





STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

**Training – Compliance Supplements and Single Audits**

James Burke, Senior Accounting and Financial  
Management Advisor, Fiscal Management Section

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NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division



STATE TREASURER OF NORTH CAROLINA  
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## Meeting Agenda

- Audit requirements for non-State entities in North Carolina
- State Compliance Supplements
  - OMB Compliance Supplement
- When a Compliance Supplement is required for State Program
- Type of Compliance Requirements – federal and State
- Steps to writing a compliance supplement
- State Compliance Supplement prescribed format
- Generic Compliance Supplement - Compliance Requirements for State Awards
- State Compliance Supplement resources

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## Audits of local governments and non-profit organizations (NPOs) in North Carolina:

- Generally Accepted Auditing Standards (GAAS) - audit of the financial statements in accordance with audit standards issued by AICPA
- *Governmental Auditing Standards (GAGAS)* - audit of the financial statements in accordance with auditing standards issued by Government Accountability Office (GAO), Comptroller General of the US.
  - A compliance audit, commonly referred to as a Yellow Book audit.
  - Tests compliance with certain provisions of laws, regulations, contracts, and grant agreements.
  - Higher standards related to auditor's independence, continuing professional education requirements, quality control and peer review, and for conducting the audit and reporting.

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## Audits of local governments and NPOs in NC (cont.)

- An audit performed under the requirements of the Uniform Guidance, State Single Audit Act, and NCAC Subchapter 3M is considered a compliance audit of an entity's major federal and/or State programs, which includes:
  1. gaining an understanding and testing internal controls over the compliance requirements of major programs.
  2. testing whether the entity is materially compliant with applicable compliance requirements for each major program.
- Schedule of Expenditures of Federal and State Awards
  - NPOs may have different schedule
- A single audit consists of a GAAS audit, Yellow Book audit, and audit of major programs.

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## Federal Single Audit requirements

- **Federal awards:** If a nonfederal entity expends \$750,000 or more of federal financial assistance, an audit is required in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”).
  - Title 2 US Code of Federal Regulations, Part 200, (2 CFR 200)
  - Threshold will increase to \$1,000,000 effective for FYEs 09/30/2025 and later.
- Applies to States, local governments/public authorities and not-for-profits.
  - Also, applies to Institutes of Higher Learning, Indian Tribes, and possibly for-profit entities under a limited basis

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## Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

- Part of the Code of Federal Regulations (2 CFR 200)
- Uniform Guidance
  - Subpart A: Acronyms and Definitions (§200.0 - (§200.1)
  - Subpart B: General Provisions (§200.100 - (§200.113)
  - Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards (§200.200 - §200.216)
  - Subpart D: Post Federal Award Requirements (§200.300 - §200.346)
  - Subpart E: Cost Principles (§200.400 - §200.476)
  - Subpart F: Audit Requirements (§200.500 - §200.521)
  - Appendices I to XII
- Revised Uniform Guidance (effective fiscal years beginning on or after October 1, 2024)

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## Single Audit requirements of State Awards

- Two authoritative sources for Single Audit of State Awards:
- NC Administrative Code (09 NCAC 03M), NC G.S. §143C-6-23:
  - Applicable to non-State entities except for those who report to the LGC (Local Governments and Public Authorities)
  - Title 9 – Governor and Lt. Governor,
  - Chapter 3 – Office of State Management and Budget (OSBM)
  - SubChapter M - Uniform Administration of State Awards of Grants
- NC G.S. §159-34. Annual independent audit: rules and regulations
  - Applicable to Local Governments and Public Authorities
  - State Single Audit Implementation Act

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## SubChapter 3M, Single Audit requirements

- A recipient/subrecipient that receives, holds, uses, or expends grants in an amount equal to or greater than the dollar amount requiring audit as listed in 2 CFR 200.501(a) within its fiscal year shall have a single or program-specific audit prepared and completed in accordance with Yellow Book standards (09 NCAC 03M.0205).
- This was effective July 1, 2024
- OSBM adopts rules to ensure the uniform administration of State grants by all grantor State agencies and grantees or subgrantees (NC G.S. §143C-6-23(d)).
- Expenditures of grants by any recipient or subrecipient shall be in accordance with the cost principles outlined in the Code of Federal Regulations, 2 CFR, Part 200. (Uniform Guidance, Subpart E, Cost Principles).

