

**PREPARATION GUIDE**  
**for**  
**North Carolina State**  
**COMPLIANCE SUPPLEMENT**  
**for the Year 2021**

**Prepared by the N. C. Department of State Treasurer  
State and Local Government Finance Division**

## TABLE OF CONTENTS

	Page
Overview.....	3
<a href="#">Funding for COVID-19 and the CARES Act</a> .....	3
Financial Assistance or Procurement, Receipt or Payment for Good and Services.....	4
What does the Compliance Supplement do? .....	4
How Programs are Selected to be Audited as Major Programs by Independent Auditors	5
Types of Compliance Requirements .....	6
Cluster of Programs .....	7
Guidelines for Preparing and Drafting a Supplement.....	8
Submission by the State Agency of Compliance Supplement Information.....	8
Steps to Writing a Compliance Supplement for a Federal Program.....	9
Steps to Writing a Compliance Supplement for a State Program .....	15
Multiple State Supplements Prepared for One Federal Program.....	19
Whether to Address a Compliance Requirement in the Program Supplement.....	20
G.S. §159-34 Annual independent audit; rules and regulations.....	22

### Appendices

I.	How the North Carolina Compliance Supplement is Organized .....	I.
II.	Federal and State Type of Compliance Requirements.....	II.
III.	2020 Other Clusters of Programs .....	III.
IV.	Requirement for Compliance Supplement Filings for State Agencies .....	IV.
V.	Schedule of Programs Audited as Major for FYE June 30, 2019 .....	V.
VI.	Instructions, Templates, and Certifications .....	VI.
	Federal Template Instructions and Template.....	VI-1
	State Template Instructions and Template .....	VI-5
	Long form Certification .....	VI-9
	Short Form Federal and State <a href="#">Template Instructions</a> .....	VI-10
	<a href="#">Federal Short Form Template</a> .....	VI-11
	<a href="#">State Short Form Template</a> .....	VI-12
	<a href="#">Short Form Certifications</a> .....	VI-13
IX.	Terminology.....	IX.
X.	Websites .....	X.
XI.	Contractor (Vendor) or Subrecipient Questionnaire Form.....	XI.

## 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<sup>1</sup>, and NC Administrative Code (09 NCAC 03M .0401) requires each State agency that receives State funds and disburses those funds to local governments, public authorities, and 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.

Federal financial assistance received directly or passed through a **nonfederal entity** to local governments, public authorities, and non-profit organizations is subject to the U.S. 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, or 2 CFR 200).<sup>2</sup> The OMB *Compliance Supplement* is part of the “Uniform Guidance” in Appendix XI to Part 200. **The OMB Compliance Supplement** is updated annually. The OMB Uniform Guidance **2020** Compliance Supplement can be found at:

<https://www.nctreasurer.com/divisions/state-and-local-government-finance-division/lgc/local-fiscal-management/annual-audit>: Select 2020 Section A. The first link, OMB Compliance Supplement is the entire 1,159-page document. The other links that follow on the website are sections of the OMB Compliance Supplement.

In order 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.

## Funding for COVID-19 and the CARES Act

OMB is planning to issue an addendum to the 2020 Supplement to provide additional guidance on auditing programs that are funded with Novel Coronavirus (COVID-19) pandemic appropriations. Guidance will be provided for new COVID-19 related program and to existing programs. U.S. Congress has appropriated funds to address the COVID-19 pandemic. The largest and most widely known is the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136), which was signed into law March 19, 2020. The CARES Act established the Coronavirus Relief Fund and provided the State over \$3.5 million in relief. The NC General Assembly, under S.L. 2020-4 (HB 1043) and S.L. 2020-80 (HB 1023), as well as amendment to S.L. 2020-4, established the 2020 COVID-19 Recovery Act and appropriated \$300 million in CRF to the Office of State Budget and Management (OSBM) to be allocated to 97 County governments,

---

<sup>1</sup> Session Law 2006-203 repealed Article 1 of Chapter 143 of the General Statute. Effective July 1, 2007, S.L. 2006-203 combines Article 1 (Executive Budget Act) and 1B (Capital Improvement Planning Act) of G.S. Chapter 143 and recodifies them into a new G.S. Chapter 143C (State Budget Act) to simplify, reorganize, and update the budget statutes, conform the statutes to constitutional provisions governing appropriations, and make other changes.

<sup>2</sup> OMB Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations” has been superseded by the Uniform Guidance effective for fiscal years beginning on or after December 26, 2014. *Uniform Guidance* was issued in the *Federal Register* Vol. 78 No. 248, Thursday, December 26, 2013.

State Agencies, and other entities, such as nonprofits. The two State Agencies that received a major portion of CRF are NC Departments of Health and Human Services and Public Instruction.

Coronavirus Relief Fund is a new federal program with a CFDA No. 21.019. The Federal Awarding Agency is the US Dept. of Treasury. For information on the program, go to the following link <https://beta.sam.gov/>. and enter 21.019 as a search item.

In addition to the CRF, CARES Act has provided other financial assistance. Session Law 2020-4 also appropriated \$1,235,859 of CARES Act funding for COVID-19 recovery to existing federal programs. It is uncertain if funding will be provided to these programs for fiscal year ending June 30, 2020.

### **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 web-site, [www.nctreasurer.com](http://www.nctreasurer.com).

- Select State and Local Governments.
- Under Divisions, select Local Fiscal Management.
- Select Single Audit Resources.
- Select Compliance Supplement Preparation Resources.
- Select the document: Vendor or Recipient Questionnaire.

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.

### **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.

The North Carolina State Compliance Supplement is divided into five sections. For details of how this is organized refer to Appendix I. The 2020 State Compliance Supplement can be located at the following web address:

<https://www.nctreasurer.com/divisions/state-and-local-government-finance-division/lgc/local-fiscal-management/annual-audit>.

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

Auditors are required to perform audits of units of governments, public authorities, and not-for-profit organizations in accordance with OMB Uniform Guidance. Effective for year ends beginning on and after December 26, 2014, a single audit is required to be performed if those local governments, public authorities, and non-profit organizations that expend **\$750,000** or more of federal awards in a year. For State awards, units of governments and public authorities are subject to the State Single Audit Act (G.S. 159-34), while not-for-profits are subject to the State Budget Act (143C-6-23). Local governments and public authorities that expend \$500,000 or more in in State financial assistance must have a single audit performed in accordance with guidance found in the *Audit Manual for Governmental Auditors in North Carolina*, and with OMB Uniform Guidance.<sup>3</sup>

Not-for-profits are not required to perform a Single Audit based only on State awards expenditures. 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 Auditor (OSA) has oversight over the audits of State awards for nongovernmental entities (143C-6.23).

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.

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).

### **IMPORTANT: NC Department of Health and Human Services Programs with split eligibility and paid by State**

Effective for audits for years ending June 30, 2018, OSA has determined that the payments for programs for which eligibility determination is performed at the local level but the State submits

---

<sup>3</sup> Changes reflect revisions to U.S. Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* the audit threshold is \$750,000 per year for federal programs and/or \$500,000 or more in a single State financial assistance program.

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.

## Types of Compliance Requirements

OMB has identified twelve (12) types of compliance requirements applicable to the programs with federal awards.<sup>4</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. [Beginning with the 2021 Compliance Supplement preparation process, a matrix will be presented on each supplement, under III Compliance Requirement, noting the Type of Compliance Requirements that are applicable to the program. State Agencies will no longer be responsible for submitting a separate document showing the Types of Compliance Requirements applicable to a program, beginning with the 2021 Compliance Supplement. 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.

