

1 09 NCAC 03M .0101 is amended as published in 38:08 NCR 478-483 as follows:

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3 **SUBCHAPTER 03M – UNIFORM ADMINISTRATION OF STATE AWARDS OF FINANCIAL**  
4 **ASSISTANCE GRANTS**

5  
6 **SECTION .0100 - ORGANIZATION AND FUNCTION**

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8 **09 NCAC 03M .0101 PURPOSE**

9 Pursuant to G.S. 143C-6-23, the rules in this Subchapter establish reporting requirements for non-State entities that  
10 receive, hold, use, or expend ~~State financial assistance grants~~ and ensure the uniform administration of ~~State financial~~  
11 ~~assistance grant funds~~ by all State agencies, recipients, and subrecipients. The requirements of this subchapter shall  
12 not apply to:

- 13 (1) ~~State financial assistance~~ Grants to non-State entities subject to the audit and other reporting  
14 requirements of the Local Government Commission.
- 15 (2) Tuition assistance to students.
- 16 (3) Public assistance payments from Federal entitlement programs to or on behalf of enrolled  
17 individuals.
- 18 (4) State funds disbursed to a contractor as defined in this Subchapter.

19  
20 *History Note: Authority G.S. 143C-6-22; 143C-6-23;*  
21 *Eff. July 1, 2005;*  
22 *Amended Eff. October 1, 2007;*  
23 *Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. April 25,*  
24 *2015;*  
25 *Amended Eff. July 1, 2024; July 1, 2016.*

09 NCAC 03M .0102 is amended with changes as published in 38:08 NCR 478-483 as follows:

### 09 NCAC 03M .0102 DEFINITIONS

~~As used in~~ 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 public office, public officer or official (State or local, elected or appointed), 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 is an individual receiving the funds or assistance as the end user.

~~(3)(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.

~~(4)(5)~~ "Contract" means a legal instrument including any amendments that is used to document a relationship between the agency, agency and a recipient or between a recipient and subrecipient.

~~(5)(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.

~~(6)(7)~~ "Contractor requirements" means Article 3, 3C, 3D, 3E, 3G, or 8 of Chapter 143 of the General Statutes and related rules.

~~(7)(8)~~ "Fiscal Year" means the annual operating year of the non-State entity.

~~(8)(9)~~ "Financial Statement" means a report providing financial data relative to a given part of an organization's operations or status.

~~(12)(10)~~ ~~"State financial assistance"~~ "Grants" or "Grant funds" 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 ~~Item (10) and (14)~~ of this Rule.

~~(11)~~ "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.

~~(9)(12)~~ "Non-State Entity" has the meaning in G.S. 143C-1-1(d)(18).

~~(13)~~ "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.

~~(10)(14)~~ "Recipient" means a non-State entity that receives ~~State financial assistance~~ grants directly from a State agency to carry out part of a State program, but does not include any non-State entity subject

1 to the audit and other reporting requirements of the Local Government Commission. For purposes  
2 of this Subchapter, "recipient" also includes a non-State entity that would be considered a  
3 "subrecipient" pursuant to 2 CFR 200.93 for Federal funds subawarded by a recipient State agency,  
4 but does not include a subrecipient as defined in Item ~~(14)~~(17) of this Rule.

5 ~~(14)~~(15) "Single Audit" means an audit that includes an examination of an organization's financial  
6 statements, internal controls, and compliance with the requirements of Federal or State awards.

7 ~~(13)~~(16) "State Funds" means any funds appropriated by the North Carolina General Assembly or collected  
8 by the State of North Carolina. State funds include federal financial assistance received by the State  
9 and transferred or disbursed to non-State entities. Both Federal and State funds maintain their  
10 identity as they are disbursed as financial assistance to other organizations.

11 ~~(14)~~(17) "Subrecipient" means a non-State entity that receives ~~State financial assistance~~ grants from a  
12 recipient to carry out part of a State program; but does not include an individual that is a beneficiary  
13 of such program. This definition of "subrecipient" applies throughout these Rules, except as used in  
14 Item ~~(14)~~(14) of this Rule.

15 (18) "Suspension of Funding list" means a database maintained and distributed by Office of State Budget  
16 and Management in consultation with State agencies designating grantees or subgrantees in a state  
17 of non-compliance with grant agreement requirements. State Agencies are prohibited to disburse  
18 grant funds to entities on the Suspension of Funding List until that entity comes back into  
19 compliance and is removed from the list.

20  
21 *History Note: Authority G.S. 143C-6-22; 143C-6-23;*  
22 *Eff. July 1, 2005;*  
23 *Amended Eff. October 1, 2007;*  
24 *Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. April 25,*  
25 *2015;*  
26 *Amended Eff. July 1, 2024; July 1, 2016.*  
27

1 09 NCAC 03M .0201 is amended as published in 38:08 NCR 478-483 as follows:

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3 09 NCAC 03M .0201 is proposed for amendment as follows:

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5 **SECTION .0200 - RESPONSIBILITIES OF RECIPIENTS AND SUBRECIPIENTS**

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7 **09 NCAC 03M .0201 ALLOWABLE USES OF ~~STATE FINANCIAL ASSISTANCE GRANTS~~**

8 Expenditures of ~~State financial assistance grants~~ by any recipient or subrecipient shall be in accordance with the cost  
9 principles outlined in the Code of Federal Regulations, 2 CFR, Part 200. If the ~~State financial assistance grants includes~~  
10 include federal sources, the recipient or subrecipient shall ensure adherence to the cost principles established in the  
11 Code of Federal Regulations, 2 CFR, Part 200.