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## 09 NCAC 03M.0102 – Important Definitions

- State funds includes federal financial assistance received by the State and passed to non-State entities. Both federal and State awards must maintain their identity as they are disbursed.
- "Single Audit" means an audit that includes an examination of an organization's financial statements, internal controls, and compliance with the requirements of Federal or State awards.
- "State financial assistance" means State funds disbursed as a grant, cooperative agreement, non-cash contribution, food commodities, or direct appropriation to a recipient or subrecipient as defined in 09 NCAC 03M.0102 (10) and (14).

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## NC G.S. §159-34

- Requires GAAS and GAAP audits for Local Governments and Public Authorities.
- Must have a Yellow Book if expenditures are \$100,000 or more in combined federal or State financial assistance.
- State Single Audit Implementation Act
- State Awards: If a local government/public authority expends \$500,000 or more of State financial assistance, an audit is required in accordance with NC G.S. §159-34(a) (State Single Audit Implementation Act). Guidance can be found in "Discussion of Single Audit in NC."

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## OMB and State Compliance Supplement

- The OMB Compliance Supplement (Supplement) is based on the requirements of 31 USC Chapter 75 (Requirements of Single Audits) and 2 CFR Part 200, Subpart F (*Uniform Guidance*).
- The State Compliance Supplement is based on the requirements of the State Single Audit Implementation Act (G.S. § 159-34) and NC Administrative Code Subchapter 3M – *Uniform Administration of State Awards if Financial Assistance*.

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## What is a Compliance Supplement?

- The Supplement is a document that identifies existing compliance requirements that the federal and State government expects to be considered as part of a Single Audit.
- Without the Supplement, auditors would need to research many laws and regulations for each program under audit to determine which compliance requirements are important to the federal government and could have both a direct and material effect on a program.
- Without a Supplement, the auditor may not test a compliance requirement that the federal or State Agency believes is important and is a high risk.

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## What is a Compliance Supplement? (cont.)

- Providing the Supplement is a more efficient and cost-effective approach to performing this research. The Supplement provides information for auditors to understand Federal and State program's objectives, procedures, and requirements subject to the audit.
- A Compliance Supplement helps a State Agency meet the requirement of Uniform Guidance §200.332 (pass-through entities requirements) of monitoring the activities of subrecipients as necessary to ensure that the subaward performance goals are achieved.
- For federal programs, certain compliance requirements may be performed at the State level and not passed to the local government or NPO. An applicable compliance requirement to test may be added to the program by the State.

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## Compliance Requirements

- **Compliance requirements** are a series of directives Federal and State Agencies established that summarize hundreds of federal and State laws and regulations applicable to federal or State financial assistance.
- There may be additional requirements inserted in contracts and memorandum.
- The auditor is expected to test compliance only for those requirements that are susceptible to testing by the auditor (i.e., the requirements can be evaluated against objective criteria, and the auditor can reasonably be expected to have sufficient basis for recognizing noncompliance).
- The compliance requirements are to be categorized into "Types."

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## What does the Compliance Supplement do?

- Primarily an auditor's tool for auditing a Federal or State program
- Identifies program compliance requirements and audit procedures for testing those requirements
- 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
- Not an all-inclusive document for auditing programs
- It does not create compliance requirements.

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## 2024 State Compliance Supplements

- Prepared by federal agencies:
  - Section A – US Office of Management and Budget (OMB) Compliance Supplement – May 2024 (effective for audits ending June 30, 2024, and after)
- Prepared by State Agencies:
  - Section B – Supplements for Federal programs passed through the State (including State matching)
  - Section C – Supplements for programs funded solely with State funds
  - Section D – Crosscutting Compliance Supplements
    - Currently: DHHS, DPI, & DOT have issued
  - Section E – Short Form Compliance Supplements

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## Section A: OMB Federal Compliance Supplement

- Part 1 – Background and Purpose
- Part 2 – Matrix of Compliance Requirements
- Part 3 – Compliance Requirements (apply to all federal programs with applicable types)
- Part 4 – Agency Program Requirements
- Part 5 – Cluster of Programs (other clusters)
- Part 6 – Internal Controls
- Part 7 – Guidance for Auditing Programs NOT Included in this Compliance Supplement (good resource on how to prepare a compliance supplement)
- Appendices (I to IX)