---

<sup>4</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.

## 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 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 CFDA number associated with the cluster. In Section B of the 2020 compliance supplement, federal programs with State funding that are clustered are designated by one CFDA 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 2020 other cluster of programs as defined by federal and state agencies.

## 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 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 1, 2021
Review for Format by LGC	April 1, 2021
All Corrections received by LGC	April 23, 2021
Posted on the LGC website by the LGC	May 1, 2021

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 2021 versions 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 and instructions are included in Appendix VI through VIII.

Read and follow the “Steps to Writing a Compliance Supplement” for the type of compliance supplement that is to be written that follows this section. These steps were written by the Office of State Auditor with some revisions by the LGC for the current year.

- Steps To Writing a Compliance Supplement for a Federal Program, page 9
- Steps To Writing a Compliance Supplement for a State Program, page 15

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 of 2021 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.

### **Submission by the State Agency of Compliance Supplement Information**

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 CFDA number of the federal program for which it is written. If more than one program has the same CFDA number, you may use a “-” and a number to distinguish it from the other, i.e. 10.557-1.doc. For a program that is considered a cluster of programs, use one of the CFDA numbers and note –CL, i.e. 10.553-CL.doc. For State program and crosscutting supplements, use the department abbreviations (see appendix) along with the numeric sequencing in numbering the supplement. [The Agency prepared supplement must include the Type of Compliance Requirement matrix on the supplement \(refer to the 2021 federal or State templates\)](#).
- Agency certification (must be signed; electronic signature is acceptable. Certifications may be mailed to the address below).

The SLGFD will no longer be requiring hard copies of the Agency prepared supplement. We will use the copies e-mailed to us by the Agencies.

If a short form is to be submitted, submit the short form use the document “Short Form-X,” with X replaced with a number value (use same as last year). 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 1.

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 number of subrecipients that received the funding for a particular program
- and the amount they received
- the potential Type A threshold of the subrecipient

If only a very few subrecipients received the funding, it may not be necessary to prepare a compliance supplement. 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.

If a subrecipient expends federal funding it received for a particular program of at least \$750,000, then the program is potentially a Type A program. Programs that expend at least \$187,500 may be subject to tested as a major if the program is considered High Risk.

Another factor to consider is what will be the total amount of federal awards that will be expended by the subrecipient. This will determine the Type A and B threshold for that subrecipient. The greater the amount of expenditures, the higher will be the Type A threshold. Refer to page 4 to see the effect of greater expenditures will have on determining Type A and B programs. Agencies may look in a typical subrecipient's audit report for the prior year to see what the Type A threshold was.

In order to determine the amount of federal funding passed to subrecipients for a particular, the Agencies may want to review the year end or confirmation reports that it sends to the subrecipient or auditor.

### 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.

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.

- Inherit risk of the federal program: The complexity of the program, the extent to which the program contracts for good 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 all requirements that are applicable to that program. The current OMB Uniform Guidance federal supplement is for June 2020 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 for which a supplement is being written.

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 Catalog of Federal Domestic Assistance (CFDA),
- Federal regulations,

**Important:** “Pick 6” Initiative: 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 19.

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.**

Beginning with the 2021 Compliance Supplement preparation process, a matrix will be presented on each supplement, under section III Compliance Requirement, noting the Type of Compliance Requirements that are applicable to the program. State Agencies will no longer be responsible for submitting a separate document showing the Types of Compliance Requirements applicable to a program, beginning with the 2021 Compliance Supplement. 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 they received

If only a very few subrecipients received the funding, it may not be necessary to prepare a compliance supplement. 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.

If a subrecipient expends federal funding it received for a particular program of at least \$500,000, then the program is potentially a major A program. Programs of less than \$500,000 are not required to be audited as major.

In order to determine the amount of federal funding passed to subrecipients for a particular, the Agencies may want to review the year end or confirmation reports that it sends to the subrecipient or auditor.

### **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.

This is a reduction from fourteen (14) types that Office of State Auditors has identified in previous years. Removed is 11, "Real Property Acquisition and Relocation Assistance." The letters assigned to these types of compliance requirements have been removed and are held in reserve. The letters assigned to the remaining thirteen types of compliance requirements have not changed. One type of compliance requirement has been renamed. 8 "Period of Availability of Federal Funds has been renamed "Period of Performance."

OMB encourages that when determining program compliance requirements, do so without being cognizant of whether or not the requirements is relative to one of the 13 federal 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 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.” 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 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 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) 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 category, (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, Section B, Part 4.
- 3. Remember – there are no Statutes that apply to all of the requirements universally except “4” Conflict of Interest.
- 4. 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.

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.

Beginning with the 2021 Compliance Supplement preparation process, a matrix will be presented on each supplement, under section III Compliance Requirements, noting the Type of Compliance Requirements that are applicable to the program. State Agencies will no longer be responsible for submitting a separate document showing the Types of Compliance Requirements applicable to a program, beginning with the 2021 Compliance Supplement. 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 includes the 13 Types of Compliance Requirements. Based on steps 1 through 7 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 “StateTemplate-CC programs.docx” should be used.

**State Compliance Supplement**  
**Multiple State Supplements Prepared for One Federal Program**  
**For the Fiscal Year 2021**

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, Research, and Construction
  - 2) Enhancement Programs: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy For Users (SAFETEA-LU)
  - 3) Railroad Station Improvement Program
  - 4) Bicycle and Pedestrian Transportation Enhancement Program
  - 5) State Planning and Research
  - 6) Bicycle and Pedestrian Planning Grant
  - 7) Safe Routes to School Programs
  - 8) Rural Planning and Research

DPI and DHHS 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**

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

**DEQ 14.228**

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**

Subgrants as: Medical Assistance

**DHHS – Aging and Adult Services 93.778**

Subgrants as: Adult Care Home Case Management-Division of Aging and Adult 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 Catalog of Federal Domestic Assistance (CFDA). 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 with Uniform Guidance (UG) Compliance Supplement

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	Sufficiently 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	-	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 without Uniform Guidance (UG) Compliance Supplement

(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	Sufficiently 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	-	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	-	Do not address.

**§ 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:

- (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. (1971, c. 780, s. 1; 1975, c. 514, s. 15; 1979, c. 402, s. 9; 1981, c. 685, ss. 8, 9; 1987, c. 287; 1993, c. 257, s. 20; c. 539, s. 1081; 1994, Ex. Sess., c. 24, s. 14(c); 2001-160, s. 1.)

## 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 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, Subpart F, for federal audit requirements.

The 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 14 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 2020 Compliance Supplement

Appendix VI - Program-Specific Audit Guides

Appendix VII - Other Audit Advisories (includes VII-A Other Audit Advisories-Hurricane and NDAA Addendum)

Appendix VIII - Examinations of EBT Service Organizations

Appendix IX - Compliance Supplement Core Team

Section B – Compliance Supplements Written by State Agencies For Federal Programs. 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 State compliance requirements, 2) Compliance requirements for State programs.

Section C contains two parts: 1) Matrix of State program compliance requirements, 2) Compliance requirements for State programs.



Section D – Short Form Compliance Supplement. 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** or more.

*State Funded Programs:* If the State agency grants a State-funded program AND does not grant three hundred thousand dollars (**\$500,000**) 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.

