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STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

GREGORY C. GASKINS
DEPUTY TREASURER

Memorandum #2020-07

TO: State Agencies, Independent Auditors, North Carolina Local Governments and Public Authorities, Interested Parties

FROM: Sharon Edmundson, Director, Fiscal Management Section

SUBJECT: 2020 State Compliance Supplements

DATE: June 8, 2020

The North Carolina State Compliance Supplements (State Compliance Supplements) have been updated for the year 2020. These documents have been developed in cooperation with State agencies to assist the local auditor in identifying program compliance requirements and audit procedures for testing those requirements.

Copies of all Compliance Supplements, Sections A through E, may be obtained by downloading them from the State Treasurer's Single Audit website [here](#).

At this time, the U.S. Office of Management and Budget (OMB) has not yet released the OMB Compliance Supplement, which is Section A of the State Compliance Supplements. Our understanding is that OMB is still planning to release it in late June. OMB may decide to release an addendum in the fall, but this is not definite.

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act (CARES) was signed into law establishing the Coronavirus Relief Fund (CRF) that will provide the State and North Carolina Local governments over \$4 billion of relief from the effects of the novel coronavirus (COVID-19). Funding from the CRF is considered federal financial assistance. The US Dept. of Treasury (Treasury) is the granting agency, and the CRF program has been assigned a CFDA No. 21.019. Information on the CRF can be found on the Treasury's website, [CARES Act, State Local, and Tribal Governments](#) at: <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>. Treasury has provided guidance to recipients in the documents [Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments](#) (April 22, 2020) and [Frequency Asked Questions](#) (updated as of May 28, 2020). These documents can be found on the Treasury website.

The General Assembly passed Session Law 2020-4, "2020 COVID-19 Recovery Act" which allocates to the Office of State Budget and Management (OSBM) \$150 million of the federal funds from the Coronavirus Relief Fund (21.019) to be distributed to the 97 Counties that did not receive funds directly from Treasury. A County may allocate a portion of these funds to be used by municipalities within the County, but only for qualified expenditures. Municipalities that receive these funds from a County are considered subrecipients of the County. The Governor has established the NC Pandemic Recovery Office (NCPRO) to oversee the CRF funds. A website has been created as a resource for State agencies and local governments at <https://www.nc.gov/agencies/ncpro>. An important document that auditors should read carefully is [Frequently Asked Questions for Local Governments](#) (periodically updated) which provides guidance on how these funds are to be used.

There are other sources of funds from the CARES Act that pass through State agencies to local governments that are considered federal financial assistance, such as the Educational Stabilization Fund (84.425) and existing and common federal programs. **IMPORTANT: There are no State funds appropriated for Coronavirus relief, only federal funds passed down from Treasury.** Auditors should

work with their local governments in identifying these funds and in determining the guidance provided by NCPRO, Treasury, as well as State Agencies.

Understandably, ever since the CARES Act was signed into law, guidance has not been readily available, and questions still remain. The State Compliance Supplements from the State Agencies do not provide guidance on auditing CARES Act funding. A State Agency may revise its supplement if necessary, but auditors are encouraged to wait until the OMB 2020 Compliance Supplement is issued. Also worth noting, in March, OMB issued two memoranda to Heads of Federal Agencies, [M-20-11](#) and [M-20-17](#), dated March 9, 2020 and March 19, 2020, respectively, that directed Federal agencies to take action as they deem appropriate and allowable by law to provide administrative relief for recipients and applicants of federal assistance directly impacted by COVID-19. State agencies were informed that unless they received guidance from their federal oversight agency, staff was not to incorporate the two OMB memoranda into the State Compliance Supplement as the relief granted is only temporary. The exceptions granted in the memos are time limited and are to be reassessed within 90 days of the date of each memo. Auditors are encouraged to visit the AICPA's Governmental Audit Quality Center website for updates that will affect Single Audits as a result of the current health crisis.

The Centers for Medicare and Medicaid Services (CMS) have granted NC Medicaid the authority to temporarily modify several Medicaid and NC Health Choice policies. A discussion of how this Medicaid Waiver will impact the Medicaid and NC Health Choice programs can be found in NC DHHS-DHB's [Administrative Letter No. 01-20, Addendum 1](#), Medicaid/NCAC Procedures for COVID-19, dated April 1, 2020.

As noted in the M-20-17 memo referenced above, OMB has allowed a six-month extension for audits with years ending through June 30, 2020. Also, in the Administrative Letter No. 01-20, the Director of NC Medicaid has asked local County auditors to utilize the extension deadline as much as possible. After considering the limitations on local government staff time as well as audit staff, we have extended the deadline for June 30, 2020 audits, both financial and compliance, to January 31, 2021, with no additional grace period. More information on the audit deadline extension can be found on our LGC Staff blog, [Audit Deadline for June 30, 2020 Financial Statements](#) issued May 15, 2020.

Should you have any questions regarding specific requirements, agency contact persons referenced in the Compliance Supplements can assist you. Questions or comments to the SLGFD staff may be directed to Jim Burke via telephone at (919) 814-4301 or via email at james.burke@nctreasurer.com.