

## Side-By-Side Comparison of Rules and Associated Process Changes

Previous Rule	Revised Rule	Process Change
<b>.0102 Definitions</b>	<b>.0102 Definitions</b>	<b>.0102 Definitions</b>
Includes definitions for "grant" and "grantee" that are unclear and can result in inconsistent interpretation across agencies regarding which entities are subject to the rules.	Definitions have been revised to adopt terminology more commonly used in parallel Federal regulations and guidance (e.g. recipient/subrecipient vs. grantee/subgrantee) and adds definitions to clarify the distinction between a recipient of financial assistance and contractor with a purchase of service relationship. These new terms are reflected throughout all of the rules. Definitions have also been removed for terms not referenced elsewhere in the rules. These changes are consistent with OSBM's interpretation and application of requirements under the prior rules.	None
<b>.0201 Allowable Uses of State Funds</b>	<b>.0201 Allowable Uses of State Financial Assistance</b>	<b>.0201 Allowable Uses of State Financial Assistance</b>
Requires recipients of State funds to adhere to Federal Cost Principles.	No changes to previous requirement. The reference to Federal regulations has been updated to refer to the new Uniform Guidance in the Code of Federal Regulations.	None
<b>.0202 Grantee Responsibilities</b>	<b>.0202 Recipient and Subrecipient Responsibilities</b>	<b>.0202 Recipient and Subrecipient Responsibilities</b>
States grantee responsibilities to comply with reporting requirements, provide required information to their grantor, and make reports and records available for inspection by the agency and the State Auditor.	OSBM has been added to the list of entities with authority to inspect the recipients records, and language has been revised to clarify recipients are responsible for complying with all requirements of the Rules and their contract, not just the reporting requirements.	None
<b>.0203 Subgrantee responsibilities</b>	<b>.0203 Subgrantee responsibilities</b>	<b>.0203 Subgrantee responsibilities</b>
States subgrantee responsibilities that mirror grantee responsibilities in Rule .0202.	Repealed; requirements have been combined under Rule .0202.	None

## Side-By-Side Comparison of Rules and Associated Process Changes

<b>.0205 Reporting Thresholds and Formats for Grantees and Subgrantees</b>	<b>.0205 Minimum Reporting Requirements for Recipients and Subrecipients</b>	<b>.0205 Minimum Reporting Requirements for Recipients and Subrecipients</b>
<p>Establishes three reporting thresholds and associated reporting requirements. Grantees are required to use the forms provided by OSBM (through NCGrants) and to submit reports to the awarding agency and the State Auditor.</p>	<p>Defines three reporting levels that are consistent with previously defined thresholds and the information that must be reported for each level. <u>Reports are to be filed with the disbursing agency and not OSBM or the State Auditor, using the format and method specified by the agency.</u> Local governments, student financial aid, public assistance payments from Federal entitlement programs, and funds disbursed to contractors for purchase of service arrangements are exempted from requirements.</p>	<p><u>Recipients will no longer report in the NCGrants system. Agencies should use their existing reporting formats and systems if they already collect (or can be modified to collect) the same information required by this rule on an annual or more frequent basis.</u> OSBM will provide templates that may be used by agencies that do not currently have other reporting processes in place. Since reports will no longer be submitted in NCGrants, agencies will be responsible for notifying OSBM of entities that should be added to or removed from the Suspension of Funding List.</p> <p>For recipients with existing contracts that reference the NCGrants requirements, agencies may issue an addendum to the contract to modify the requirements based on the revised rules or require the recipient to comply with the old reporting requirements until the end of the contract using electronic copies of the NCGrants forms. In the latter option, agencies will need to notify recipients of where to submit forms once the NCGrants reporting function is discontinued.</p>
<b>.0401 Agency Responsibilities</b>	<b>.0401 Agency Responsibilities</b>	<b>.0401 Agency Responsibilities</b>
<p>States agency responsibilities for registering programs with CRIS, submitting compliance supplement reports to the State Treasurer, providing a listing of every grantee to OSBM (entered in NCGrants), performing monitoring and oversight, and taking appropriate action for noncompliance with contract (terminate contract and retrieve unexpended funds, suspend payments, or offset future payments for amounts improperly spent).</p>	<p>Incorporates monitoring and oversight responsibilities previously addressed in Rule .0401 and contract requirements previously in Rule .0701. <u>Adds requirement for agencies to submit monitoring plans to OSBM for approval.</u> Removes references to specific systems (e.g. CRIS), but continues to require that agencies register programs and report awards to OSBM. Removes detail on actions to take for noncompliance and refers to Section .0800, where these requirements are detailed.</p>	<p>Until such time when OSBM can replace aging systems, agencies will continue to use CRIS and NCGrants to register programs and enter awards. <u>OSBM will issue guidance for developing monitoring plans, which will be due to OSBM by September 1, 2016.</u></p>
<b>.0501 Office of the State Auditor Responsibilities</b>	<b>.0501 Office of the State Auditor Responsibilities</b>	<b>.0501 Office of the State Auditor Responsibilities</b>
<p>States responsibilities for the State Auditor.</p>	<p>Repealed; responsibilities transferred to OSBM or addressed in other Rules.</p>	<p>None</p>

