

APPENDIX IV

Requirements for Compliance Supplement Filing by State Agency

Federal Programs

Scenario	What must Prepare / Submit
Agency does not subgrant (pass through) any monies	Certification of Exemption From Requirement to Prepare Compliance Supplements
Agency does not subgrant \$187,500 or more to any one local government to any one nonprofit organization	Short-Form Supplement AND signed Certification for Submitting Short-Form Supplement for Fiscal Year 2016
Agency does subgrant \$187,500 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 2016 Compliance Supplements

State Program

Scenario	What must Prepare / Submit
Agency does not subgrant (pass through) any monies	Certification of Exemption From Requirement to Prepare Compliance Supplements
Agency does not subgrant \$500,000 or more to any one subrecipient.	Short-Form Supplement AND signed Certification for Submitting Short-Form Supplement for Fiscal Year 2016 . 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 does subgrant \$500,000 or more to any one local government	Program Compliance Supplement, Agency Matrix for State Program, and signed Certification of 2016 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Background:	G.S. 143C-6.23 replaces G.S. 143-6.2 which was repealed S.L. 2006-203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	<p>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.</p> <p>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.</p>
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.