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## OMB Federal Compliance Supplement - Appendices

- I – Federal Programs excluded from the Uniform Guidance (2 CFR Part 200)
- II – CFRs applicable to Federal Agencies
- III – Federal Agency Single Audit, Key Management Liaison, and Program Contacts
- IV – Internal Reference Tables
- V – List of Changes for the 2023 Compliance Supplement
- VI – Program-Specific Audit Guides
- VII – Other Audit Advisories
- VIII – Examination of EBT Service Organizations
- IX – OMB Compliance Supplement Core Team

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## Local auditors testing federal or State programs

- For testing a major program with federal funding (State match), auditor will use:
  1. Section A (OMB Compliance Supplement)
    - Part 2 to identify Types of Compliance Requirements that apply
    - Part 3 for generic compliance requirement
    - Part 4 (if one exists) for specific compliance requirements
    - Possibly Part 6 to test internal controls over compliance, unless the auditor uses another internal control framework
  2. Section B – State supplement for a federal program
  3. Possibly a crosscutting supplement, if one applies
- For testing a major program with State funding, auditors will use:
  1. Section C – State supplement for a federal program
  2. Possibly Section B, if a State Agency directs an auditor to use guidance in Part 3.
  3. Possibly a crosscutting supplement
  4. Possibly Part 6

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## Compliance Requirements for State Awards

- The objectives of most compliance requirements for State programs/projects are generic in nature and broadly applicable.
- “Compliance Requirements for State Awards” was created using Part 3 of the OMB Compliance Supplement and other compliance resources.
- The use for this documents is not currently mandatory, unlike Part 3 for federal awards, but may be used by auditors to test programs that have a State Compliance Supplement or for State programs/projects that do not have a supplements.
- The section Procurement, Suspension, and Debarment (No. 9) is currently being developed.

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## Cluster of Programs

- Cluster of programs means a grouping of closely related programs that share common compliance requirements (UG §200.17).
  - R&D, SFA, and “other clusters.”
- “Other clusters” are defined by OMB in Part 5 of the OMB Compliance Supplement.
- State may add a program to a federal cluster but cannot remove a program clustered by OMB.
- A cluster must be considered as one program for determining major programs to be audited.

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## Cluster of Programs (cont.)

- Careful consideration should be given before a State Agency adds a federal program to an OMB Cluster of Programs or creates a cluster of programs.
  - Are the programs closely related, and do they share common compliance requirements, especially federal compliance requirements?
  - Auditors may have additional testing to test federal compliance requirements for the added program
  - SEFSA reporting requirements: OMB requires the additional programs added to the cluster be presented separate from the OMB cluster.
- Programs that are clustered by State (refer to *Preparation Guide*)

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DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

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## Uniform Guidance-Audit Requirements

### COMPLIANCE REQUIREMENTS

FEDERAL	STATE
A. Activities Allowed or Unallowed	1. Activities Allowed or Unallowed
B. Allowable Costs/Cost Principles	2. Allowable Costs/Cost Principles
C. Cash Management	3. Cash Management
D. <b>Reserved</b>	4. Conflict of Interest
E. Eligibility	5. Eligibility
F. Equipment & Real Property Mgmt	6. Equipment & Real Property Mgmt
G. Matching, Level of Effort, Earmarking	7. Matching, Level of Effort, Earmarking
H. Period of Performance	8. Period of Performance
I. Procurement, Suspension and Debarment	9. Procurement, Suspension and Debarment
J. Program Income	10. Program Income
K. <b>Reserved</b>	11. <b>Reserved</b>
L. Reporting	12. Reporting
M. Subrecipient Monitoring	13. Subrecipient Monitoring
N. Special Tests and Provisions	14. Special Tests and Provisions

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*Dale R. Folwell, CPA*

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## Sources of compliance requirements

What are the primary sources that are used by the local entities to manage the compliance requirements of a Federal or State program?

- Is there a contract or grant agreements between the State and subrecipient?
- Are memorandums or notifications issued by the subgranting agency to the subrecipient?
- Are there specific Federal or State statutes, Federal Code of Regulations (CFR), NC Administrative Code?
- Is there a resource that is used on unit visits to determine if a grantee is noncompliant?
- [sam.gov](https://www.sam.gov) – System for Award Management, (federal programs).