## APPENDIX II

### Federal and State Requirements

#### Federal Requirements

#### State Requirements

A. Activities Allowed or Unallowed	1. Activities Allowed or Unallowed
B. Allowable Costs/Costs Principles	2. Allowable Costs/Costs Principles
C. Cash Management	3. Cash Management
D. <a href="#">Removed/Reserved</a>	4. Conflict of Interest
E. Eligibility	5. Eligibility
F. Equipment & Real Property Management	6. Equipment & Real Property Management
G. Matching, Level of Effort, Earmarking	7. Matching, Level of Effort, Earmarking
H. Period of <a href="#">Performance</a>	8. Period of <a href="#">Performance</a>
I. Procurement & Suspension & Debarment	9. Procurement & Suspension & Debarment
J. Program Income	10. Program Income
K. <a href="#">Removed/Reserved</a>	11. <a href="#">Removed/Reserved</a>
L. Reporting	12. Reporting
M. Subrecipient Monitoring	13. Subrecipient Monitoring
N. Special Tests & Provisions	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 (<a href="http://www.whitehouse.gov/OMB/grants">http://www.whitehouse.gov/OMB/grants</a>)</b></p>
<p><b>Activities Allowed or Unallowed</b></p> <p>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></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.</p> <p><a href="#">2 CFR subpart E applies to federal awards received directly or indirectly from a federal agency. State agencies should indicate an authoritative source where allowable costs for a State program can be found.</a></p> <p>As provided in 2 CFR section 200.101, the cost principles requirements apply to all Federal awards with the exception of grant agreements and cooperative agreements providing food commodities; agreements for loans, loan guarantees, interest subsidies, insurance; and programs listed in 2 CFR section 200.101(d) (see Appendix I of OMB Compliance Supplement). Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from 2 CFR part 200, subpart E, but are subject to the requirements 45 CFR part 75, Appendix IX of OMB Compliance Supplement, the Department of Health and Human Services (HHS) implementation of 2 CFR part 200. The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal awarding agency or indirectly through a pass-through entity.</p> <p>This <u>almost always applies</u> since most Federal 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><b>Cash Management</b></p> <p>When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced to recipients, they must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and State Treasurer disbursement. When advance payment procedures are used to pay subrecipients, recipients must establish similar procedures for subrecipients. The requirements for cash management are contained Treasury regulations at 31 CFR part 205, Federal awarding agency regulations, and the terms and conditions of the award.</p> <p><a href="#">When funds are provided on a reimbursement basis, program costs must be paid for with the entity's funds before the entity requests payment from the federal awarding agency or pass-through agency. 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.</a></p> <p>This <u>almost always applies</u> to Federal and State programs.</p>

**Davis-Bacon Act**

This no longer is type of compliance requirement. Any testing for Davis Bacon may be included in M Special Test and Provisions.

**Conflict of Interest: (only applies to State awards)**

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.

**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.

**Equipment and Real Property Management**

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

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 \$5,000 (2 CFR section 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)).

**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.

**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 requirements for the period of performance are contained in 2 CFR section 200.71 \(definition of "obligations"\), 2 CFR section 200.77 \(definition of "period of performance"\), 2 CFR section 200.309 \(period of performance\), 2 CFR section 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 Real Property Acquisition/Relocation Assistance 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.

## 2020 OTHER CLUSTERS AS DEFINED BY OMB UNIFORM GUIDANCE

### APPENDIX III

#### OTHER CLUSTERS

Programs included in this Supplement deemed to be other clusters

Agency	CFDA No.	Name of Other Cluster/Program
<b>Foreign Food Aid Donation Cluster</b>		
USDA	10.606 None	Food for Progress Program Section 416(b) Program
<b>SNAP Cluster</b>		
USDA	10.551 10.561	Supplemental Nutrition Assistance Program (SNAP) State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
<b>Child Nutrition Cluster</b>		
USDA	10.553 10.555 10.556 10.559	School Breakfast Program (SBP) National School Lunch Program (NSLP) Special Milk Program for Children (SMP) Summer Food Service Program for Children (SFSPC)
<b>Food Distribution Cluster</b>		
USDA	10.565 10.568 10.569	Commodity Supplemental Food Program Emergency Food Assistance Program (Administrative Costs) Emergency Food Assistance Program (Food Commodities)
<b>Forest Service Schools and Roads Cluster</b>		
USDA	10.665 10.666	Schools and Roads--Grants to States Schools and Roads--Grants to Counties
<b>Community Facilities Loans and Grants Cluster</b>		
USDA	10.766 10.780	Community Facilities Loans and Grants Community Facilities Loans and Grants (Community Programs)
<b>Economic Development Cluster</b>		
DOC	11.300 11.307	Investments for Public Works and Economic Development Facilities Economic Adjustment Assistance

**2020 OTHER CLUSTERS AS DEFINED BY OMB UNIFORM GUIDANCE**

**Section 8 Project-Based Cluster**

HUD	14.182	Section 8 New Construction and Substantial Rehabilitation
	14.195	Section 8 Housing Assistance Payments Program
	14.249	Section 8 Moderate Rehabilitation Single Room Occupancy
	14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation

**CDBG - Entitlement Grants Cluster**

HUD	14.218	Community Development Block Grants/Entitlement Grants
	14.225	Community Development Block Grants/Special Purpose Grants/Insular Areas

**CDBG - Disaster Recovery Grants -Pub. L. No. 113-2 Cluster**

HUD	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)
	14.272	National Disaster Resilience Competition

**HOPE VI Cluster**

HUD	14.866	Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)
	14.889	Choice Neighborhoods Implementation Grants

**Housing Voucher Cluster**

HUD	14.871	Section 8 Housing Choice Vouchers
	14.879	Mainstream Vouchers

**477 Cluster**

DOI	15.025	Services to Indian Children, Elderly and Families
	15.026	Indian Adult Education
	15.113	Indian Social Services – Welfare Assistance
	15.114	Indian Education – Higher Education Grant
	15.130	Indian Education – Assistance to Schools
DOL	17.265	Native American Employment and Training
HHS	93.558	Temporary Assistance for Needy Families
	93.569	Community Services Block Grant
	93.575	Child Care and Development Block Grant
	93.594	Tribal Work Grants – Native Employment Works
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

## 2020 OTHER CLUSTERS AS DEFINED BY OMB UNIFORM GUIDANCE

**Note:** The DOL and HHS programs listed above have separate program supplements in Part 4 of the Supplement. The 477 cluster or the program supplement applies as indicated at the beginning of the 477 cluster.

