Burgos, Alexander N

Subject: FW: November 2026 RRC Meeting- Request for Tech Changes

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From: Barney, Meghan E <meghan.barney@oah.nc.gov>
Sent: Tuesday, November 10, 2026 4:15 PM
To: Ventaloro, Julie W <julie.ventaloro@osbm.nc.gov>
Cc: Burgos, Alexander N <alexander.burgos@oah.nc.gov>
Subject: Re: November 2026 RRC Meeting- Request for Tech Changes

Julie,
Thank you for addressing all of my concerns. I am comfortable with the edited versions of the rules. Please send the entire rule set with the final revised rules to oah.rules@oah.nc.gov and cc Mr. Burgos and I (or just reply all). The final revised rule set you send will be placed on November's agenda. Please let us know if anyone from your agency will be present for the meeting, in-person or on WebEx.

Thank you,
Meghan

Meghan Barney
Rules Review Commission Counsel
Office of Administrative Hearings
Telephone: 984-236-1925
Email: meghan.barney@oah.nc.gov

Burgos, Alexander N

Subject: FW: November 2026 RRC Meeting- Request for Tech Changes
Attachments: 09 NCAC 03M .0801.docx; 09 NCAC 03M .0901.docx; 09 NCAC 03M .0102.docx

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From: Ventaloro, Julie W <julie.ventaloro@osbm.nc.gov>
Sent: Tuesday, November 10, 2026 2:31 PM
To: Barney, Meghan E <meghan.barney@oah.nc.gov>
Cc: Burgos, Alexander N <alexander.burgos@oah.nc.gov>
Subject: Re: November 2026 RRC Meeting- Request for Tech Changes

Meghan,

I really appreciate your patience working with me through these changes. Hopefully, I've addressed all the formatting issues. Please see the attached updated rules and our responses to your latest questions below.

Rule .0102, great job on the definitions but you need to reorder them, so they are in correct alphabetical/numerical order. Reordering complete.

Rule .0801, (d)(1) Line 36 you state in your response that you have removed (d)(1) entirely, but the rule you submitted does not reflect that. If you choose to get rid of (d)(1) that leaves (d) which says that they have to follow (b) but doesn't clarify a faster time frame. How does that work with (d)(2) which requires them to suspend payments and contact OSBM in 5 days? I apologize for sending you the wrong version of this rule. I'm attaching the correct version, which shows (d)(1) as removed. Please see adjustments to Paragraph (d) that clarify how Paragraphs (b) and (d) work together. In a nutshell, Subparagraph (d)(1) establishes an expedited 5-day timeline for emergency payment suspension and OSBM notification that explicitly overrides the standard, slower timelines in Paragraph (b). Meanwhile, referencing Paragraph (b) ensures the agency still maintains the formal administrative record and notice framework to pursue ultimate resolution or contract termination under Subparagraph (d)(2).

Rule .0901, you bracketed but did not strike through changes in (2), (3), (4) and (6). As this an adoption with changes you don't actually need highlights or brackets, however you absolutely need to strike though deletions and underline additions in order for our system to read the edits correctly. See https://www.oah.nc.gov/rule-format-examples#RuleFormatExamplesforPublicationintheNCAdministrativeCode-6063 Corrections made.

Finally, I would just scan through the rules that were published for readoption with substantive changes to be sure the edits with highlights, brackets, underlines and strike throughs are consistent with our rule format examples https://www.oah.nc.gov/rule-format-examples#RuleFormatExamplesforPublicationintheNCAdministrativeCode-6063 Done. I didn't identify any corrections needed for our other rules.

Thank you!!

Julie Ventaloro
Economic Analyst
NC Office of State Budget and Management
Chat with me in Teams
984-236-0694

Email correspondence to and from this address may be subject to the North Carolina Public Records Law and may be disclosed to third parties by an authorized state official.

09 NCAC 03M .0102 is readopted with changes as published in 41:04 NCR 334-340 as follows:

09 NCAC 03M .0102 DEFINITIONS

In addition to the definitions set forth in G.S. 143C-6-23 and G.S. 143C-1-1, the following definitions shall apply to this Subchapter:

(1) "Agency" means every State or local public office, public ~~officer~~ officer, or public official, ~~official (State or local, elected or appointed),~~ whether elected or appointed, or any institution, board, commission, bureau, council, department, authority, or other unit of government of the State or of any county, unit, special district, or other political subdivision of state or local government.

(2) "Audit" means an examination of records or financial accounts to verify their accuracy.

(3) "Beneficiary" means an individual receiving the funds or assistance as the end user.

(4) "Compliance Supplement" refers to the North Carolina State Compliance Supplement, maintained by the State and Local Government Finance Division of the North Carolina Department of State Treasurer that has been developed in cooperation with agencies to assist the local auditor in identifying program compliance requirements and audit procedures for testing those requirements.

(5) "Contract" means a legal instrument including any amendments used to document a relationship between the agency and a recipient or between a recipient and subrecipient.

(6) "Contractor" means an entity subject to the contractor requirements, as well as any entity that would be subject to the contractor requirements but for a specific statute or rule exempting that entity from the contractor requirements.

(7) "Contractor requirements" means Article 3, 3C, 3D, 3E, 3G, or 8 of Chapter 143 of the General Statutes and related rules.

~~(10)~~(8) ~~"Grants" or "Grant funds"~~ "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 this Rule.

(9) "Financial Statement" means a report providing financial data relative to a given part of an organization's operations or status.

~~(11)~~(10) "Monitoring plan" means a documented system of educating, reviewing, tracking, and reporting on the use of grant funds. Designed to assure that public funds are spent in compliance with applicable rules and statutes, and that performance expectations are being achieved.

~~(12) "Non-State Entity" has the meaning in G.S. 143C-1-1(d)(18).~~

~~(13)~~(11) "Program-specific audit" means an audit that includes an examination of financial statements, internal controls, and compliance with the requirements and contract clauses for an individual State award.

~~(14)~~(12) "Recipient" means a non-State entity that receives grants directly from a State agency to carry out part of a State program, but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission. For purposes of this Subchapter,

"recipient" also includes a non-State entity that would be considered a "subrecipient" pursuant to ~~2 CFR 200.93~~ 2 CFR 200.1 for Federal funds subawarded by a recipient State agency, but does not include a subrecipient as defined in Item (17) of this Rule. ~~2 CFR 200.93~~ The definition of the term "subrecipient" in 2 CFR 200.1 is herein incorporated by reference, including subsequent amendments and editions, and is available in electronic form free of charge at ~~https://www.ecfr.gov.~~ https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-A/subject-group-ECFR2a6a0087862fd2c/section-200.1.

~~(8)~~(13) ~~"Fiscal Year"~~ "Recipient's fiscal year" means the annual operating year of the non-State entity.

~~(15)~~(14) "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.