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## Compliance Requirements that are Direct and Material

- Materiality is based on qualitative and quantitative aspects
- Noncompliance that could result in questioned costs
- The requirement affects a large part of the Federal or State program
- Noncompliance could cause the State agency (or federal agency) to take action
- Be mindful of compliance requirements that are susceptible to testing by the auditor.

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## Whether to issue a new supplement or update an existing one?

- Consideration should be given to:
- Federal programs:
  - Whether the program potentially is a Type A program and expends \$750,000 or more
  - Whether programs is potentially considered a program of higher risk, based on entity's audit history and expenditures are  $\geq$  \$187,500 and  $<$  \$750,000.
- State major program threshold is  $\geq$  \$500,000; however, State programs with expenditures of \$200,000 should be considered.
- Percentage of coverage rule is 40% of total expenditures for both Federal and State awards
  - For Federal awards, an auditee may audit 20% of total expenditures if it qualifies as a low-risk auditee (Uniform Guidance §200.520)

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## Whether to issue a new supplement or update an existing one?

- Determine the number of subrecipients that received the funding for a particular program and amount they received.
  - State Agency may want to review the year end confirmation reports available
- If a new program, is it a one-year occurrence or event?
  - Where would an auditor find guidance to audit the program if there is no supplement?

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## Important Resources

- OMB 2024 Compliance Supplement (May 2024)
  - Part 2 – OMB Federal Matrix of Compliance Requirements
  - Part 3 - Compliance Requirements for All Programs, if the Type is Applicable
  - Part 4 - Agency program requirements if the program has a federal compliance supplement prepared by OMB
  - Part 7 – Guidance for Auditing Programs not Included in this Compliance Supplement
- Uniform Guidance, Title 2 Part 200
- [sam.gov](https://www.sam.gov) (formerly CFDA.gov)

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## Important Resources (cont.)

- Compliance Supplement Preparation Resources
    - *Preparation Guide for the North Carolina State Compliance Supplements for the Year 2025.*
      - Steps for writing federal and State long form supplements
    - OMB 2024 Compliance Supplement
    - Part 2, Federal Matrix
    - Part 3, Compliance Requirements
    - Appendix III, Key Federal Agency Contacts
- [www.nctreasurer.com](http://www.nctreasurer.com), select SLGFD, select Compliance Supplement and Related Resources

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## Are federal compliance requirements current?

- In preparing or updating a State Compliance Supplement for a federal program, OMB will not have released the Compliance Supplement for the year being audited. State Agencies should use the most recent version.
- State agencies are responsible for determining if there are any updates/changes to the federal program for which a supplement is being written.
- While a federal program may have many compliance requirements, normally there are only a few key compliance requirements that could have an affect on the program.
- The auditor should be made aware that a particular non-federal entity or federal award may be subject to provisions that are unique to that entity or award.

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## Steps for Writing a Long Form Supplement

- The following steps apply to both a federal and State long-form supplement.
- Detailed steps for federal programs and State programs are included in the “Preparation Guide for the NC State Compliance Supplement for 2025.”
- Three sections (Items) of a long form Federal and State compliance supplement:
  - I. Program Objectives
  - II. Program Procedures
  - III. Compliance Requirements
- If this is a federal program, determine if OMB has issued a supplement in Part 4 of the OMB 2024 Compliance Supplement.

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## What are the program objectives?

- Description of program objectives and procedures should provide an overview of how the program works and its key features.
- An objective may be from the State or mandated by the federal agency.
- Include information needed to understand and audit the program at the recipient or subrecipient level. This section should not include compliance requirements.
- Ideally, this needs to be a few sentences, or a couple of paragraphs at the maximum.
- This will be described on the compliance supplement as Section I.

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## What are the program procedures?

- There should be a summary of how the program is administered.
- Be mindful of what an auditor needs to know to test the program.
- This will be described in item II on the compliance supplement, "Program Procedures."
- This section can be organized in subsections that include headers.
- If there is pertinent information available on an agency website or in an agency publication that will assist the auditor in understanding the program, provide a name and description of and publications and valid URLs for website(s).

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## Program Procedures? (cont.)