### **Fish and Wildlife Cluster**

DOI	15.605	Sport Fish Restoration
	15.611	Wildlife Restoration and Basic Hunter Education
	15.626	Enhanced Hunter Education and Safety Program

### **Employment Service Cluster**

DOL	17.207	Employment Service/Wagner-Peyser Funded Activities
	17.801	Disabled Veterans' Outreach Program (DVOP)
	17.804	Local Veterans' Employment Representative (LVER) Program

### **WIOA Cluster**

DOL	17.258	WIA/WIOA Adult Program
	17.259	WIA/WIOA Youth Activities
	17.278	WIA/WIOA Dislocated Worker Formula Grants

### **Highway Planning and Construction Cluster**

DOT	20.205	Highway Planning and Construction
	20.219	Recreational Trails Program
	20.224	Federal Lands Access Program
	23.003	Appalachian Development Highway System

### **Federal Transit Cluster**

DOT	20.500	Federal Transits—Capital Investment Grants
	20.507	Federal Transit—Formula Grants
	20.525	State of Good Repair Grants Program
	20.526	Bus and Bus Facilities Formula Program

### **Transit Services Programs Cluster**

DOT	20.513	Enhanced Mobility for Seniors and Individuals with Disabilities
	20.516	Job Access and Reverse Commute Program
	20.521	New Freedom Program

### **Highway Safety Cluster**

DOT	20.600	State and Community Highway Safety
	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I
	20.602	Occupant Protection Incentive Grants
	20.609	Safety Belt Performance Grants
	20.610	State Traffic Safety Information System Improvements Grants
	20.611	Incentive Grant Program to Prohibit Racial Profiling
	20.612	Incentive Grant Program to Increase Motorcyclist Safety



**2020 OTHER CLUSTERS AS DEFINED BY OMB UNIFORM GUIDANCE**

20.613 Child Safety and Child Booster Seat Incentive Grants  
20.616 National Priority Safety Programs

**Clean Water State Revolving Fund Cluster**

EPA 66.458 Capitalization Grants for Clean Water State Revolving Funds  
66.482 Disaster Relief Appropriations Act (DRAA) Hurricane Sandy  
Capitalization Grants for Clean Water State Revolving Funds

**Drinking Water State Revolving Fund Cluster**

EPA 66.468 Capitalization Grants for Drinking Water State Revolving Funds  
66.483 Disaster Relief Appropriations Act (DRAA) Hurricane Sandy  
Capitalization Grants for Drinking Water State Revolving Funds

**Special Education Cluster (IDEA)**

ED 84.027 Special Education--Grants to States (IDEA, Part B)  
84.173 Special Education--Preschool Grants (IDEA Preschool)

**TRIO Cluster**

ED 84.042 TRIO--Student Support Services  
84.044 TRIO--Talent Search  
84.047 TRIO--Upward Bound  
84.066 TRIO--Educational Opportunity Centers  
84.217 TRIO--McNair Post-Baccalaureate Achievement

**Aging Cluster**

HHS 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

**Hurricane Sandy Relief Cluster**

HHS 93.095 HHS Programs for Disaster Relief Appropriations Act--Non-  
Construction  
93.096 HHS Programs for Disaster Relief Appropriations Act--  
Construction  
20.610 State Traffic Safety Information System Improvements Grants  
20.611 Incentive Grant Program to Prohibit Racial Profiling  
20.612 Incentive Grant Program to Increase Motorcyclist Safety  
20.613 Child Safety and Child Booster Seat Incentive Grants  
20.616 National Priority Safety Programs

**Clean Water State Revolving Fund Cluster**

EPA 66.458 Capitalization Grants for Clean Water State Revolving Funds

**2020 OTHER CLUSTERS AS DEFINED BY OMB UNIFORM GUIDANCE**

66.482 Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds

**Drinking Water State Revolving Fund Cluster**

EPA 66.468 Capitalization Grants for Drinking Water State Revolving Funds  
66.483 Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds

**Special Education Cluster (IDEA)**

ED 84.027 Special Education--Grants to States (IDEA, Part B)  
84.173 Special Education--Preschool Grants (IDEA Preschool)

**TRIO Cluster**

ED 84.042 TRIO--Student Support Services  
84.044 TRIO--Talent Search  
84.047 TRIO--Upward Bound  
84.066 TRIO--Educational Opportunity Centers  
84.217 TRIO--McNair Post-Baccalaureate Achievement

**Aging Cluster**

HHS 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

**Hurricane Sandy Relief Cluster**

HHS 93.095 HHS Programs for Disaster Relief Appropriations Act--Non-Construction  
93.096 HHS Programs for Disaster Relief Appropriations Act--Construction

## Clusters in Section B 2020

### FOOD AND NUTRITION SERVICES CLUSTER:

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

### 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 & 10.582** to the OMB Cluster of Programs

### EMERGENCY FOOD ASSISTANCE 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

### HIGHWAY PLANNING, RESEARCH & CONSTRUCTION CLUSTER:

- 20.205 HIGHWAY PLANNING AND CONSTRUCTION
- 20.219 RECREATION TRAIL PROGRAM
- 20.933 BETTER UTILIZING INVESTMENTS TO LEVERAGE DEVELOPMENT (BUILD) TRANSPORTATION GRANTS
- 20.224 FEDERAL LANDS ACCESS PROGRAMS
- 23.003 APPALACHIAN HIGHWAY SYSTEM

**NOTE:** DOT has added **20.933** to the OMB Cluster of Programs. Funding for **20.219** is from NC Dept. of Natural and Cultural Resources and has a separate State Compliance Supplement

## Clusters in Section B 2020 (continued)

### TRANSIT SERVICES PROGRAM CLUSTER:

- 20.513 ENHANCED MOBILITY FOR SENIORS AND INDIVIDUALS WITH DISABILITIES
- 20.516 JOB ACCESS - REVERSE COMMUTE PROGRAM
- 20.521 NEW FREEDOM PROGRAM

### HIGHWAY SAFETY CLUSTER:

- 20.600 STATE AND COMMUNITY HIGHWAY SAFETY
- 20.601 ALCOHOL TRAFFIC SAFETY AND DRUNK DRIVING PREVENTION INCENTIVE GRANTS
- 20.602 OCCUPANT PROTECTION INCENTIVE GRANT
- 20.609 SAFETY BELT PERFORMANCE GRANTS
- 20.610 STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT GRANTS
- 20.611 INCENTIVE GRANT PROGRAM TO PROHIBIT RACIAL PROFILING
- 20.612 INCENTIVE GRANT PROGRAM TO INCREASE MOTORCYCLIST SAFETY
- 20.613 CHILD SAFETY AND CHILD BOOSTER SEATS INCENTIVE GRANTS
- 20.616 NATIONAL PRIORITY SAFETY PROGRAMS

NOTE: DOT has added 20.616.

### 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

NOTE: State agency added State funding.

### SPECIAL CHILDREN ADOPTION FUND (ADOPTION PROMOTION PROGRAM FUND)

- 93.558 TEMPORARY ASSISTANCE FOR NEEDY FAMILIE
- 93.556 PROMOTING SAFE AND STABLE FAMILIES ATIONS
- 93.603 ADOPTION INCENTIVE PAYMENTS PROGRAM
- N/A STATE APPROPRIATIONS

NOTE: Cluster created by State agency.