~~(16) "State Funds" means any funds appropriated by the North Carolina General Assembly or collected by the State of North Carolina. State funds include federal financial assistance received by the State and transferred or disbursed to non-State entities. Both Federal and State funds maintain their identity as they are disbursed as financial assistance to other organizations.~~

~~(17)~~(15) "Subrecipient" means a non-State entity that receives grants from a recipient to carry out part of a State program; but does not include a beneficiary of such program. This definition of "subrecipient" applies throughout these Rules, except as used in Item ~~(14)~~(12) of this Rule.

(16) "Subrecipient's fiscal year" means the annual operating year of the non-State entity.

~~(18)~~(17) "Suspension of Funding list" means a database maintained and distributed by Office of State Budget and Management in consultation with State agencies designating grantees or subgrantees in a state of non-compliance with grant agreement requirements in accordance with 09 NCAC 03M .0801.

History Note: *Authority G.S. 143C-1-1; G.S. 143C-6-22; 143C-6-23;*
Eff. July 1, 2005;
Amended Eff. October 1, 2007;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. April 25, 2015;
Amended Eff. July 1, 2024; July 1, ~~2016.~~ 2016;
Readopted Eff. December 1, 2026.

09 NCAC 03M .0801 is readopted with changes as published in 41:04 NCR 334-340 as follows:

SECTION .0800 - SANCTIONS

09 NCAC 03M .0801 NONCOMPLIANCE WITH RULES

(a) An agency shall not disburse any grant funds to an entity that is on the Suspension of Funding ~~list.~~ list which can be accessed at [~~https://www.osbm.nc.gov.~~] https://www.osbm.nc.gov/stewardship-services/state-grants-management/suspension-funding-list.

(b) When a ~~non-State entity~~ recipient does not comply with the requirements of this ~~Subchapter,~~ Subchapter or with requirements of the contract, the agency shall take the following measures to ensure that the requirements are met, ~~including:~~ including each of the following:

(1) Communicating the requirements in writing ~~to the non-State entity within 30 business days.~~ to the recipient within 30 business days of when the agency became aware of the noncompliance, and offering the [~~non-State entity~~] recipient the opportunity to come into compliance by a date set by the agency.

(2) ~~Directing the non-State entity to respond in writing upon a determination of noncompliance.~~ If the recipient does not cure the noncompliance by the date set by the agency under Subparagraph (b)(1) of this Rule, issuing a determination of noncompliance and directing the [~~non-State entity~~] recipient to respond in writing within 10 business days.

(3) ~~Suspending payments to the non-State entity until the non-State entity is in compliance.~~ If the recipient does not cure the noncompliance by the deadline established in Subparagraph (b)(2) of this Rule, suspending payments to the recipient until the recipient is in compliance, and notifying the Office of State Budget and Management to have the recipient placed on the Suspension of Funding list pursuant to 09 NCAC 03M [~~.0401(a)(11).~~] .0401(a)(10).

(c) When a recipient does not comply with the requirements of this Subchapter or with requirements of the contract, and the recipient does not cure the noncompliance by the deadline established in Subparagraph (b)(2) of this Rule, the agency may also take the following measures to ensure that the requirements are met:

(1) Issue an order to the recipient to stop work.

[~~(1)~~](2) Terminate the contract and take action to retrieve unexpended funds or unauthorized expenditures.

(3) Exercise any other remedy listed in the contract.

(4) Stop future payments to the recipient.

[~~(2)~~](5) Offset future payments to the recipient with any amounts spent for purposes other than those described in the signed grant contract.

~~(c)~~(d) When an agency discovers evidence of ~~management deficiencies or~~ apparent criminal activity leading to the misuse of funds, the agency ~~shall~~ shall, [~~in addition to the procedures listed in Paragraph (b) of this Rule, also~~] within five business days of discovery, initiate actions under Paragraph (b) of this Rule and, notwithstanding the timelines

set forth in Subparagraphs (b)(1) through (b)(3), shall ~~notify the Office of State Budget and Management~~ [~~within 5 business days~~] ~~and~~ take each of the following actions: ~~the action or actions, such as:~~

[~~(1)~~] [~~Take the actions listed in Paragraph (b) of this Rule on an accelerated time frame.~~]

(1)[~~(2)~~] Within five business days of discovery, suspend payments to the recipient and notify the Office of State Budget and Management to request that the recipient be placed on the Suspension of Funding list pursuant to 09 NCAC 03M .0401(a)(10) ~~Suspend payments~~ [~~within 5 business days~~] until the matter has been fully investigated and corrective action has been taken.

(2)[~~(3)~~] ~~Terminate~~ Unless the grant recipient provides information that shows there was not criminal activity leading to the misuse of funds, terminate the contract and retrieve unexpended funds or unauthorized expenditures.

~~(3) Report suspected violations of criminal statutes involving misuse of State property to the State Bureau of Investigation, in accordance with G.S. 143B-920.~~

(e) In addition to all other steps required by this Subchapter, the agency must report any information or evidence of an attempted arson, or arson, damage of, theft from, or theft of, or embezzlement from, or embezzlement of, or misuse of, any state-owned personal property, buildings, or other real property to the State Bureau of Investigation, in accordance with G.S. 143B-1208.6.

(f) For any grant that solely passed through funds granted by an agency of the United States, meaning that the state agency had no discretion in selecting the recipient or determining the amount of the award, the Office of State Budget and Management shall initiate consultation with the agency that is the recipient of the pass-through funds and the granting agency of the United States prior to taking the actions specified in Subparagraph (b)(3), Paragraph (c), or Subparagraphs (d)(2) and (d)(3) of this Rule.

~~(d) Upon determination of noncompliance with requirements of the contract that are not indicative of management deficiencies or criminal activity, the agency shall give the recipient or subrecipient 60 days written notice to take corrective action. If the recipient or subrecipient has not taken the corrective action after the 60 day period, the disbursing agency shall notify the Office of State Budget and Management and take the action or actions, such as:~~

~~(1) Suspend payments pending negotiation of a plan of corrective action.~~

~~(2) Terminate the contract and take action to retrieve unexpended funds or unauthorized expenditures.~~

~~(3) Offset future payments with any amounts spent for purposes other than those described in the signed grant contract.~~

(g) When the Office of State Budget and Management places a recipient on the Suspension of Funding List, the Office of State Budget and Management shall notify the agency in writing within 15 business days that the recipient has been placed on the Suspension of Funding List, and the agency shall notify the recipient in writing within 10 business days of their placement on the Suspension of Funding List.

(h) When the agency determines that a recipient has cured all noncompliance with the requirements of this Subchapter, has cured all noncompliance with requirements of the contract, and has resolved any concerns raised by the agency about apparent criminal activity leading to the misuse of funds, the agency shall contact the Office of State

Management and Budget within 10 business days to request the removal of the recipient from the Suspension of Funding List.

~~(e)~~[~~(f)~~](i) Each disbursing agency shall ensure that recipients and subrecipients have complied with the applicable provisions of this Subchapter.

~~(f)~~[~~(g)~~](j) Agencies are subject to audit for compliance with the requirements of this Subchapter by the Office of State Budget and Management, the Office of the State Auditor, and agency internal auditors. Any finding of noncompliance by an agency shall be reported to the Office of State Budget and Management to take appropriate action, as set forth in this Rule.

