



STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
AND THE LOCAL GOVERNMENT COMMISSION

GREGORY C. GASKINS  
DEPUTY TREASURER

To: State Agencies State Compliance Supplement Contacts  
From: Sharon Edmundson, Director, Fiscal Management Section  
Re: 2020 State Compliance Supplement  
Date: October 17, 2019

North Carolina General Statute 159-34 requires each State agency that provides funds to local governments and public authorities to furnish the Local Government Commission (Commission) with standards of compliance and suggested audit procedures (compliance supplements) for each grant program administered by that State agency. The compliance supplements must be prepared in a format prescribed by the Commission and must give adequate guidance to the independent auditor to conduct the single audit of local governments and public authorities. The supplements submitted to the Commission for local government audits also may be used for audits of not-for-profit organizations.

We do not anticipate any significant changes in the prescribed format or the required content of the compliance supplements from the prior year. The staff of the Commission will work with State agencies on an as-needed basis to assist them in understanding the format that their compliance supplements must follow. The compliance supplements are a vital tool that State agencies use in monitoring grantees' use of federal and State awards. These supplements will continue to represent a "safe harbor" for the independent auditors of local governments and public authorities, meaning the auditor is not responsible for identifying compliance requirements beyond those appearing in the compliance supplements. It is important that each agency understand the responsibilities that North Carolina General Statute 159-34 imposes upon them.

The following items must be submitted to Commission staff no later than March 2, 2020:

- agency's compliance supplements
- signed certifications for each program
- questionnaires, if applicable

If your agency experienced a change in funding for a particular program such as a significant increase or decrease in funding, we recommended that the Compliance Supplement Questionnaire 2019 be completed for that program. This will help to determine if a long form or short form supplement is needed for 2020. The person completing the questionnaire should be familiar with all the agency's programs for local governments and the financial policies for those programs. If a State agency does not distribute any funds to a local government or public authority that would be subject to single audit requirements, please indicate on a questionnaire.

There is a new procedure for submitting State compliance supplements for 2020. 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, as long as all documents are submitted prior to March 2, 2020.

Instructions and guidance on writing compliance supplements and additional copies of the questionnaire can be found here:

[https://www.nctreasurer.com/slq/lfm/audit\\_acct/single\\_audit/Pages/Compliance-Supplement-Preparation-Resources.aspx](https://www.nctreasurer.com/slq/lfm/audit_acct/single_audit/Pages/Compliance-Supplement-Preparation-Resources.aspx)

The deadlines are similar to last year's deadlines and are as follows:

- Supplements written and reviewed by Agency
- Final supplement packages to LGC
- Review for formatting by LGC
- All corrections due to LGC
- Print and distribution by LC
- August 2019 through February 2020
- March 2, 2020
- April 1, 2020
- April 17, 2020
- May 1, 2020

Supplement packages that are not in the prescribed format will be returned to the issuing agency for changes. Publication of supplements will not be delayed as a result of any given agency not having the supplements in final acceptable form by the due date. If your agency has not submitted its supplements in final form by the due date, we will post the agency name and contact information on our website in lieu of the required supplements.

We encourage agencies to submit the compliance supplements for their most significant grants as soon as possible. Independent auditors must begin the compliance part of the audits of local governments in the spring in order to meet the contractual due dates for their audit reports. If any agency feels that they will not be able to meet the deadlines, please let the LGC staff know as soon as possible. Agencies that fail to submit all required compliance supplements will not be in compliance with North Carolina General Statute 159-34. These agencies will be required to supply independent auditors of local governments and public authorities with the standards of compliance and suggested audit procedures for these grants when requested.

The Office of State Auditor (OSA) will be evaluating the content of selected compliance supplements on a sample basis as part of its single audit of the State of North Carolina. If OSA staff identifies any significant deficiencies in the compliance supplements or a failure to comply with North Carolina General Statute 159-34, then an audit finding and recommendation discussing the deficiency may be issued for that agency.

The Commission requests that you actively monitor your staff's progress on this important project. If you have any questions about the compliance supplements, you may contact Jim Burke at (919) 814-4301 ([james.burke@nctreasurer.com](mailto:james.burke@nctreasurer.com)).