## Clusters in Section B 2020 (continued)

### REFUGEE AND ENTRANT ASSISTANCE CLUSTER

<b>93.566</b>	REFUGEE AND ENTRANT ASSISTANCE STATE / REPLACEMENT DESIGNEE ADMINISTERED PROGRAMS
<b>93.576</b>	REFUGEE AND ENTRANT ASSISTANCE DISCRETIONARY GRANTS
<b>93.584</b>	REFUGEE AND ENTRANT ASSISTANCE TARGETED ASSISTANCE GRANTS

**NOTE:** Cluster created by State agency

### CHILD DEVELOPMENT CONTRACT CLUSTER:

<b>93.575</b>	CHILD CARE DEVELOPMENT BLOCK GRANT (CCDBG)
<b>93.575</b>	CHILD CARE DEVELOPMENT FUND, DISCRETIONARY (CCDF)
<b>93.596</b>	CHILD CARE DEVELOPMENT FUND, MANDATORY/MATCH (CCDF)
<b>NONE</b>	STATE APPROPRIATIONS

**NOTE:** State agency added State Grants to OMB's CCDF Cluster

### SUBSIDIZED CHILD CARE PROGRAM CLUSTER

<b>93.575</b>	CHILD CARE DEVELOPMENT FUND, DISCRETIONARY (CCDF)
<b>93.596</b>	CHILD CARE DEVELOPMENT FUND, MANDATORY/MATCH (CCDF)
<b>93.658</b>	FOSTER CARE TITLE IV-E
<b>93.558</b>	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)
<b>NONE</b>	SMART START
<b>NONE</b>	STATE APPROPRIATIONS

**NOTE:** State agency added 93.558, 93.658 & State Grants

### ADOPTION ASSISTANCE PROGRAM IV-B

<b>93.645</b>	CHILD WELFARE SERVICES – STATE GRANTS
<b>NONE</b>	STATE APPROPRIATIONS

**NOTE:** Cluster created by State agency

### FOSTER CARE TITLE IV-E CLUSTER:

<b>93.658</b>	FOSTER CARE – TITLE IV-E
<b>NONE</b>	STATE APPROPRIATIONS

**NOTE:** Cluster created by State agency.

### FOSTER CARE & ADOPTION CLUSTER:

<b>93.658</b>	FOSTER CARE – TITLE IV-E
<b>93.659</b>	ADOPTION ASSISTANCE

**NOTE:** Cluster created by State agency.

## Clusters in Section B 2020 (continued)

### SPECIAL CHILDREN ADOPTION INCENTIVE FUND:

**93.667** SOCIAL SERVICE BLOCK GRANT

**NONE** STATE APPROPRIATIONS

**NOTE:** Cluster created by State agency.

### MENTAL HEALTH, INTELLECTUAL DEVELOPMENTAL DISABILITIES – DEVELOPMENT DISABILITIES SERVICES:

**93.667** STATE PUBLIC HEALTH ACTIONS TO PREVENT AND CONTROL  
DIABETES, HEART DISEASE, OBESITY AND ASSOCIATED RISK  
FACTORS AND PROMOTE SCHOOL HEALTH

**NONE** STATE PUBLIC HEALTH ACTIONS TO PREVENT AND CONTROL  
DIABETES, HEART DISEASE, OBESITY AND ASSOCIATED RISK  
FACTORS AND PROMOTE SCHOOL HEALTH FINANCED IN PART BY  
PREVENTION AND PUBLIC HEALTH FUNDING (PPHF)

**NOTE:** Cluster created by State agency.

### HIV CLUSTER:

**93.940** HIV PREVENTION ACTIVITIES – HEALTH DEPARTMENT BASED

**93.944** HIV/AIDS SURVEILLANCE

**93.977** PREVENTIVE HEALTH SERVICES - STD CONTROL GRANTS

**NOTE:** Cluster created by State agency.

### RURAL OPERATING ASSISTANCE PROGRAM (ROAP)

**N/A** ELDERLY AND DISABLED TRANSPORTATION ASSISTANCE  
PROGRAM (E&DTAP)

**N/A** RURAL GENERAL PUBLIC PROGRAM (RGP)

**N/A** EMPLOYMENT TRANSPORTATION ASSISTANCE PROGRAM

**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 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>2021</b>
Agency <b>does</b> subgrant <b>\$187,500</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>2021</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>\$500,000 or more</b> to any one subrecipient.	Short-Form Supplement <b>AND</b> signed Certification for Submitting Short-Form Supplement for Fiscal Year <b>2021</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>\$500,000</b> or more to any one local government	Program Compliance Supplement, Agency Matrix for State Program, and signed Certification of <b>2021</b> Compliance Supplements

***Oversight and reporting requirements of nongovernmental entities that receive, use, or expend State funds.***

Authority:	G.S. 143C-6-22; 143C-6-23; 09 NCAC 03M .0101
Effective Date:	July 1, 2007
Background:	G.S. 143C-6.23 replaces G.S. 143-6.2 which was repealed S.L. 2006-203
Definitions:	<p>Non-State Entity - 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>State funds: - Any moneys including federal funds deposited in the State treasury except moneys deposited in a trust fund or agency fund as described in G.S. 143C-1-3.</p> <p>Grantee - means a non-State entity that receives State funds as a grant from a State agency but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission.</p> <p>Subgrantee - means a non-State entity that receives State funds as a grant from a grantee or from another subgrantee but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission.</p>
Grantee Reporting Responsibilities and Formats:	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.
Audit Oversight:	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.
Reporting for less than \$25,000	A grantee that receives, uses, or expends at least \$1.00 but less than \$25,000 in state funds within its fiscal year must file 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, used, or expended for the purposes for which they were granted; and an accounting of those same funds. <i>State Grants Compliance Reporting: Receipt of Less Than \$25,000</i> provides the standard reporting formats to be used to meet the requirements of certification and accounting.
Deadlines:	Required reporting shall be filed with the funding agency within six months after the end of the grantee's fiscal year in which the state funds were received.
Reporting for at least \$25,000 but less than \$500,000	A grantee that receives, uses, or expends at least \$25,000 but less than \$500,000 in state funds within its fiscal year must file 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, used, or expended for the purposes for which they were granted; an accounting of receipts and expenditures of the state funds, and a description of the activities and accomplishments undertaken by the grantee with those state funds. For purposes of reporting, the grantee fiscal year is used in determining the amount received, used, or expended. <i>State Grants Compliance Reporting: \$25,000 but less than \$500,000</i> provides the standard reporting formats to be used to meet the requirements of the sworn accounting and program accomplishments.
Deadlines:	Required reporting shall be filed with the funding agency within six months after the end of the grantee's fiscal year in which the state funds were received.
Reporting for more than \$500,000	A grantee that receives, uses, or expends state funds in the amount of \$500,000 or more within its fiscal year must file annually with the State Auditor and the funding agencies a financial statement in the form and on the schedule prescribed by the Office of State Auditor. The financial statement must be audited in accordance with standards prescribed by the Office of the State Auditor to assure that state funds are used by the purposes provided by law. In addition to submission of the audit report, grantees are also required to file annually with the funding state agency and with the Office of State Auditor a description of the activities and accomplishments undertaken with state funds. <i>State Grants Compliance Reporting \$500,000 or more</i> provides the form and schedule requirements and the prescribed auditing standards. Generally, the financial statements should be audited in accordance with Government Auditing Standards (Yellow Book) and, as applicable, OMB Circular A-133.