- This should include but not be limited to:
  - Briefly discuss how the grant is acquired by the State.
  - Components of the grant: federal, State, and/or local dollars
  - Description of how a subrecipient acquires the grant from State
  - Description of application process
  - List of forms to be used in the application process and where obtained
  - A description of any attestation that the subrecipient must make on application

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## Program Procedures? (cont.)

- A description of how the grant is transferred to the subrecipient
- A description of how the federal requirement and any State requirements are communicated to the subrecipient
- A general description of what the grant money is used for and if there are any major “Don’ts” involved
- A brief description of any monitoring done by the State agency
- If a federal supplement exists, address items that a State may opt to pursue, such as waivers to certain requirements or agreements or rebates
- A description of any policy and procedure manuals that may be needed by the auditor for reference and where they might be obtained
- A definition of any acronyms, which may be necessary to use.

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## Steps for Writing a Long Form Supplement

- Determine which of the 12 (or 13 for State funded programs) Type of Compliance Requirements are applicable to the program.
  - Review the authoritative sources to manage the program?
  - If a federal supplement was issued by OMB in Part 4, the Type of Compliance Requirements have been identified. Review the requirements stated in the OMB supplements to identify types.
  - If the program is not in the OMB Compliance Supplement or it is a State program (funded only with State funds), the State Agency is responsible for determining the Types.

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## Applicable requirements to the program?

- Determine which specific compliance requirements are applicable to the program at the local level.
  - How much or what portions of the program 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 the minimal portion of the program, such as Eligibility and Reporting?
    - Has the State eliminated any requirements?

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## Which requirements are applicable and are direct and material to the program at the local level?

- Identify specific compliance requirements that are direct and material and that the State agency would have the local auditor to test, categorize them in one of the 12 (13 for State program) Types of Compliance Requirements (ex. A. or 1. Activities Allowed or Unallowed).
  - What would be the effect if there is noncompliance?
- Important: Carefully, read the definition of a particular Type to determine if a specific requirement meets the definition before placing the requirement into that Type. If a particular Type cannot be determined, Type N (13) Special Testing and Provisions may be used.

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## Sect. III “Compliance Requirements”

- Five types of compliance requirements (Activities Allowed or Unallowed; Eligibility; Matching, Level of Effort, Earmarking; Reporting; and Special Tests and Provisions), when applicable, will have requirements unique to the program.
- For the other seven types of compliance requirements:
  - for federal programs, the descriptions of the compliance requirements in Part 3, “Compliance Requirements,” should generally be adequate unless the program has unique provisions.
  - A State Agency may have additional requirements or may have not passed the requirement to the local level. Provide detail.
  - for State programs, there needs to be a description. State Agencies may refer to the document “Compliance Requirements for State Awards” for specific Types.
- Review the audit objectives and suggested audit procedures in Part 3 of the Supplement to ensure that they provide appropriate audit coverage for the program.

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## Compliance Requirements at the Local Level

- “Pick six” initiative: If possible, limit the number of applicable Types of compliance requirements to six (allowed/unallowed activities and allowable costs/cost principles can count as one, if both are applicable).
  - The purpose is to reduce the audit burden on auditors and auditees of the various programs and focus on the significant Types.
  - State Agencies may add a Type to a federal program, but cannot change a “Y” to a “N.”
  - A Type for a federal award may only be applicable at the State level, and not passed to a local government or NPO.

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## Federal program compliance requirements (A–C, E–J, L, M)

- These are listed on the Compliance Supplement (item III) and are in alpha sequence A-C, E-J, L,M.
- For each requirement applicable, agency staff should determine:
  1. Is the requirement program specific? Either include guidance on the requirement or, if applicable, make a reference to Part 4 of the OMB Compliance Supplement.
  2. Is all the information necessary for the local auditors included in Part 3 of OMB Compliance Supplement? It is not necessary to duplicate. Auditors should use Part 3.
  3. Has the State agency imposed additional requirements? If so, provide details.

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## Compliance Requirements for A–C, E–J, L, M (cont.)

4. Has the State imposed more stringent requirements on the federal requirements described in Part 3 or Part 4? If so, provide more details.
5. Is the program exempted from parts of the Uniform Guidance? If yes, then provide details of the Agency's requirements.
6. If the requirement shown is applicable based on the federal matrix (Part 2 of the OMB Compliance Supplement), but the agency does not pass the requirements on to the subrecipient, state "not applicable at local level."

