligations were liquidated within the required time period

Suggested Audit Procedures - Internal Contro

- Perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program.
- Plan the testing of internal control to support a low assessed level of control risk for the period of performance and perform the testing of internal control as planned. If internal

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Part 4 – Agency Program Requirements

- Provides guidance to local auditors on testing Type of Compliance requirements that are specific to a particular federal program.
- Provides audit objective and suggested audit procedures.
- Provides guidance on testing internal control over compliance.
- Since Part 4 is applicable at the State level, and includes guidance not applicable at the local level, auditors need to use judgment on applying Part 4.
- State Agencies should provide guidance on what is and what is not applicable in Part 4 at the local level in the State Supplement.

Agril 2022 Child Support Enforcement F

DEPARTMENT OF HEALTH AND HUMAN SERVICES ASSISTANCE LISTING 93.563 CHILD SUPPORT ENFORCEMENT

ASSISTANCE LISTING 93.563 CH

The objectives of the Child Support Enforcement programs are to (1) enforce support obligation owed by non-custodial parents, (2) locate absent parents, (3) establish paternity, and (4) obtain child and spousal support.

II. PROGRAM PROCEDURES

The Child Support Enrolment programs are administered at the Godeal kevd by the Office of Child Support Enrolment (OCSE), Administration for Children and Families (ACF), a composant of the Department of Health and Human Services (HIPS). Under the State Child Children and Childr

The state program is an open-choice cumulentin program and anisows no state to be funded an infederal limate-lip participation (FPP) rate of 66 percent for eligible program costs. Under the tribal program, tribes receive funding for a specified percentage of program costs (during the first three-year period, federal grant funds equal to 90 percent, and for all periods following the initial three-year period 80 percent).

State child support agencies are required to conduct self-reviews of their programs (42 US 654(15) and 45 CFR Part 308).

Source of Governing Requirements

The Child Support Enforcement programs are authorized under Tile IV-D of the Social Security CAL, a sameted. This includes samendness as the result of the Delicin Reduction Act of 2005 (DRA) (Pab. 1. No. 169-71); The state program is codified at 42 US; 65 H brough 60%. The Company of the Co

Compliance Supplement 2022

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State Compliance Supplements: Important Dates

The production schedule for this year's Supplement is as follows:			
Supplements to be Written and Reviewed by Agency	August through February		
Final Supplement Packages to LGC	by March 1, 2023		
Review for Format by LGC	April 3, 2023		
All Corrections received by LGC	April 21, 2023		
Posted on the LGC website by the LGC	May 1, 2023		

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Single Audit Reporting and Compliance Supplement Resources

- At "treasurer.com," select "State and Local Government Finance Division"
- · Select: "Access compliance supplements and related resources"
- Website: "Single Audit Reporting and Compliance Supplement Resources"
- https://www.nctreasurer.com/divisions/state-and-local-government-finance/lgc/local-fiscal-management/annual-audit/single-audit-reporting-and-compliance-supplement-resources
 - ➤ Discussion of Single Audit in North Carolina
 - o Summary of Single Audit in North Carolina
 - ➤ Single Audit Reporting samples reports, schedules, SEFSAs
 - ➤ State Compliance Supplements
 - > NCDEQ, NCDHHS, NCDOT Reports
 - ➤ Compliance Supplement Preparation Resources





Compliance Supplement Preparation Resources

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