~~(g)~~[~~(h)~~](k) The Office of State Budget and Management shall notify the agency of the finding and provide 60 days to take corrective action. After the 60-day period, the Office of State Budget and Management shall conduct a follow-up audit to determine if corrective action has been taken. If an awarding agency fails to take appropriate corrective action or is repeatedly found to be out of compliance with the requirements of this Subchapter, the Office of State Budget and Management shall notify the head of the agency and the State Auditor of the finding.

History Note: *Authority G.S. 143C-6-22; 143C-6-23;*
Eff. July 1, 2005;
Readopted Eff. July 1, 2016;
Amended Eff. July 1, ~~2024.~~ 2024;
Readopted Eff. December 1, 2026.

09 NCAC 03M .0901 is adopted with changes as published in 41:04 NCR 334-340 as follows:

SECTION .0900 – PETITIONS AND DECLARATORY RULINGS

09 NCAC 03M .0901 PETITIONS FOR RULEMAKING

(a) Any person wishing to request the adoption, amendment, or repeal of a rule of the Office of State Budget and Management shall submit a petition in writing to Office of State Budget and Management, Mail Service Center 20320, Raleigh, North Carolina 27699-0320.

(b) The petition shall include the following information:

(1) the text of the proposed ~~rule(s)~~ rules for adoption or amendment;

(2) a statement of the reasons for adoption or amendment of the proposed ~~rule(s),~~ rules, or the repeal of ~~an~~ existing ~~rule(s);~~ rules.

(3) identification of the parties most likely to be affected by the proposed rule or rule amendment;

(4) a statement explaining the expected types of costs and ~~benefits (including cost savings)~~ benefits, including cost savings, to result from the proposed ~~rule(s),~~ rules, and a quantification of these costs and benefits, if known;

(5) any data or arguments in support of the petition; and

(6) the ~~name(s)~~ names and ~~address(es)~~ addresses of the ~~petitioner(s).~~ petitioners.

(c) Petitions that do not contain the information required by Paragraph (b) of this Rule shall be returned to the petitioner.

(d) In its review of the petition, the Office of State Budget and Management shall consider whether it has authority to adopt the rule; the effect of the proposed rule on existing rules, programs, and practices; probable costs and cost factors of the proposed rule; and the impact of the rule on the public and regulated entities. If the request is denied, the petitioning party may appeal that decision as stated in G.S. 150B-20(d).

History Note: *Authority G.S. 143C-6-22; 143C-6-23; 150B-20;*
Eff. December 1, 2026.

Burgos, Alexander N

Subject: FW: November 2026 RRC Meeting- Request for Tech Changes

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From: Barney, Meghan E <meghan.barney@oah.nc.gov>
Sent: Monday, November 9, 2026 4:41 PM
To: Ventaloro, Julie W <julie.ventaloro@osbm.nc.gov>
Cc: Burgos, Alexander N <alexander.burgos@oah.nc.gov>
Subject: Re: November 2026 RRC Meeting- Request for Tech Changes

Julie,
Thank you so much to your responsiveness to my suggestions. I have just a few things for you to look at again:

Rule .0102, great job on the definitions but you need to reorder them, so they are in correct alphabetical/numerical order.

Rule .0801, (d)(1) Line 36 you state in your response that you have removed (d)(1) entirely, but the rule you submitted does not reflect that. If you choose to get rid of (d)(1) that leaves (d) which says that they have to follow (b) but doesn't clarify a faster time frame. How does that work with (d)(2) which requires them to suspend payments and contact OSBM in 5 days?

Rule .0901, you bracketed but did not strike through changes in (2), (3), (4) and (6). As this an adoption with changes you don't actually need highlights or brackets, however you absolutely need to strike though deletions and underline additions in order for our system to read the edits correctly. See https://www.oah.nc.gov/rule-format-examples#RuleFormatExamplesforPublicationintheNCAdministrativeCode-6063

Finally, I would just scan through the rules that were published for readoption with substantive changes to be sure the edits with highlights, brackets, underlines and strike throughs are consistent with our rule format examples https://www.oah.nc.gov/rule-format-examples#RuleFormatExamplesforPublicationintheNCAdministrativeCode-6063

I appreciate your work with me on these rules. Thank you!

Meghan

Meghan Barney
Rules Review Commission Counsel
Office of Administrative Hearings
Telephone: 984-236-1925
Email: meghan.barney@oah.nc.gov

Burgos, Alexander N

Subject: FW: November 2026 RRC Meeting- Request for Tech Changes
Attachments: Request for Change - November 2026_OSBM responses.docx; 09 NCAC 03M .0901.docx; 09 NCAC 03M .0801.docx; 09 NCAC 03M .0703.docx; 09 NCAC 03M .0401.docx; 09 NCAC 03M .0205.docx; 09 NCAC 03M .0201.docx; 09 NCAC 03M .0102.docx

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From: Ventaloro, Julie W <julie.ventaloro@osbm.nc.gov>
Sent: Monday, November 9, 2026 10:34 AM
To: Barney, Meghan E <meghan.barney@oah.nc.gov>
Cc: Burgos, Alexander N <alexander.burgos@oah.nc.gov>
Subject: Re: November 2026 RRC Meeting- Request for Tech Changes

Hi Meghan,

Attached are the 7 rules to which we made changes in response to your comments. Also attached is your original Request for Changes document with our responses shown in red.

Thank you for your comments, and please let me know if you have any additional questions.

For the November 24th meeting, please also include Haley Haynes: haley.haynes@osbm.nc.gov

Julie Ventaloro
Economic Analyst
NC Office of State Budget and Management
Chat with me in Teams
984-236-0694

Email correspondence to and from this address may be subject to the North Carolina Public Records Law and may be disclosed to third parties by an authorized state official.

Request for Changes Pursuant to N.C. Gen. Stat. § 150B-21.10

Staff reviewed these Rules to ensure that each Rule is within the agency's statutory authority, reasonably necessary, clear, and unambiguous, and adopted in accordance with Part 2 of the North Carolina Administrative Procedure Act. Following review, staff has issued this document that may request changes pursuant to G.S. 150B-21.10 from your agency or ask clarifying questions.

Questions contained herein suggest that the rule as written is unclear or there is some ambiguity. If this document includes questions and you do not understand the question, please contact the reviewing attorney to discuss. Failure to respond may result in a staff opinion recommending objection.

Staff may suggest the agency "consider" an idea or language in this document. This is in no way a formal request that the agency adopt the idea or language but rather is offered merely for the agency's consideration which the agency may find preferable and clarifying.

To properly submit rewritten rules, please refer to the following Rules in the NC Administrative Code:

- Rule 26 NCAC 02C .0108 – The Rule addresses general formatting.
- Rule 26 NCAC 02C .0404 – The Rule addresses changing the introductory statement.
- Rule 26 NCAC 02C .0405 – The Rule addresses properly formatting changes made after publication in the NC Register.

