

## SECTION .0800 - SANCTIONS

### 09 NCAC 03M .0801 NONCOMPLIANCE WITH RULES

- (a) An agency shall not disburse any State financial assistance to an entity that is on the Suspension of Funding list.
- (b) When a non-State entity does not comply with the requirements of this Subchapter, the agency shall take measures to ensure that the requirements are met, including:
- (1) Communicating the requirements to the non-State entity.
  - (2) Requiring a response from the non-State entity upon a determination of noncompliance.
  - (3) Suspending payments to the non-State entity until the non-State entity is in compliance.
- (c) When an agency discovers evidence of management deficiencies or criminal activity leading to the misuse of funds, the agency shall notify the Office of State Budget and Management and take the appropriate action or actions, such as:
- (1) Suspend payments until the matter has been fully investigated and corrective action has been taken.
  - (2) Terminate the contract and take action to retrieve unexpended funds or unauthorized expenditures.
  - (3) Report possible violations of criminal statutes involving misuse of State property to the State Bureau of Investigation, in accordance with G.S. 143B-920.
- (d) Upon determination of noncompliance with requirements of the contract that are not indicative of management deficiencies or criminal activity, the agency shall give the recipient or subrecipient 60 days written notice to take corrective action. If the recipient or subrecipient has not taken the appropriate corrective action after the 60-day period, the disbursing agency shall notify the Office of State Budget and Management and take the appropriate action or actions, such as:
- (1) Suspend payments pending negotiation of a plan of corrective action.
  - (2) Terminate the contract and take action to retrieve unexpended funds or unauthorized expenditures.
  - (3) Offset future payments with any amounts improperly spent.
- (e) Each disbursing agency shall ensure that recipients and subrecipients have complied with the applicable provisions of this Subchapter.
- (f) Agencies are subject to audit for compliance with the requirements of this Subchapter by the Office of State Budget and Management, the Office of the State Auditor, and agency internal auditors. Any finding of noncompliance by an agency shall be reported to the Office of State Budget and Management to take appropriate action, as set forth in this Rule.
- (g) The Office of State Budget and Management shall notify the agency of the finding and provide 60 days to take corrective action. After the 60-day period, the Office of State Budget and Management shall conduct a follow-up audit to determine if appropriate corrective action has been taken. If an awarding agency fails to take appropriate corrective action or is repeatedly found to be out of compliance with the requirements of this Subchapter, the Office of State Budget and Management shall notify the head of the agency and the State Auditor of the finding.

*History Note:* Authority G.S. 143C-6-22; 143C-6-23;  
Eff. July 1, 2005;  
Readopted Eff. July 1, 2016.