## Side-By-Side Comparison of Rules and Associated Process Changes

<b>.0601 Office of State Budget and Management Responsibilities</b>	<b>.0601 Office of State Budget and Management Responsibilities</b>	<b>.0601 Office of State Budget and Management Responsibilities</b>
States OSBM responsibilities to work with agencies to determine noncompliance and maintain a Suspension of Funding List. Also requires State Budget Director to take administrative action when he/she finds misuse of funds.	Continues requirement for maintaining the Suspension of Funding List, but adds clarifying language that suspension includes noncompliance with any requirements of the rules or the terms of their contract. <u>Adds requirement for OSBM to develop guidelines for agency monitoring plans and to conduct periodic compliance audits of State agencies.</u> Also clarifies that allegations of criminal violations are to be reported by the disbursing agency.	OSBM will issue monitoring plan guidance and deadlines. <u>The Suspension of Funding List automatically generated in NCGrants will be frozen on July 31, 2016. From that point on, agencies will contact OSBM and provide appropriate documentation to add or remove a recipient from the Suspension of Funding List.</u>
<b>.0701 Grant Documentation</b>	<b>.0701 Grant Documentation</b>	<b>.0701 Grant Documentation</b>
Requires execution of a contract prior to disbursement of funds.	Repealed; incorporated in Rule .0401 and .0703.	None
<b>.0702 Subordination of Other Contracts Agreements</b>	<b>.0702 Subordination of Other Contracts Agreements</b>	<b>.0702 Subordination of Other Contracts Agreements</b>
States that no contract agreements shall act to eliminate or diminish the requirements contained in the Rules.	No change.	None
<b>.0703 Required Contract Provisions</b>	<b>.0703 Required Contract Provisions</b>	<b>.0703 Required Contract Provisions</b>
Establishes provisions required to be in contracts.	Incorporates language previously contained in Rule .0701. No substantive change to required contract provisions.	None
<b>.0704 Grant Monitoring and Evaluation</b>	<b>.0704 Grant Monitoring and Evaluation</b>	<b>.0704 Grant Monitoring and Evaluation</b>
Required agencies to monitor and evaluate each grant for compliance with legal and financial requirements and achievement of performance goals.	Repealed; requirements have been combined under Rule .0401.	None
<b>.0801 Noncompliance with Rules</b>	<b>.0801 Noncompliance with Rules</b>	<b>.0801 Noncompliance with Rules</b>
Requires agencies to notify and suspend payment to entities that are not in compliance with the Rules and to report use of funds for an unauthorized purpose. The rules emphasize noncompliance with reporting as a basis for suspension versus other issues that may pose greater risk to the State. The rules require agencies to report any use of funds for an unauthorized purpose, though they are not clear whether, or under what circumstance, such action should result in suspension.	Clarifies that no agency can disburse funds to any entity on the Suspension of Funding list. Requires agencies to report recipients to OSBM for suspension and take appropriate action when the agency discovers evidence of management deficiencies or criminal activity leading to the misuse of funds. For other noncompliance issues, agencies are to provide the recipient 60 days to take corrective action before notifying OSBM and taking appropriate action. Agencies are also subject to audit for compliance with the requirements of the Rules. Findings of noncompliance by agencies are to be reported to OSBM, who will conduct a follow-up audit after 60 days. If the agency has not taken corrective action, OSBM is required to notify the head of the agency and the State Auditor.	Agencies will contact OSBM and provide appropriate documentation to add or remove a recipient from the Suspension of Funding list. <u>For instances when the agency has found evidence of misuse of funds due to criminal activity or management deficiencies, the agency should notify OSBM as soon as practical once the issue is discovered.</u> There is no grace period for corrective action before the entity is suspended in these cases. Agencies are encouraged to develop internal procedures for the timely notification of these issues to OSBM.

## Side-By-Side Comparison of Rules and Associated Process Changes

<b>.0802 Recovery of State Funds</b>	<b>.0802 Recovery of State Funds</b>	<b>.0802 Recovery of State Funds</b>
<p>Requires OSBM, with assistance by the Attorney General to recover State funds in the event a grantee or subgrantee unable to fulfill their contract or accomplish the purposes of the grant, is noncompliant with reporting requirements, or misuses funds. OSBM also required to report suspected criminal violations to the Attorney General and State Bureau of Investigation (SBI). In practice, these actions are more appropriately taken by the agency since they are in a better position to assist the Attorney General with any necessary legal action.</p>	<p>Requires the disbursing agency to take administrative action to recover funds when a grantee is unable to fulfill their obligations, is noncompliant or misuses funds. The agency should seek assistance from the Attorney General if legal action is required. Suspected criminal activity is to be reported by the agency to OSBM (for suspension) and to the Attorney General and the SBI.</p>	<p>There are no significant process changes associated with this revision. In practice, most agencies already take the lead in seeking recovery of funds when a recipient is unable to fulfill the obligations of their contract or misuses funds. Agencies should have internal procedures in place to ensure the timely notification of criminal activity to OSBM, the Attorney General, and the SBI.</p>