Note the following general instructions:

1. You must submit the revised rule via email to oah.rules@oah.nc.gov and copy RRC Counsel. The electronic copy must be saved as the official rule name (XX NCAC XXXX).
2. For rules longer than one page, insert a page number.
3. Use line numbers; if the rule spans more than one page, have the line numbers reset at one for each page.
4. Do not use track changes. Make all changes using manual strikethroughs, underlines and highlighting.
5. You cannot change just one part of a word. For example:
    - Wrong: "~~a~~Association"
    - Right: "~~association~~ Association"
6. Treat punctuation as part of a word. For example:
    - Wrong: "day~~,~~; and"
    - Right: "~~day,~~ day; and"
7. Formatting instructions and examples may be found at: www.ncoah.com/rules/examples.html

If you have any questions regarding proper formatting of edits after reviewing the rules and examples, please contact the reviewing attorney.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0101

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

No issues noted

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0102

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

Line 4, You recognize that the definitions in G.S. 143C-6-23 and G.S. 143C-1-1 apply but then below you provide definitions for 3 terms already defined in those statutes and your definitions differ from the statutory definitions: "fiscal year" (Number 8, Line 23), "Grants" (Number 10, Line 26) and "state funds" (page 2, Number 16, Line 9). Redefining terms from those explicitly listed in statute raises significant issues with clarity and authority. Additionally, you list a definition for "non-state entity" (Number 12, Line 32) that says the meaning is the same as G.S. 143C-1-1. It is unnecessary to state that a single definition matches the statute when the entire statute is already applied. Please remove these four terms and the definitions from your list or change the term so it does not redefine something already in statute (example- use "recipient's fiscal year" rather than "fiscal year").

- *Removed definition of "non-state entity."*
- *Removed definition of "State funds."*
- *Replaced "Fiscal year" with "Recipient's fiscal year" and "Subrecipient's fiscal year"*
- *Replaced "Grants" with "Financial assistance" in this Rule and added term "financial assistance" to Rule .0205(a).*
- *Renumbered definitions as needed and corrected cross-reference in definition of "subrecipient."*

(1) Line 6, Please remove parentheses and include those terms in the narrative. Consider "every State or local public office, public officer, or public official whether elected or appointed, institution…" Change made.

(a) (14) Page 2, Line 6 this link needs to be to the cited content (2 CFR 200.1) not the CFR homepage. You can reference our guidance on the incorporation of links the CFR at https://www.oah.nc.gov/rrc-final-guidance-incorporation-links/open Added direct link.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

History Note, add 143C-1-1 Change made.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0201

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

(b) Line 11, this link needs to be to the cited content (2 CFR 200, Subpart E) not the CFR homepage. You can reference our guidance on the incorporation of links the CFR at https://www.oah.nc.gov/rrc-final-guidance-incorporation-links/open Added direct link.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0202

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

No concerns noted.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0205

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

(a) (a)(1) Line 12, this link needs to be to the cited content (2 CFR 200.501(a)) not the CFR homepage. You can reference our guidance on the incorporation of links the CFR at https://www.oah.nc.gov/rrc-final-guidance-incorporation-links/open Added direct link.

(a)(2) Line 17, you have already incorporated this regulation so you do not need to do so again. However, if you do, this link needs to be to the cited content (2 CFR 200.501(a)) not the CFR homepage. Removed the unnecessary incorporation language Lines 16-18.

(c) Line 30, this is where a definition of the term "recipients' fiscal year" would be necessary so that it is clear that it is not necessarily the "fiscal year" as defined by the state in statute. Added definition of "recipient's fiscal year" to Rule .0102.

(d) Page 2, Line 2, this link needs to be to the cited content (2 CFR 200) not the CFR homepage. Added direct link.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0401

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

(a)(1) Line 8, disbursed by whom? The agency to the recipient or by the recipient themselves? Please clarify. To help clarify, consolidated (a)(1) "Notify each recipient by the time the grant funds are disbursed of the purpose. . . ." into (a)(2), and renumbered subparagraphs (a)(2) through (a)(12) as (a)(1) through (a)(11). Also, updated cross-references in Rule .0801 to reflect revised numbering in Rule .0401.

(a)(2)(A) Line 16-19, Is this the most direct link to the cited content because I could not figure out where to go from the homepage to register a program? Added more direct link.

(a)(2)(A) This sounds like a form that has to be filled out as you are listing the information required. If it is essentially a form, then G.S. 150B-2(8a)(d) requires the contents or substantive requirements to be included in a rule or statute. See the guidance document on Forms located on the OAH website. https://www.oah.nc.gov/rrc-final-guidance-forms/open. If program ID and description, program name, and funding year are all that is required then this would meet the substantive requirements but if it requires any other information that needs to be added. This is the only information required. No changes made.

(a)(2)(C) Lines 22-25, same as above, is there a more direct link and is this essentially a form? Added direct link. G.S. 150B-2(8a)(d) requires the contents or substantive requirements to be included in a rule or statute. You currently list award date, completion date, award amount and program name. Is that all that is required? This is the only information required. No changes made.

(b) Page 2, Line 28 what is an audit exception? It sounds like it should be a consequence because they are failing to comply with the provisions but an audit exception sounds like they get to avoid all or part of an audit. An "audit exception" is a term of art in the fields of accounting and auditing. It means a confirmed departure from the

rules, regulations, statutory requirements or the terms and conditions of a grant award. No changes made.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0702

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

No concerns noted.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0703

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

(2) Line 10 please remove parentheses Replaced parentheses with commas.

(2) Line ~~20~~ 11 what is CFDA? Is it explained elsewhere in this section? CFDA (Catalog of Federal Domestic Assistance) wasn't explained anywhere. Further, the term is no longer in use. Revised it to the more general term "federal assistance program number" and included the current equivalent of the CFDA as an example: Assistance Listing Number, which is commonly referred to by its initials as "ALN."

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0801

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

(a) Line 7, this link needs to be to the cited content not just the homepage. You can reference our guidance on the incorporation of links the CFR at https://www.oah.nc.gov/rrc-final-guidance-incorporation-links/open. Added direct link.

(b)(1) Line 13, you changed the previous references on Lines 8 and 12 to recipient rather than non-State agency. Is there a reason you reverted back here? Consistency aids clarity. Changed "non-State entity" to "recipient" for consistency.

(b)(2) Line 16, again you use non-State agency. Are the non-State agency and the recipient two different things or the same? If it's the same, please use one term. Changed to "recipient."

(d) Line 34, change 5 to five. Change made.

(d)(1) Line 36, Is any accelerated time frame okay? Does it have to be completed before the five days mentioned in (d)(2)? In this context, accelerated simply means faster than the time frames required by (b)(1) and (b)(2). Upon further review, we have removed (d)(1) entirely as (d) already requires adherence to the procedures listed in Paragraph (b).

(d)(2) Page 2, Line 1, change 5 to five Change made.