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## Compliance Requirements for A–C, E–J, L, M (cont.)

### Other Suggestions:

- Add any information on the State monitoring that may be helpful.
- Read the “Suggested Audit Procedures” for each compliance type OMB Compliance Supplement (Part 3 and 4, if applicable).
  - If the audit objective can be met at the State level, state agency need not address on the State Compliance Supplements.
  - If audit objective cannot be met, write additional procedures and include them on the supplement.
- Ideally, each compliance requirement should have an “Audit Objective” and a “Suggested Audit Procedure.”

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## State program compliance requirements (1–10, 12, 13)

- These are listed on the Compliance Supplement (item III) and are in numerical sequence 1-10, 12, 13.
- For each requirement applicable, agency staff should:
  1. Provide the details of the requirement or references as to where the requirement is located.
  2. Remember – there are no Statutes that apply to all of the requirements universally, except “4” Conflict of Interest.
  3. Provide an audit objective for each requirement (what is the local auditor trying to determine by auditing this requirement?)

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## Compliance Requirements for 1–10, 12, 13 (cont.)

4. Provide “Suggested Audit Procedures” for each requirement to be audited.
5. 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.
  - Add any information on the State’s monitoring of the program that may be helpful.
  - Ideally, each compliance requirement should have a “Suggested Audit Procedure” and an “Audit Objective.”

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## Determining of Special Tests and Provisions (N / 13)

- 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?)
  - “Suggested Auditing Procedures”

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## Other Information (optional)

- A State Agency may provide additional guidance in a section of the supplement that follows the compliance requirements “Other Information.”
- The section is optional, not required.
- Other information includes additional guidance on reporting federal or State expenditures, how the program(s) are to be presented on the Schedule of Expenditures of federal or State awards, whether loans have continuing requirements.
- For federal programs, State Agencies are not expected to duplicate “Other Information” included in an OMB Compliance Supplement.

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## Completing the “Table”

- Agencies must present the Type of Compliance Requirements on a “table” located on the supplement, under section III Compliance Requirements.
  - A separate document listing applicable Types is no longer required
- If the program is shown on the Matrix in Part 2 of the OMB Compliance Supplement, all of the requirements that are shown as applicable, (designated “Y”) must be shown as applicable on the Table of the State Supplement.
  - This is the case even if the state does not pass the requirement to the subrecipient.
- Any requirement shown as not applicable on the Matrix Part 2 of the OMB Compliance Supplement, (designated “N”) will be designated with “N” on the Matrix in State Compliance Supplements (Section B, Part 2).
- Matrix for State Program should designate a “Y” or “N,” as applicable.

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## Federal Long Form Template

- **TIME SAVER:** In lieu of using a Long Form Program Template, the previous supplement may be updated, or a similar supplement may be used (**IMPORTANT:** insert a Type of Compliance Supplement Table)
- Date for the State Compliance Supplements should be April 2024.
- A. Enter the Assistance Listing (formerly CFDA #) of the federal program, i.e. 10.216. If the program does not have an AL/CFDA # then put "None." (The instance of should not occur often)
- B. Enter the name of the federal grant/award as it is shown in [sam.gov](http://sam.gov).

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## Federal Program Template (cont.)

- C. Enter the State Project/Program name that the State Agency has assigned to the federal grant/award. (If State Agency uses the same name as appears in the Catalog of Federal and Domestic Assistance 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 requirement.
- F. Enter the name of the State Agency and Division subgranting the federal award/grant.
- G. List the State laws and regulations that authorize the federal program and its requirements, if applicable.

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## Federal Program Template (cont.)

- H. Enter the name and phone number of the State Agency contact person for the program (include the area code).
- I. Enter the following information for the person to whom the confirmation letters should be sent:
- Name
  - State agency
  - Mailing address
- J. Enter Assistance Listing (CFDA) No. of federal program (i.e. 10.216). If the program does not have a number, then put NO AL#. The instructions for “[J]” apply to the first page of the supplement and all subsequent pages.

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## Federal Program Template - subsequent pages

- Enter the State Project/Program name as a header on each subsequent page.
- The footer on the first page should appear on each subsequent page. The only change would be the page number. The B – 4 (on left side footer) and AL/CFDA No. (center footer) would not change on the pages.
- For examples, please look at Section B of the State Compliance Supplements on the website.

