

Audit FAQ

Grant Recipients should use the TOTAL amount they received in state directed grants to determine if they have reached the \$500,000 threshold to trigger Level III reporting requirements, which includes the Yellow Book audit, also known as **General Accepted Government Auditing Standards**. Please see [09 NCAC 03M.0205](#) for more information.

Any organization that “receives, holds, uses, or expends State financial assistance in an amount equal to or greater than five hundred thousand dollars (\$500,000) within its fiscal year” should have a single or program specific audit **completed annually**. Audits must be submitted within nine months of the end of the recipient’s fiscal year.

Grant recipients may choose to do a program specific audit that would only include the directed grant funds to meet grant reporting requirements. A program specific audit is more cost effective.

If the organization already conducts a single audit, that may be submitted to meet the annual grant reporting requirement if the grant funds are included in the scope of the audit.

All audits should be done in accordance with the **General Accepted Government Auditing Standards**.

There is not a specific compliance supplement, however you should audit to the grant contract.

The North Carolina State Treasurer provides [guidance to local governments on audits](#), including sample RFPs and a list of firms offering audit services.

Community Colleges/University Specific

The intention of the audit requirements referenced in OSBM administered grant contracts is to state that along with the additional reporting requirements, organizations also have to follow the requirements set out in G.S. 159-34.

Rather than it superseding an organization’s existing annual audit requirement, it is in addition to the requirements already covered by the Local Government Finance Act.

The administrative code requires that any calendar year an organization “receives, holds, uses, or expends State financial assistance in an amount equal to or greater than five hundred thousand dollars (\$500,000)” should have a single or program specific audit completed.

If the audit performed every other year for the college includes the grant funds in its scope, then that would fulfil the requirement for your grant contract for that year. On the off years, organizations can have a program specific audit completed for the grant funds.

Administrative Code language:

(a) For the purposes of this Subchapter, there are three reporting levels established for recipients and subrecipients receiving State financial assistance. Reporting levels are based on the level of State financial assistance from all funding sources. The reporting levels are:

(1) Level I – A recipient or subrecipient that receives, holds, uses, or expends State financial assistance in an amount less than twenty-five thousand dollars (\$25,000) within its fiscal year.

(2) Level II - A recipient or subrecipient that receives, holds, uses, or expends State financial assistance in an amount of at least twenty-five thousand (\$25,000) or greater, but less than five hundred thousand dollars (\$500,000) within its fiscal year.

(3) Level III – A recipient or subrecipient that receives, holds, uses, or expends State financial assistance in an amount equal to or greater than five hundred thousand dollars (\$500,000) within its fiscal year.

(b) Agencies shall establish reporting requirements for recipients that meet the following reporting standards on an annual basis:

(1) All recipients and subrecipients shall provide a certification that State financial assistance received or, held was used for the purposes for which it was awarded.

(2) All recipients and subrecipients shall provide an accounting of all State financial assistance received, held, used, or expended.

(3) Level II and III recipients and subrecipients shall report on activities and accomplishments undertaken by the recipient, including reporting on any performance measures established in the contract.

(4) Level III recipients and subrecipients shall have a single or program-specific audit prepared and completed in accordance with Generally Accepted Government Auditing Standards, also known as the Yellow Book.

[Session Law 2021-180](#) in reference to auditing requirements for all state grants:

GRANTS TO NON-STATE ENTITIES

SECTION 40.8. Requirements. – For purposes of this Part, nonrecurring funds allocated from the State Capital and Infrastructure Fund as grants to non-State entities, as defined by G.S. 143C-1-1(d), are subject to all of the following requirements:

(1) As soon as practicable after the effective date of this act, each State agency administering grants shall begin disbursement of funds to each grantee non-State entity when all applicable requirements are met. However, disbursement of grant funds allocated for the 2021-2022 fiscal year shall commence no later than 100 days after the date this act becomes law, and disbursement in full to all grantees shall be completed no later than nine months after the date this act becomes law. Disbursement of grants allocated for the 2022-2023 fiscal year shall be completed no later than 100 days after the beginning of the 2022-2023 fiscal year.

(2) [G.S. 143C-6-23\(b\)](#) through (f) and (f2) through (k) apply to the grants.

Section (2) above does not include 143C-6-23 (a) where it provides definitions of grantee that would typically exclude non state entities subject to the audit and other reporting requirements of the Local Government Commission from an audit requirement. Since the definition is not included then they are not excluded from the requirement.