(g) Line 27, Are there any required time frames for these notifications? Added time frames to ensure notifications are provided within a clear and reasonable period. Although delays are unlikely, these notifications are intended to close the loop on actions that have already occurred, such as the suspension of funding, rather than to trigger an additional process. Even so, defining a specific time frame incrementally improves clarity.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

(h) Line 31, Is there any time frame from the determination to the contact? Added a time frame to help ensure timely notification for removing an entity from the Suspension of Funding List. While delays are unlikely, having a defined time frame incrementally improves clarity.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M.0802

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

No concerns noted.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0901

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

(b)(1)-(6) please remove all parentheses except those around the numbers themselves. Based on our Style Guide https://www.oah.nc.gov/administrative-rule-style-guide-updated-april-2021/open parentheses should rarely be used and not for plurals. Use the plural term instead. *Changes made.*

(b)(4) remove the parentheses around "including cost savings," it can be in the text or set off with commas, but parentheses are not necessary. *Change made.*

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

REQUEST FOR CHANGES PURSUANT TO G.S. 150B-21.10

AGENCY: Office of State Budget Management

RULE CITATION: 09 NCAC 03M .0902

DEADLINE FOR RECEIPT: Friday, November 13th, 2026, by 5:00p.m.

***PLEASE NOTE:* This request may extend to several pages. Please be sure you have reached the end of the document.**

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may email the reviewing attorney to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends the following changes be made:

No concerns noted.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Meghan Barney
Commission Counsel
Date submitted to agency: October 30, 2026

09 NCAC 03M .0102 is readopted with changes as published in 41:04 NCR 334-340 as follows:

09 NCAC 03M .0102 DEFINITIONS

In addition to the definitions set forth in G.S. 143C-6-23 and G.S. 143C-1-1, the following definitions shall apply to this Subchapter:

(1) "Agency" means every State or local public office, public ~~officer~~ officer, or public official, ~~official (State or local, elected or appointed),~~ whether elected or appointed, or any institution, board, commission, bureau, council, department, authority, or other unit of government of the State or of any county, unit, special district, or other political subdivision of state or local government.

(2) "Audit" means an examination of records or financial accounts to verify their accuracy.

(3) "Beneficiary" means an individual receiving the funds or assistance as the end user.

(4) "Compliance Supplement" refers to the North Carolina State Compliance Supplement, maintained by the State and Local Government Finance Division of the North Carolina Department of State Treasurer that has been developed in cooperation with agencies to assist the local auditor in identifying program compliance requirements and audit procedures for testing those requirements.

(5) "Contract" means a legal instrument including any amendments used to document a relationship between the agency and a recipient or between a recipient and subrecipient.

(6) "Contractor" means an entity subject to the contractor requirements, as well as any entity that would be subject to the contractor requirements but for a specific statute or rule exempting that entity from the contractor requirements.

(7) "Contractor requirements" means Article 3, 3C, 3D, 3E, 3G, or 8 of Chapter 143 of the General Statutes and related rules.

~~(8)~~(13) ~~"Fiscal Year"~~ "Recipient's fiscal year" means the annual operating year of the non-State entity.

(9) "Financial Statement" means a report providing financial data relative to a given part of an organization's operations or status.

~~(10)~~(8) ~~"Grants" or "Grant funds"~~ "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 this Rule.

~~(11)~~(10) "Monitoring plan" means a documented system of educating, reviewing, tracking, and reporting on the use of grant funds. Designed to assure that public funds are spent in compliance with applicable rules and statutes, and that performance expectations are being achieved.

~~(12) "Non-State Entity" has the meaning in G.S. 143C-1-1(d)(18).~~

~~(13)~~(11) "Program-specific audit" means an audit that includes an examination of financial statements, internal controls, and compliance with the requirements and contract clauses for an individual State award.

~~(14)~~(12) "Recipient" means a non-State entity that receives grants directly from a State agency to carry out part of a State program, but does not include any non-State entity subject to the audit and other

reporting requirements of the Local Government Commission. For purposes of this Subchapter, "recipient" also includes a non-State entity that would be considered a "subrecipient" pursuant to ~~2 CFR 200.93~~ 2 CFR 200.1 for Federal funds subawarded by a recipient State agency, but does not include a subrecipient as defined in Item (17) of this Rule. ~~2 CFR 200.93~~ The definition of the term "subrecipient" in 2 CFR 200.1 is herein incorporated by reference, including subsequent amendments and editions, and is available in electronic form free of charge at ~~https://www.ecfr.gov.~~ https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-A/subject-group-ECFR2a6a0087862fd2c/section-200.1.

~~(15)~~(14) "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.

~~(16) "State Funds" means any funds appropriated by the North Carolina General Assembly or collected by the State of North Carolina. State funds include federal financial assistance received by the State and transferred or disbursed to non-State entities. Both Federal and State funds maintain their identity as they are disbursed as financial assistance to other organizations.~~

~~(17)~~(15) "Subrecipient" means a non-State entity that receives grants from a recipient to carry out part of a State program; but does not include a beneficiary of such program. This definition of "subrecipient" applies throughout these Rules, except as used in Item ~~(14)~~(12) of this Rule.

(16) "Subrecipient's fiscal year" means the annual operating year of the non-State entity.

~~(18)~~(17) "Suspension of Funding list" means a database maintained and distributed by Office of State Budget and Management in consultation with State agencies designating grantees or subgrantees in a state of non-compliance with grant agreement requirements in accordance with 09 NCAC 03M .0801.

History Note: *Authority G.S. 143C-1-1; G.S. 143C-6-22; 143C-6-23;*
Eff. July 1, 2005;
Amended Eff. October 1, 2007;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. April 25, 2015;
Amended Eff. July 1, 2024; July 1, ~~2016.~~ 2016;
Readopted Eff. December 1, 2026.

09 NCAC 03M .0201 is readopted with changes as published in 41:04 NCR 334-340 as follows:

SECTION .0200 - RESPONSIBILITIES OF RECIPIENTS AND SUBRECIPIENTS

09 NCAC 03M .0201 ALLOWABLE USES OF GRANTS

(a) Expenditures of ~~grants~~ grant funds from federal sources by any recipient or subrecipient shall be in accordance with the cost principles ~~outlined~~ established in the Code of Federal Regulations, 2 CFR, ~~Part 200.~~ Part 200, Subpart E. ~~If the grants include federal sources, the recipient or subrecipient shall ensure adherence to the cost principles established in the Code of Federal Regulations, 2 CFR, Part 200. 2 CFR, Part 200~~ which is herein incorporated by reference, including subsequent amendments and editions, and is available in electronic form free of charge at ~~https://www.ecfr.gov.~~ https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E.

(b) Expenditures of grant funds from non-federal sources by any recipient or subrecipient shall be in accordance with the cost principles established in 2 CFR Part 200, Subpart E (as published in the January 1, 2025 edition of the Code of Federal Regulations), which is herein incorporated by reference, not including subsequent amendments and editions, and is available in electronic form free of charge at https://www.osbm.nc.gov/federal-cfr-2025-title2/open.

History Note: *Authority G.S. 143C-6-22; 143C-6-23;*
Eff. July 1, 2005;
Readopted Eff. July 1, 2016;
Amended Eff. July 1, ~~2024.~~ 2024;
Readopted Eff. December 1, 2026.