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## State Program template Steps

- Steps are similar to the steps for using a federal supplement.
- If updating supplement, a prior year supplement may be used.
- The identifying number used (State Agency abbreviation and assigned number appears only on the bottom, along with C-4 and page no.)
- State program/project is the only name to appear at the top of the page.
- There is no federal agency, federal laws, or code of federal regulations applicable to a State program.

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## State Program Template Steps (cont.)

- Type of compliance requirement must be placed on the Table on the supplement in section III. Compliance Requirements
- When determining the State compliance requirements that are applicable to the program:
  - there are 13 State types of compliance requirements
  - Conflict of interest is a type of State compliance requirement
  - Types of State compliance requirements are identified by a system of numbers (1, 2, 3, etc.)

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## Short Form Templates

- State agencies are not required to write compliance supplements for every program they subgrant. If a long form is not prepared, a short form that includes State authorization and Agency contact information, a brief description of the program (including allowable activities), and sources of funds are to be provided (located in Section E of the State Compliance Supplements).
- This is for both federal and State programs.
- Short form is provided a number and entitled “Short-Form-XXX.”
- Short form templates are provided.

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## Compliance Supplement Numbering

- For new federal program submissions, name the file using the Assistance Listing number of the federal program for which it is written. If more than one program has the same Assistance Listing 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 ALN 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.
- For new programs, leave as X (ex. 10.557-X, DHHS-X, Short-Form-X) and LGC will assign number.

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## State Compliance Supplement – federal programs with COVID-19 funding

- Should only apply to federal programs passed through the State
- Applies to existing programs that the General Assembly has allocated the CARES Act, CRRSAA, and ARPA.
- Not necessary to issue a separate State supplement but include guidance for COVID-19 in the existing supplement.
- If a compliance requirement only applies to COVID funding or is more restricted due to COVID, note “COVID-19 in the Type of Compliance section that is applicable.
- As an optional, the heading of the supplement may include 2 federal program names: COVID 19 – “federal program name.”
- List of programs: The American Rescue Plan Act (ARP) of 2022 COVID-19 Financial Assistance Program

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## Finding the Correct Supplement for the Program

- Auditors should confirm amounts reported on the Schedule of Expenditures of Federal and State Awards with the granting agency.
- The auditor should be able to determine what State Compliance Supplements to use based on the program name reported on the SEFSA.
- Federal programs should have an Assistance Listing Number (formerly CFDA No.) and a pass-through identifying number associated with the award (both will be reported on the SEFSA, with the program name and program expenditures).
- Program funded solely with State funds should have an identifying number.

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**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

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## State Compliance Supplements: Important Dates

**The production schedule for this year's Supplement is as follows**

Supplements to be Written and Reviewed by Agency	August through February
Final Supplement Packages to LGC	by March 3, 2025
Review for Format by LGC	April 4, 2025
All Corrections received by LGC	April 25, 2025
Posted on the LGC website by the LGC	May 1, 2025

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## Submission by State Agencies: Required Documents

- 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.)
  - If applicable: **Compliance Supplement Questionnaire**
  - **Agency certification**
- **No longer required: Agency-prepared Matrix.** Types should be reported on the Table on the supplement. LGC will create a State-wide matrix.

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## State Compliance Supplements submission

- 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.
- Physical location (and mailing address):  
NC Department of State Treasurer,  
State and Local Government Finance Division,  
3200 Atlantic Avenue,  
Longleaf Building,  
Raleigh, NC 27604
- James Burke, 919-814-4301, [james.burke@nctreasurer.com](mailto:james.burke@nctreasurer.com)

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## Common issues with State Compliance Supplements

- Inconsistencies within the supplement and other sources that are referenced. This would include inconsistencies with other supplements (federal or crosscutting), laws and regulations, and contracts.
- The compliance requirement objective or suggestive audit procedure is vague.
- Links do not work, are not applicable, or they are not specific. References to websites should be specific, not to a home webpage. References to applicable statutes or codes should include subsections, paragraph, and subparagraph numbers. References to documents should include page and paragraph numbers.
- Most OMB Circulars have been superseded by the Uniform Guidance, and should not be referenced, such as Circular A-87, 102, 110, and 133.