Deadlines: 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 (click level for instructions)		
	<\$25,000	≥\$25,000 but < \$500,000	≥\$500,000
	Due 6 months after entity’s fiscal year end		Due 9 months after entity’s fiscal year end OMB A-133
State Grant Certification and Sworn Statement	X	X	X
State Grants Compliance Reporting: Receipts <\$25,000	X		
State Grants Compliance Reporting \$500,000 or more		X	X
Program Activities and Accomplishments Report Schedule of Receipts and Expenditures		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>5</sup>For FYE June 30, 2019 Compiled by the Local Government Commission

State Agency /Division	<sup>6</sup> Programs Federal	<sup>7</sup> Programs State
		•
Agriculture N/A	None	<ul style="list-style-type: none"> <li>• <a href="#">Stream Cleanup Funds</a></li> <li>• TVA Settlement Program</li> </ul>
Commerce N/A	<ul style="list-style-type: none"> <li>• 14.228 – NC Small Cities CDBG and Neighborhood Stabilization Program;</li> <li>• <b>17.258, 17.259, 17.278</b> - Workforce Investment Act</li> </ul>	<ul style="list-style-type: none"> <li>• Special Appropriations</li> <li>• Economic Infrastructure Program</li> <li>• Industrial Development Fund</li> <li>• One NC Fund</li> <li>• <a href="#">Disaster Recovery Act of 2016</a></li> <li>• <a href="#">Rural Building Reuse Program</a></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>	
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>	
Public Safety DJJ		<ul style="list-style-type: none"> <li>• Juvenile Crime Prevention Program</li> </ul>
DNCR N/A	None	<ul style="list-style-type: none"> <li>• State Aid to Public Libraries,</li> <li>• Special Appropriation</li> <li>• Park and Recreation Trust Fund</li> </ul>
DEQ N/A	<ul style="list-style-type: none"> <li>• 66.454 – 205(j)/604(b) Water Quality Management Planning Grant;</li> <li>• 66.458- Clean Water State Revolving Fund (CWSRF);</li> <li>• 66.460-Section 319 Grant;</li> <li>• 66.468-Drinking Water State Revolving Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Clean Water Bond Program,</li> <li>• Clean Water Management Trust,</li> <li>• NC Clean Water Revolving Loan and Grant Program,</li> <li>• Unsewered Communities Grant,</li> <li>• Emergency Loan Fund,</li> <li>• Water Resources Development Project Grant Program,</li> <li>• NC Drinking Water Bond Program,</li> <li>• NC Drinking Water Loan and Grant Program,</li> <li>• Public Beach &amp; Coastal Waterfront Access Program,</li> <li>• <a href="#">High Unit Cost</a></li> <li>• Storm Water Grant</li> <li>• <a href="#">Scrap Tire Program</a></li> </ul>
DHHS <a href="#">DAAS</a>	<ul style="list-style-type: none"> <li>• 17.235-Senior Community Service Employment Program Title V;</li> <li>• 93.041-Special Programs for the Aging Title VII, Chapter 3;</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>

<sup>5</sup> Major programs for June 30, 2019 are taken from audit reports received by the LGC

<sup>6</sup> Only CFDA and State project/name are presented. Federal program names may be found at [www.beta.sam.gov](http://www.beta.sam.gov)

<sup>7</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  
For FYE June 30, 2019  
Compiled by the Local Government Commission**

<b>State Agency Agency Division</b>	<b>Programs Federal</b>	<b>Programs State</b>
	<ul style="list-style-type: none"> <li>• 93.042- Special Programs for the Aging Title VII, Chapter 2;</li> <li>• 93.043- Special Programs for the Aging Title III;</li> <li>• <b>93.044, 93.045, 93.053</b>- Aging Cluster;</li> <li>• 93.052-Family Caregiver Support Program</li> </ul>	
DHHS DCDEE	<ul style="list-style-type: none"> <li>• <b>93.575, 93.596, 93.558, 93.658</b>-Subsidized Childcare Cluster</li> </ul>	<ul style="list-style-type: none"> <li>• Smart Start,</li> <li>• TANF-Maintenance of Effort,</li> <li>• State Appropriations-Child Care</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>• <a href="#">14.267 Continuum of Care Program</a></li> <li>• 93.150-PATH;</li> <li>• 93.243-FEMA Crisis;</li> <li>• 93.667,Intellectual Developmental Disabilities-Developmental Disabilities Services;</li> <li>• <a href="#">93.788 State Targeted Response to Opioid Crisis Grant</a></li> <li>• <b>93.958</b> Mental Health Services;</li> <li>• <b>93.959</b> Substance Abuse Services</li> </ul>	<ul style="list-style-type: none"> <li>• Single Streamline Funding;</li> <li>•</li> <li>• <a href="#">NC Start</a></li> <li>• <a href="#">Tier Case Management Wraparound</a></li> <li>• <a href="#">Opiod State Set-Aside</a></li> <li>• <a href="#">Crisis Service – Local Psych Inpatient</a></li> <li>• <a href="#">Community Based Crisis</a></li> <li>• <a href="#">Hospital Bed Pays</a></li> <li>• <a href="#">Alcohol &amp; Drug Abuse Treatment Center</a></li> <li>• <a href="#">State Special Categorical</a></li> <li>• <a href="#">DOJ Support Employment</a></li> <li>• <a href="#">Facility Based Crisi Urgent Care</a></li> </ul>
DHHS DPH	<ul style="list-style-type: none"> <li>• 10.557-WIC;</li> <li>• <b>10.559</b> Child Nutrition Cluster</li> <li>• 14.241-HOPWA;</li> <li>• <a href="#">84.181 Infant and Toddlers Disabilities</a></li> <li>• 93.217 Family Planning</li> <li>• 93.224 Consolidated Heath Centers</li> <li>• 93.297 Teen Pregnancy Prevention Program</li> <li>• 93.757 Diabetes Regional Consultant</li> <li>• 93.758 Preventive Health and Health Service Block Grant</li> <li>• 93.917-Ryan White;</li> <li>• 93.994-Material and Child Services Block Grant (various state programs)</li> </ul>	<ul style="list-style-type: none"> <li>• General Program Services</li> <li>• <a href="#">General Aid to Counties</a></li> <li>• <a href="#">School Nurse Funding Initiative</a></li> <li>• <a href="#">Minority Diabetes Prevention Program</a></li> <li>• <a href="#">Nurse Family Partnership</a></li> <li>• <a href="#">Active Routes to Schools</a></li> <li>• <a href="#">Child Development Service Agency</a></li> <li>• <a href="#">Child Health</a></li> <li>• <a href="#">Family Planning</a></li> <li>• <a href="#">Community Health Medical Access Planning Grant</a></li> <li>• <a href="#">Case Coordinator for Children</a></li> <li>• <a href="#">Pregnancy Case Management</a></li> <li>• <a href="#">ST Child Protective Services (CPS) Caseload</a></li> <li>• <a href="#">Evidence Base Strategies for MCH</a></li> <li>• <a href="#">State Child Welfare</a></li> <li>• <a href="#">TB Control</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- <a href="#">Child Protective Services (TANF to SSBG)</a></li> <li>• <a href="#">93.667 SSBG Administration</a></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/County Special Asst. for Adults, (Domiciliary Care),</li> <li>• Smart Start,</li> <li>• State Aid To Counties,</li> <li>• State Foster Care,Adoption Assistance Program</li> <li>• CWS Adoption Program</li> <li>• Child Protective Services</li> <li>• State Foster Home</li> <li>• <a href="#">State Foster Care Home (SFSH) Maximization</a></li> <li>• 1571 Adm. Cost Crosscutting</li> </ul>
<a href="#">Golden Leaf</a>		<ul style="list-style-type: none"> <li>• <a href="#">Disaster Recovery Act of 2016</a></li> </ul>