09 NCAC 03M .0205 is readopted with changes as published in 41:04 NCR 334-340 as follows:

09 NCAC 03M .0205 MINIMUM REPORTING REQUIREMENTS FOR RECIPIENTS AND SUBRECIPIENTS

(a) For the purposes of this Subchapter, there are two reporting levels established for recipients and subrecipients receiving grants. Reporting levels are based on the allocated funds from all grants and financial assistance disbursed through the State of North Carolina. The reporting levels are:

(1) Level I – A recipient or subrecipient that receives, holds, uses, or expends grants in an amount less than the dollar amount requiring audit as listed in the Code of Federal Regulations 2 CFR 200.501(a) within its fiscal year. The dollar amount requiring audit listed in 2 CFR 200.501(a) is herein incorporated by reference, including subsequent amendments and editions, and can be accessed free of charge at ~~https://www.ecfr.gov/.~~ https://www.ecfr.gov/current/title-2/part-200/section-200.501#p-200.501(a).

(2) Level II - A recipient or 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. ~~The dollar amount requiring audit listed in 2 CFR 200.501(a) is herein incorporated by reference, including subsequent amendments and editions, and can be accessed free of charge at https://www.ecfr.gov/.~~

(b) Agencies shall require recipients to meet the following reporting standards on an annual basis:

(1) All recipients and subrecipients shall provide to the distributing agency a certification that grants received or held were used for the purposes for which the grants were awarded.

(2) All recipients and subrecipients shall provide an accounting to the distributing agency of all grants received, held, used, or expended.

(3) All 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 II 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, which is herein incorporated by reference, including subsequent amendments and editions, and can be accessed free of charge at https://www.gao.gov/yellowbook.

(c) All reports shall be filed with the disbursing agency in the format and method specified by the agency no later than three months after the end of the recipient's fiscal year, unless the same information is already required through more frequent reporting. Audits shall be provided to the funding agency no later than nine months after the end of the recipient's fiscal year.

(d) Agency-established reporting requirements to meet the standards set forth in Paragraph (b) of this Rule shall be specified in each recipient's contract.

(e) Unless prohibited by law, the costs of audits made in accordance with the provisions of this Rule shall be allowable charges to State and Federal awards. For Federal awards, the ~~The~~ charges may be considered a direct cost or an

allocated indirect cost, as determined in accordance with cost principles ~~outlined~~ established in the Code of Federal Regulations, 2 CFR Part 200, Subpart E, which is herein incorporated by reference, including subsequent amendments and editions, and can be accessed free of charge at ~~https://www.ecfr.gov.~~ https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E. For State awards, the charges may be considered a direct cost or an allocated indirect cost, as determined in accordance with cost principles established in 2 CFR Part 200, Subpart E (as published in the January 1, 2025 edition of the Code of Federal Regulations), which is herein incorporated by reference, not including subsequent amendments and editions, and is available in electronic form free of charge at https://www.osbm.nc.gov/federal-cfr-2025-title2/open. The cost of any audit not conducted in accordance with this Subchapter shall not be charged to State awards.

(f) Notwithstanding the provisions of this Subchapter, a recipient may satisfy the reporting requirements of Subparagraph (b)(4) of this Rule by submitting a copy of the report required under federal law with respect to the same funds.

History Note: *Authority G.S. 143C-6-22; 143C-6-23;*
Eff. July 1, 2005;
Readopted Eff. July 1, 2016;
Amended Eff. July 1, ~~2024.~~ 2024;
Readopted Eff. December 1, 2026.

09 NCAC 03M .0401 is readopted with changes as published in 41:04 NCR 334-340 as follows:

SECTION .0400 - RESPONSIBILITIES OF AGENCIES

09 NCAC 03M .0401 AGENCY RESPONSIBILITIES

(a) An agency that receives State funds and disburses those funds as grant funds to a recipient shall:

~~(1)~~ ~~Notify each~~ [~~recipient~~] ~~recipient, at the time the grant award is made, of the purpose of the award and the reporting requirements established in this Subchapter.~~ [~~Unless a session law or statute specifies a different date:~~]

[~~(A) For a session law or statute that establishes a new grant and names the recipient(s), the agency shall notify each recipient no later than 70 calendar days after the session law or statute becomes law.~~]

[~~(B) For all other grants, the agency shall notify the recipient no later than 30 calendar days after the recipient is selected.~~]

~~(2)~~(1) Prior to disbursing any grant funds:

(A) Notify each recipient of the purpose of the award and the reporting requirements established in this Subchapter.

~~(A)~~(B) Register each State ~~assistance~~ program that provides grants of State funds to non-State recipients with the Office of State Budget and Management using the NC Grants Management System which can be accessed at ~~https://www.osbm.nc.gov.~~ https://www.osbm.nc.gov/stewardship-services/grants-management. Information required to register includes program ID and description, program name, and funding year.

~~(B)~~(C) Execute a contract with the recipient that complies with the requirements of this Subchapter.

~~(C)~~(D) Report each individual grant award of State funds to non-State recipients to the Office of State Budget and Management using the NC Grants Management System which can be accessed at ~~https://www.osbm.nc.gov.~~ https://www.osbm.nc.gov/stewardship-services/state-grants-management/suspension-funding-list. Information required to report includes ~~CRIS program ID,~~ award date, completion date, award amount, and program name.

~~(D)~~ ~~Follow the procedures for disbursement of grant funds.~~

~~(3)~~(2) Develop compliance supplement reports that describe standards of compliance and audit procedures to give direction to independent auditors. For any grants to units of local government or to public authorities, this ~~This~~ report shall be provided to the State and Local Government Finance Division in the North Carolina Department of State Treasurer for inclusion in the North Carolina State Compliance Supplement.

~~(4)~~(3) Develop a monitoring plan for each program the agency oversees that provides grants of State funds to non-State recipients ~~State assistance program the agency oversees~~ and gain approval of the plan by the Office of State Budget and Management. Monitoring plans will be evaluated based on plan elements including programs covered, education and technical assistance, risk assessment framework, monitoring procedures, non-compliance procedures, and closeout of award procedures.

~~(5)~~(4) Develop agency monitoring plans, and at minimum, perform the ~~Perform~~ monitoring and oversight functions ~~as~~ specified in ~~agency monitoring plans~~ those plans, to ensure that grant funds are used for authorized purposes in compliance with laws, regulations, and contract provisions, ~~the provisions of contracts,~~ and that performance goals are achieved.

~~(6)~~(5) Ensure that grant funds are spent consistent with the purposes for which it was awarded.

~~(7)~~(6) Determine that reporting requirements have been met by the recipient and that all reports have been completed and submitted in accordance with the recipient's contract.

~~(8)~~(7) Monitor compliance by recipients with all terms of ~~a~~ the recipient's contract. Upon determination of noncompliance, the agency shall take action as specified in Section .0800 of this Subchapter.

~~(9)~~(8) Require agency internal auditors to conduct periodic audits of agency grant procedures to ensure compliance with requirements of this Subchapter.