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## Point of Emphasis for 2025

- Limit the Type of Compliance Requirements that auditors are required to test to six (6), if possible.
- Carefully review Section II “Program Procedures” being mindful of what is important to the local auditors.
- State Agencies are encouraged to provide confirmation reports or other documentation to identifying the awards provided to the entity.
- The program/project name included on the confirmation reports or other documentation should be consistent with the name of the program/project on the Compliance Supplement.

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## State Compliance Supplement Updating/Preparation Suggestions

- Do not tackle this alone. Build a team.
  - Key program contacts that are very knowledgeable of the program
    - It is essential for those that know the program be involved
  - Finance and Budget personnel
  - Procurement personnel
  - Accountants/auditors with Agency that are familiar with audit techniques
- Internal audit staff may offer suggestions or recommendations.
- Subrecipients, local auditors, and OSA representatives may be a good resource
- OMB Compliance Supplement Appendix III: Federal Agency Single Audit, Key Management Liaison, and Program Contacts

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## State Compliance Supplement Updating/Preparation Suggestions (cont.)

- Become familiar with the applicable parts of the Uniform Guidance 2 CFR 200 (Title 2, Part 200, sections .0 - .520).
- Become familiar with sections of the OMB Compliance Supplement
- Understand the Type of Compliance Requirements and how they apply to a program
- Understand how your agency provides funding to subrecipients and informs subrecipients of funding
- [sam.gov](http://sam.gov) (enter assistance listing number or key word of the program)
- Read the “Audit Risk Alerts” at AICPA’s Governmental Audit Quality Center (GAQC)
  - <https://www.aicpa.org/interestareas/governmentalauditquality.html>

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## Single Audit Reporting and Compliance Supplement Resources

- At “treasurer.com,” select “State and Local Government Finance Division”
- Select: “Access compliance supplements and related resources”
- Website: “Single Audit Reporting and Compliance Supplement Resources”
  - Discussion of Single Audit in North Carolina
    - Summary of Single Audit in North Carolina
  - Single Audit Reporting
  - Compliance Supplements
  - NCDEQ, NCDHHS, NCDOT Reports
  - Compliance Supplement Preparation Resources

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## Compliance Supplement Preparation Resources

- “Preparation Guide for the NC State Compliance Supplement for 2025”
  - Detailed instructions on completing a federal or State long-form or short form compliance supplement
  - Programs that were audited as major in fiscal years ending 2022-2023
- Templates of forms
  - Federal and State long form and short form templates
  - Instructions
  - Certifications
- Type of Compliance Requirements – definitions
- Guidance for Auditing Programs not included in the OMB Compliance Supplement (Part 7 of the OMB CS)
- Federal Agencies Key Contacts 2024
- Compliance Requirements for State Awards
- Questions: [james.burke@nctreasurer.com](mailto:james.burke@nctreasurer.com), 919-814-4301

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## Compliance Audits Resources and Links

- **NC Department of State Treasurer, Single Audit Resources website:**  
Link to the [2024](#) State Compliance Supplement:
  - a. <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>
- **SAM.gov**  
Official U.S. government website for people who make, receive, and manage federal awards.  
<https://sam.gov>
- **Federal Audit Clearinghouse** (<https://fac.gov/>) - The Federal Audit Clearinghouse (FAC) is the place to submit and review federal grant audits.
- **OMB – Office of federal financial management:** <https://www.whitehouse.gov/omb/office-federal-financial-management/>  
(Link to OMB Compliance Supplement and other circulars, OMB memoranda and bulletins.)

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## Compliance Audits Resources and Links (cont.)

- **Code of Federal Regulations:** <https://www.ecfr.gov>
- **United States Code:** <https://uscode.house.gov/>
- **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:

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>

- The **Uniform Guidance** is printed in the Federal Register Vol 78 No. 248 Thursday, December 26, 2013. The link to the Federal Register:

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

- **Government Accountability Office:** <https://www.gao.gov/yellowbook>

This provides Governmental Auditing Standards, also know as yellow book

- **North Carolina State Statutes:** <https://www.ncleg.gov/Laws/GeneralStatutesTOC>
- **N. C. Administrative Code:** <http://reports.oah.state.nc.us/ncac.asp>