**Schedule of Programs Audited as Major  
For FYE June 30, 2019  
Compiled by the Local Government Commission**

NC 911 Board	•	• NC 911 Board Emergency PSAP Center Grant
NCHFA N/A	• 14.239-Single Family Rehabilitation Program	•
Office of the Governor N/A	• None	• None
DPI  N/A	<ul style="list-style-type: none"> <li>• 10.553, 10.555, 10.556, 10.559 –Child Nutrition Cluster;</li> <li>• 84.010-1-, Title I Grants to LEAs;</li> <li>• 84.010-2-Title I School Improvements;</li> <li>• 84.011-Migrant Education;</li> <li>• 84.027, 84.173-Special Ed Cluster;</li> <li>• 84.048-Career &amp; Tech Education;;</li> <li>• 84.196-Education Homeless Child;</li> <li>• 84.365-English Language Acquisition;</li> <li>• 84.366-Math &amp; Science Partnership;</li> <li>• 84.367-Improving Teacher Quality;</li> <li>• 84.377-School Improvement Grant</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>•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> </ul> Buses Appropriations, <ul style="list-style-type: none"> <li>•</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 Cluster (various programs);</li> <li>• 20.219-Recreation Trails Program</li> <li>• 20.500-FTA Capital Programs;</li> <li>• 20.505-Metropolitan Planning Program;</li> <li>• 20.509-Community Trans Program</li> <li>• 20.513-CL-Elderly Persons w/Disab;</li> <li>• 20.516-JARC;</li> <li>• 20.600 –CL (20.600-20.613) Governors Hwy Safety Program</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> </ul>

**APPENDIX VI**  
**Federal Program Template**

The following information is to be entered in the template for the federal programs' compliance supplements found in Section B of the State's Compliance Supplement. Be sure you write over or erase the corresponding letters.

- A. Enter CFDA # of the federal program, i.e., 10.216. If the program does not have a CFDA # then put NOCFDA. (The instance of no CFDA # should not occur often.)
- B. Enter the name of the federal program (grant/award) as it is shown at Beta.Sam.gov (<https://beta.sam.gov>) website.
- C. Enter the name/pseudonym the State Agency has assigned to the federal grant/award. (If State Agency uses the same name as the federal program then repeat that name.)
- D. Enter the name of the federal awarding agency, i.e., U. S. Department of Health and Human Services.
- E. List the federal laws and regulations that authorize the program and its requirements.
- F. List the State statute that authorizes the program and its requirements.
- G. Enter the name of the State Agency subgranting the federal award/grant.
- H. Enter the Division of the State Agency subgranting the federal award/grant, if applicable.
- I. Enter the name, phone number, and e-mail address of the State Agency contact person for the program and financial. (Include the area code)
- J. Enter information on how confirmation for the amount provided to a subrecipient may be obtain (where to send confirmation letters). Please provide the following information, if to be mailed:
  - Name
  - State Agency
  - Mailing Address
- K. Enter CFDA # of the federal program, i.e., 10.216. If the program does not have a CFDA # then put NOCFDA. (The instance of no CFDA # should not occur often.). See example for positioning. The instructions for “[C] & [K].” apply to the first page of the supplement and all subsequent pages.

**Subsequent Pages:**

See [C] and [K] above.

**III. Compliance Requirements matrix:** Indicate by a “Y” or “N” for the Type of Compliance Requirements that apply to the program on the matrix provided. If the program is included in Part 2 of the OMB Compliance Supplement, then the federal agency has determined what Type of Compliance Requirements apply. A State Agency can add a Type of Compliance Requirement to the program, if applicable, but cannot change the requirement, if it is not applicable at the local level.

If there is no program listed in Part 2, then the State Agency must determine the Type of Compliance Requirements that apply at the local level.

For State Agencies that have issued a Crosscutting supplement, if the program is applicable to the requirements in the Crosscutting supplement, place a “Y” on the matrix. (A Crosscutting Supplement is currently issued only by DHHS-DSS, DHHS-DMHDDSAS, and DPI. The FederalTemplate-CC programs.docx should be used).

**Compliance Requirements A – N:** Under each Type of Compliance Requirement listed, prepare for the local auditor, the requirements that are applicable. If the federal agency has indicated a “Y” in Part 2, but the requirements are not passed to the local level, then note “not applicable at local level” under the Type. If the Type has an “N” on the matrix, the Type can either be removed or noted as “not applicable.”

A] [B]

---

---

State Project/Program: [C]

---

---

[D]

Federal Authorization: [E]

State Authorization: [F]

[G]  
[H]

---

Agency Contact Person – Program

Address Confirmation Letters To:

[I]

[J]

Agency Contact Person – Financial

[I]

---

The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

**Auditors may request documentation of monitoring visits by the State Agencies.**

This compliance supplement must be used in conjunction with the OMB 2021 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

**I. PROGRAM OBJECTIVES**

**II. PROGRAM PROCEDURES**

### III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2020 Compliance Supplement; however, the State Agency may have added the Type and this is noted by “Y.” If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by “N.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2020 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

State Agency: Please note the Type of Compliance Requirements that apply to be program below. If the Type does not apply, change “Y” to a “N”. If a program is subject to the requirements found in a Crosscutting Supplement, please use the template “FederalTemplate-CC programs.docx.”

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

A. Activities Allowed or Unallowed

B. Allowable Costs/Cost Principles

C. Cash Management

D. Reserve

E. Eligibility

F. Equipment and Real Property Management

G. Matching, Level of Effort, Earmarking

H. Period of Performance

I. Procurement and Suspension and Debarment

J. Program Income

K. Reserve

L. Reporting

M. Subrecipient Monitoring

N. Special Tests and Provisions



## APPENDIX VII State Program Template

**The following information is to be entered in the template for the State programs' compliance supplements found in Section C of the State's Compliance Supplement. Be sure you write over or erase the corresponding letters.**

- A. Enter the name of the State grant/award.
- B. List the State statute that authorizes the program and its requirements.
- C. Enter the name of the State Agency granting the State award/grant.
- D. Enter the Division of the State Agency granting the State award/grant, if applicable.
- E. Enter the name, phone number, and e-mail address of the State Agency contact person for the program and financial. (Include the area code)
- F. Enter information on how confirmation for the amount provided to a subrecipient may be obtain (where to send confirmation letters). Please provide the following information, if to be mailed:
  - Name
  - State Agency
  - Mailing Address
- G. Footer should contain the Department abbreviation as noted below along with numerical sequencing. In all cases possible, agencies should use the numbering that was used in the prior year. Example: Program #1 from Commerce would be COM-1  
Program #2 from Commerce would be COM-2, etc

### **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
DOT	Department of Transportation
GOV	Office of the Governor
NCHFA	N. C. Housing Finance Agency

### **Subsequent Pages:**

See **[A]** and **[G]** above

**III. Compliance Requirements matrix:** Indicate by a “Y” or “N” for the Type of Compliance Requirements that apply to the program at the local level on the matrix provided.

For State Agencies that have issued a Crosscutting supplement, if the program is applicable to the requirements in the Crosscutting supplement, place a “Y” on the matrix. (A Crosscutting Supplement is currently issued only by DHHS-DSS, DHHS-DMHDDSAS, and DPI. The StateTemplate-CC programs.docx should be used).

**Compliance Requirements 1 – 14:** Under each Type of Compliance Requirement listed, prepare for the local auditor, the requirements that are to be tested. If the Type has an “N” on the matrix, the Type can be either be removed or noted as “not applicable.”

[A]

State Authorization: [B]

[C]

[D]

Agency Contact Person - Program

Address Confirmation Letters To

[E]

[F]

Agency Contact Person – Financial

[E]

The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

Auditors may request documentation of monitoring visits by the State Agencies.

**I. PROGRAM OBJECTIVES**

**II. PROGRAM PROCEDURES**

**III. COMPLIANCE REQUIREMENTS**

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the State agency noted by “Y.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the State program for the auditee.