~~(10)~~(9) Provide all requested documentation when subject to an audit of agency grant procedures regarding compliance with the requirements of this Subchapter. Audits may be conducted by the Office of State Budget and Management, the Office of the State Auditor, or the agency's internal auditor.

~~(11)~~(10) ~~Notify the Office of State Budget and Management when~~ When a recipient is not compliant with the requirements set forth in this Subchapter or the terms of their ~~contract such that~~ [~~contract.~~] contract, respond in accordance with 09 NCAC 03M .0801, including notifying the Office of State Budget and Management when indicated in 09 NCAC 03M .0801 (b) through (f). Upon any notification pursuant to this Subparagraph, the recipient ~~should~~ shall be added by the Office of State Budget and Management to the Suspension of Funding ~~List~~ List, and ~~have~~ the disbursing agency shall suspend the disbursement of funds to the recipient suspended in accordance with G.S. 143C-6-23(f). Agencies shall not disburse grant funds to a recipient on the Suspension of Funding List until that recipient comes back into compliance and is removed from the Suspension of Funding ~~List.~~ List in accordance with 09 NCAC 03M .0801(h).

~~(12)~~(11) ~~Notify~~ In accordance with 09 NCAC 03M .0801(h), contact the Office of State Budget and Management ~~when~~ to request the removal of ~~remove~~ entities from the Suspension of Funding List.

(b) Each recipient shall ensure that subrecipients have complied with the applicable provisions of this Subchapter. Failure to comply with such provisions shall be the basis for an audit exception.

History Note: *Authority G.S. 143C-6-22; 143C-6-23;*
Eff. July 1, 2005;
Readopted Eff. July 1, 2016;

Amended Eff. July 1, ~~2024.~~ 2024;

Readopted Eff. December 1, 2026.

09 NCAC 03M .0703 is readopted with changes as published in 41:04 NCR 334-340 as follows:

09 NCAC 03M .0703 REQUIRED CONTRACT PROVISIONS

Prior to receiving grant funds, the recipient shall sign a contract with the agency that shall contain the obligations of both parties. Prior to disbursing any grant funds, each agency shall sign a contract with the recipient requiring compliance with the rules in this Subchapter. The requirements of this Rule shall also be applicable to all recipient-subrecipient relationships. Each contract agreement shall contain:

(1) A specification of the purpose of the award, services to be provided, objectives to be achieved, and expected results;

(2) The source of ~~funds (such~~ funds, such as federal or ~~state)~~ state, must be identified, including the ~~CFDA number~~ federal assistance program number, such as an Assistance Listing Number (ALN), and percentages of each source where applicable.

(3) ~~Account~~ Either account coding information sufficient to provide for tracking of the disbursement through the disbursing agency's accounting ~~system.~~ system or a provision requiring the agency to internally maintain that account coding information as part of the agency's grant file described in Item (4) of this Rule.

(4) Agreement to maintain all pertinent records for a period of five years or until all audit exceptions have been resolved, whichever is longer.

(5) Names of all parties to the terms of the contract. For the recipient or subrecipient, each contract shall contain the employer/tax identification number, address, contact information, and the recipient's or subrecipient's fiscal year end date.

(6) Signatures binding all parties to the terms of the contract.

(7) Duration of the contract, including the effective and termination dates.

(8) Amount of the contract and schedule of payment(s).

(9) Particular duties of the recipient.

(10) Required reports and reporting deadlines.

(11) Provisions for termination by mutual consent with 60 days written notice to the other party, or as otherwise provided by law.

(12) A provision that the awarding of grant funds is subject to allocation and appropriation of funds to the agency for the purposes set forth in the contract.

(13) A provision that requires reversion of unexpended grant funds to the agency upon termination of the contract.

(14) A provision that requires compliance with the requirements set forth in this Subchapter, including audit oversight by the Office of the State Auditor, access to the accounting records by both the funding entity and the Office of the State Auditor, and availability of audit work papers in the possession of any auditor of any recipient of State funding.

(15) A clause addressing assignability and subcontracting, including the following:

(a) The recipient or subrecipient is not relieved of any of the duties and responsibilities of the original contract.

(b) The subrecipient agrees to abide by the standards contained in this Subchapter and to provide information in its possession that is needed by the recipient to comply with these standards.

History Note: *Authority G.S. 143C-6-22; 143C-6-23;*
Eff. July 1, 2005;
Readopted Eff. July 1, 2016;
Amended Eff. July 1, ~~2024.~~ 2024;
Readopted Eff. December 1, 2026.

09 NCAC 03M .0801 is readopted with changes as published in 41:04 NCR 334-340 as follows:

SECTION .0800 - SANCTIONS

09 NCAC 03M .0801 NONCOMPLIANCE WITH RULES

(a) An agency shall not disburse any grant funds to an entity that is on the Suspension of Funding ~~list.~~ list which can be accessed at [~~https://www.osbm.nc.gov.~~] https://www.osbm.nc.gov/stewardship-services/state-grants-management/suspension-funding-list.

(b) When a ~~non-State entity~~ recipient does not comply with the requirements of this ~~Subchapter,~~ Subchapter or with requirements of the contract, the agency shall take the following measures to ensure that the requirements are met, ~~including:~~ including each of the following:

(1) Communicating the requirements in writing ~~to the non-State entity within 30 business days.~~ to the recipient within 30 business days of when the agency became aware of the noncompliance, and offering the [~~non-State entity~~] recipient the opportunity to come into compliance by a date set by the agency.

(2) ~~Directing the non-State entity to respond in writing upon a determination of noncompliance.~~ If the recipient does not cure the noncompliance by the date set by the agency under Subparagraph (b)(1) of this Rule, issuing a determination of noncompliance and directing the [~~non-State entity~~] recipient to respond in writing within 10 business days.

(3) ~~Suspending payments to the non-State entity until the non-State entity is in compliance.~~ If the recipient does not cure the noncompliance by the deadline established in Subparagraph (b)(2) of this Rule, suspending payments to the recipient until the recipient is in compliance, and notifying the Office of State Budget and Management to have the recipient placed on the Suspension of Funding list pursuant to 09 NCAC 03M [~~.0401(a)(11).~~] .0401(a)(10).

(c) When a recipient does not comply with the requirements of this Subchapter or with requirements of the contract, and the recipient does not cure the noncompliance by the deadline established in Subparagraph (b)(2) of this Rule, the agency may also take the following measures to ensure that the requirements are met:

(1) Issue an order to the recipient to stop work.

[~~(1)~~](2) Terminate the contract and take action to retrieve unexpended funds or unauthorized expenditures.

(3) Exercise any other remedy listed in the contract.

(4) Stop future payments to the recipient.

[~~(2)~~](5) Offset future payments to the recipient with any amounts spent for purposes other than those described in the signed grant contract.

~~(c)~~(d) When an agency discovers evidence of ~~management deficiencies or~~ apparent criminal activity leading to the misuse of funds, the agency ~~shall~~ shall, in addition to the procedures listed in Paragraph (b) of this Rule, also notify the Office of State Budget and Management within [~~5~~] five business days and take each of the following actions: ~~the action or actions, such as:~~

(1) Take the actions listed in [~~Paragraph (b)~~] Subparagraphs (b)(1) and (2) of this Rule on an accelerated time frame.

~~(1)~~(2) Within five business days, suspend payments and notify the Office of State Budget and Management to request that the recipient be placed on the Suspension of Funding list pursuant to 09 NCAC 03M .0401(a)(10) ~~Suspend payments~~ [~~within 5 business days~~] until the matter has been fully investigated and corrective action has been taken.

~~(2)~~(3) ~~Terminate~~ Unless the grant recipient provides information that shows there was not criminal activity leading to the misuse of funds, terminate the contract and retrieve unexpended funds or unauthorized expenditures.

~~(3) Report suspected violations of criminal statutes involving misuse of State property to the State Bureau of Investigation, in accordance with G.S. 143B-920.~~

(e) In addition to all other steps required by this Subchapter, the agency must report any information or evidence of an attempted arson, or arson, damage of, theft from, or theft of, or embezzlement from, or embezzlement of, or misuse of, any state-owned personal property, buildings, or other real property to the State Bureau of Investigation, in accordance with G.S. 143B-1208.6.

(f) For any grant that solely passed through funds granted by an agency of the United States, meaning that the state agency had no discretion in selecting the recipient or determining the amount of the award, the Office of State Budget and Management shall initiate consultation with the agency that is the recipient of the pass-through funds and the granting agency of the United States prior to taking the actions specified in Subparagraph (b)(3), Paragraph (c), or Subparagraphs (d)(2) and (d)(3) of this Rule.

~~(d) Upon determination of noncompliance with requirements of the contract that are not indicative of management deficiencies or criminal activity, the agency shall give the recipient or subrecipient 60 days written notice to take corrective action. If the recipient or subrecipient has not taken the corrective action after the 60 day period, the disbursing agency shall notify the Office of State Budget and Management and take the action or actions, such as:~~

~~(1) Suspend payments pending negotiation of a plan of corrective action.~~

~~(2) Terminate the contract and take action to retrieve unexpended funds or unauthorized expenditures.~~

~~(3) Offset future payments with any amounts spent for purposes other than those described in the signed grant contract.~~

(g) When the Office of State Budget and Management places a recipient on the Suspension of Funding List, the Office of State Budget and Management shall notify the agency in writing within 15 business days that the recipient has been placed on the Suspension of Funding List, and the agency shall notify the recipient in writing within 10 business days of their placement on the Suspension of Funding List.

(h) When the agency determines that a recipient has cured all noncompliance with the requirements of this Subchapter, has cured all noncompliance with requirements of the contract, and has resolved any concerns raised by the agency about apparent criminal activity leading to the misuse of funds, the agency shall contact the Office of State Management and Budget within 10 business days to request the removal of the recipient from the Suspension of Funding List.

~~(e)~~[~~(f)~~](i) Each disbursing agency shall ensure that recipients and subrecipients have complied with the applicable provisions of this Subchapter.

~~(f)~~[~~(g)~~](j) Agencies are subject to audit for compliance with the requirements of this Subchapter by the Office of State Budget and Management, the Office of the State Auditor, and agency internal auditors. Any finding of noncompliance by an agency shall be reported to the Office of State Budget and Management to take appropriate action, as set forth in this Rule.

~~(g)~~[~~(h)~~](k) The Office of State Budget and Management shall notify the agency of the finding and provide 60 days to take corrective action. After the 60-day period, the Office of State Budget and Management shall conduct a follow-up audit to determine if corrective action has been taken. If an awarding agency fails to take appropriate corrective action or is repeatedly found to be out of compliance with the requirements of this Subchapter, the Office of State Budget and Management shall notify the head of the agency and the State Auditor of the finding.

History Note: *Authority G.S. 143C-6-22; 143C-6-23;*
Eff. July 1, 2005;
Readopted Eff. July 1, 2016;
Amended Eff. July 1, ~~2024.~~ 2024;
Readopted Eff. December 1, 2026.

09 NCAC 03M .0901 is adopted with changes as published in 41:04 NCR 334-340 as follows:

SECTION .0900 – PETITIONS AND DECLARATORY RULINGS

09 NCAC 03M .0901 PETITIONS FOR RULEMAKING

(a) Any person wishing to request the adoption, amendment, or repeal of a rule of the Office of State Budget and Management shall submit a petition in writing to Office of State Budget and Management, Mail Service Center 20320, Raleigh, North Carolina 27699-0320.

(b) The petition shall include the following information:

(1) the text of the proposed [~~rule(s)~~] rules for adoption or amendment;

(2) a statement of the reasons for adoption or amendment of the proposed [rule(s),] rules, or the repeal of [~~an~~] existing [rule(s);] rules.

(3) identification of the parties most likely to be affected by the proposed rule or rule amendment;

(4) a statement explaining the expected types of costs and [~~benefits (including cost savings)~~] benefits, including cost savings, to result from the proposed [rule(s),] rules, and a quantification of these costs and benefits, if known;

(5) any data or arguments in support of the petition; and

(6) the [name(s)] names and [address(es)] addresses of the [petitioner(s).] petitioners.

(c) Petitions that do not contain the information required by Paragraph (b) of this Rule shall be returned to the petitioner.

(d) In its review of the petition, the Office of State Budget and Management shall consider whether it has authority to adopt the rule; the effect of the proposed rule on existing rules, programs, and practices; probable costs and cost factors of the proposed rule; and the impact of the rule on the public and regulated entities. If the request is denied, the petitioning party may appeal that decision as stated in G.S. 150B-20(d).

History Note: *Authority G.S. 143C-6-22; 143C-6-23; 150B-20;*
Eff. December 1, 2026.

Burgos, Alexander N

From: Barney, Meghan E
Sent: Friday, October 30, 2026 10:23 AM
To: Ventaloro, Julie W
Cc: Burgos, Alexander N
Subject: November 2026 RRC Meeting- Request for Tech Changes
Attachments: Request for Change - November 2026.docx

Good afternoon,

I'm the attorney who reviewed the rule submitted by the Office of State Budget and Management for the November 2026 RRC meeting. The RRC will formally review this rule at its meeting on Tuesday, November 24, 2026, at 10:00 a.m. The meeting will be a hybrid of in-person and WebEx attendance, and an evite should be sent to you as we get close to the meeting. If there are any other representatives from your agency who want to attend virtually, please let me know prior to the meeting, and we will get evites out to them as well.

Attached is the Request for Changes Pursuant to G.S. 150B-21.10. Please submit the revised rules to me via email, no later than 5 p.m. on November 13, 2026. Let me know if you have any questions.

Thanks,
Meghan

Meghan Barney
Rules Review Commission Counsel
Office of Administrative Hearings
Telephone: 984-236-1925
Email: meghan.barney@oah.nc.gov

Email correspondence to and from this address may be subject to the North Carolina Public Records Law and may be disclosed to third parties by an authorized state official.