State Agency: Please note the Type of Compliance Requirements that apply to be program below. If the Type does not apply, change “Y” to a “N”. If a program is subject to the requirements found in a Crosscutting Supplement, please use the template “StateTemplate-CC programs.docx.”

1	2	3	4	5	6	7	8	9	10	12	13	14
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Conflict of Interest	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

- 1. Activities Allowed or Unallowed
- 2. Allowable Costs/Cost Principles
- IV. 3. Cash Management
- 4. Conflict of Interest
- 5. Eligibility
- 6. Equipment and Real Property Management
- 7. Matching, Level of Effort, Earmarking

8. Period of Performance
9. Procurement and Suspension and Debarment
10. Program Income
11. Reserve
12. Reporting
13. Subrecipient Monitoring
14. Special Tests and Provisions

**Certification of 2021 Compliance Supplements**

I certify that the compliance requirements for program/award \_\_\_\_\_ have been identified and included in the attached compliance supplements to be submitted to the Local Government Commission for review and compilation and distribution to auditors of local governments, public authorities and nonprofit organizations by the Local Government Commission. Additionally, I certify that the related information necessary for auditors to conduct an adequate "GAGAS" or Single Audit of the aforementioned program/award is included in the attached.

\_\_\_\_\_  
Signature and Title  
\_\_\_\_\_

Department

**APPENDIX VII**  
**Short-Form Template**

**The following information is to be entered in the template for any federal or State programs for which a short-form compliance supplement is necessary. Be sure you write over or erase the corresponding letters.**

For Federal Programs:

- L. [Enter CFDA # of the federal program, i.e., 10.216. If the program does not have a CFDA # then put NOCFDA. (The instance of no CFDA # should not occur often.)
- M. Enter the name of the federal program (grant/award) as it is shown at Beta.Sam.gov (<https://beta.sam.gov>) website.
- N. Enter the name/pseudonym the State Agency has assigned to the federal grant/award. (If State Agency uses the same name as the federal program then repeat that name.)
- O. Enter the name of the federal awarding agency, i.e., U. S. Department of Health and Human Services.
- P. List the federal laws and regulations that authorize the program and its requirements.
- Q. List the State statute that authorizes the program and its requirements.
- R. Enter the name of the State Agency subgranting the federal award/grant.
- S. Enter the Division of the State Agency subgranting the federal award/grant, if applicable.
- T. Enter the name, phone number, and e-mail address of the State Agency contact person for the program and financial. (Include the area code)
- U. This is the Short Form # assigned to the supplement. For new Short Form compliance supplement submission for a program, leave the number as X. A number will be assigned.

**For State Programs**

- A. Enter the name/pseudonym the State Agency has assigned to the federal grant/award. (If State Agency uses the same name as the federal program then repeat that name.)
- B. List the State statute that authorizes the program and its requirements.
- C. Enter the name of the State Agency subgranting the federal award/grant.
- D. Enter the Division of the State Agency subgranting the federal award/grant, if applicable.
- E. Enter the name, phone number, and e-mail address of the State Agency contact person for the program and financial. (Include the area code)
- F. This is the Short Form # assigned to the supplement. For new Short Form compliance supplement submission for a program, leave the number as X. A number will be assigned.

Scroll down to “First Page Footer”; Highlight the letter “[J]” or “[F]”. Enter the information as instructed above.

[A] [B]

State Program/Project: [C]

[D]

Federal Authorization: [E] Please complete (General Statutes or Law) that apply

State Authorization: [F] Please complete (General Statutes or Law) that apply

[G] Agency Name  
[H] Agency Division

Agency Contact Person - Program

Agency Contact Person - Financial

Name: [I]  
Title [I]  
Phone Number [I]

Name: [I]  
Title [I]  
Phone Number [I]

**Brief Description of Program:**

Give a brief description of program including allowable activities

**Organizations Funded:** [ ] Private [ ] Local Government [ ] Both

**Source of Funds:** State \_\_\_\_\_ Federal \_\_\_\_\_

[A]

State Authorization: [B]

[C]

[D]

Agency Contact Person - Program

Agency Contact Person - Financial

Name: [E]  
Title [E]  
Phone Number [E]

Name: [E]  
Title [E]  
Phone Number [E]

**Brief Description of Program:**

Give a brief description of program including allowable activities

**Organizations Funded:**     Private     Local Governemnt     Both

**Source of Funds:**            State \_\_\_\_\_            Federal \_\_\_\_\_



**Certification For Submitting Short-Form Supplement for Fiscal Year 2021**  
State Programs

I certify that the program \_\_\_\_\_ has been reviewed and the standard compliance supplement is unnecessary because we subgranted/remitted less than \$500,000 to any one local government or public authority. Therefore, the standard compliance supplement has not been completed for the aforementioned program and instead the short-form supplement has been submitted.

\_\_\_\_\_  
Signature and Title

\_\_\_\_\_  
Department

\_\_\_\_\_

## APPENDIX VII

### Terminology

**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

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

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

**Parts** – The divisions of each Section

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

**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 \$500,000 or more in **one-single** state program.)

**Catalog of Federal Domestic Assistance** – a catalog that lists all federal programs awarded by federal agencies. Programs can be found in the catalog by CFDA # as well as by function,

granting agency or subject. Catalog provides a brief description of the program and the restriction and requirements. (See the Website Tab of these Course Materials for the website location.)

**CFDA #** - numbers assigned to federal programs that identifies the program of a federal agency. Denoted as XX.XXX, i.e., 93.558. First two numbers identify the federal agency and the last 3 are for sequencing.

**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.

**Circulars** – Term used for documents that are issued by OMB to help the implementation of federal laws, regulations, policies and procedures. The circulars that were for used for Administration (A-102, A-110, A-89) and Cost Principles (A-21, A-87, A-122) have been superseded by the Uniform Guidance (Subparts A-E) effective for December 26, 2013. Circulars concerning Audit Requirements (A-133, A-50) have been superseded by Uniform Guidance Subpart F effective for year ends beginning after December 26, 2014.

**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.

**Finding** – The auditor's discovery of a violation or act of noncompliance in a grant program.

**Subrecipient** – An entity (local government, public authority, not-for-profit organization) receiving federal financial assistance indirectly, from another entity (State agencies) that received the assistance directly from the federal agency that created and funded the program. Note: Could be also an entity receiving federal awards from a subrecipient.

**Single Audit** – An audit 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).

## 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:

- 1) Link to the 2020 State Compliance Supplement:  
<https://www.nctreasurer.com/divisions/state-and-local-government-finance-division/lgc/local-fiscal-management/compliance>
  - 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://beta.sam.gov/>

(Catalog of Federal Domestic Assistance website (formerly [www.cfda.gov](http://www.cfda.gov)) is now part of beta.sam.gov and is now called Assistance Listings)

#### C. Code of Federal Regulations:

<http://www.gpoaccess.gov/cfr/index.html>

#### D. United States Code

<http://www4.law.cornell.edu/uscode/>

#### E. 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:

[http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

The Uniform Guidance is printed in the Federal Register Vol 78 No. 248 Thursday, December 26, 2013 and can be found at:

<https://www.federalregister.gov/>

#### C. North Carolina State Statutes:

<http://www.ncleg.net/gascripts/statutes/Statutes.asp>

#### D. N. C. Administrative Code

<http://reports.oah.state.nc.us/ncac.asp>

**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.*