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13 *History Note: Authority G.S. 143C-6-22; 143C-6-23;*

14 *Eff. July 1, 2005;*

15 *Readopted Eff. July 1, ~~2016-2016~~;*

16 *Amended July 1, 2024.*

1 09 NCAC 03M .0202 is amended as published in 38:08 NCR 478-483 as follows:

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3 **09 NCAC 03M .0202 RECIPIENT AND SUBRECIPIENT RESPONSIBILITIES**

4 A recipient or subrecipient that receives ~~State financial assistance~~ grants shall ensure that those funds are utilized for  
5 their intended purpose and shall expend those funds in compliance with requirements established by this Subchapter  
6 and their contract. Recipients and subrecipients shall:

7 (1) Provide the information required by the disbursing agency in order to comply with the procedures  
8 for disbursement of funds.

9 (2) Maintain reports and accounting records that support the allowable expenditure of State funds.  
10 Recipients and subrecipients shall make available all reports and records for inspection by the  
11 awarding agency, the Office of State Budget and Management, and the Office of the State Auditor  
12 for oversight, monitoring, and evaluation purposes.

13 (3) Ensure that subrecipients comply with all reporting requirements established by this Subchapter and  
14 their contract and report to the appropriate disbursing entity.

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16 *History Note: Authority G.S. 143C-6-22; 143C-6-23;*

17 *Eff. July 1, 2005;*

18 *Readopted Eff. July 1, ~~2016-2016~~;*

19 *Amended Eff. July 1, 2024.*

09 NCAC 03M .0205 is amended as published in 38:08 NCR 478-483 as follows:

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

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

- (1) Level I – A recipient or subrecipient that receives, holds, uses, or expends ~~State financial assistance grants~~ in an amount less than ~~twenty thousand dollars (\$25,000)~~ 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/>.
- (2) Level II - A recipient or subrecipient that receives, holds, uses, or expends ~~State financial assistance grants~~ in an amount ~~of at least twenty five thousand (\$25,000) or greater, but less than five hundred thousand dollars (\$500,000)~~ equal to or greater than the dollar amount requiring audit as listed in 2 CFR 200.501(a) 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 grants~~ 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 grants~~ received, held, used, or expended.
- ~~(3) Level II and III~~ 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 ~~III~~ 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.

(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 must 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.

1 (e) Unless prohibited by law, the costs of audits made in accordance with the provisions of this Rule shall be allowable  
2 charges to State and Federal awards. The charges may be considered a direct cost or an allocated indirect cost, as  
3 determined in accordance with cost principles outlined in the Code of Federal Regulations, 2 CFR Part 200. The cost  
4 of any audit not conducted in accordance with this Subchapter shall not be charged to State awards.

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

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9 *History Note: Authority G.S. 143C-6-22; 143C-6-23;*

10 *Eff. July 1, 2005;*

11 *Readopted Eff. July 1, ~~2016~~. 2016;*

12 *Amended Eff. July 1, 2024.*

1 09 NCAC 03M .0401 is amended as published in 38:08 NCR 478-483 as follows:

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3 **SECTION .0400 - RESPONSIBILITIES OF AGENCIES**

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5 **09 NCAC 03M .0401 AGENCY RESPONSIBILITIES**

6 (a) An agency that receives State funds and disburses those funds as ~~State financial assistance~~ grant funds to a recipient  
7 shall:

- 8 (1) Notify each recipient, at the time the ~~State financial assistance~~ grant award is made, of the purpose  
9 of the award and the reporting requirements established in this Subchapter.
- 10 (2) Prior to disbursing any ~~State financial assistance~~ grant funds:
- 11 (A) Register each State assistance program with the Office of State Budget and Management  
12 in the format and method specified by the Office of State Budget and Management.
- 13 (B) Execute a contract with the recipient that complies with the requirements of this  
14 Subchapter.
- 15 (C) Report each individual award to the Office of State Budget and Management in the format  
16 and method specified by the Office of State Budget and Management.
- 17 (D) Follow the procedures for disbursement of ~~State financial assistance~~ grant funds.
- 18 (3) Develop compliance supplement reports that describe standards of compliance and audit procedures  
19 to give direction to independent auditors. This report shall be provided to the State and Local  
20 Government Finance Division in the North Carolina Department of State Treasurer for inclusion in  
21 the North Carolina State Compliance Supplement.
- 22 (4) Develop a monitoring plan for each State assistance program the agency oversees and ~~submit gain~~  
23 approval of the plan to by the Office of State Budget and ~~Management for approval.~~ Management.
- 24 (5) Perform monitoring and oversight functions as specified in agency monitoring plans to ensure that  
25 ~~State financial assistance is~~ grant funds are used for authorized purposes in compliance with laws,  
26 regulations, and the provisions of contracts, and that performance goals are achieved.
- 27 (6) Ensure that ~~State financial assistance is~~ grant funds are spent consistent with the purposes for which  
28 it was awarded.
- 29 (7) Determine that reporting requirements have been met by the recipient and that all reports have been  
30 completed and submitted in accordance with the recipient's contract.
- 31 (8) Monitor compliance by recipients with all terms of a contract. Upon determination of  
32 noncompliance the agency shall take appropriate action as specified in Section .0800 of this  
33 Subchapter.
- 34 (9) Require agency internal auditors to conduct periodic audits of agency compliance with requirements  
35 of this Subchapter.



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

4 (11) Notify the Office of State Budget and Management when to remove entities from the Suspension of  
5 Funding List.

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

8  
9 *History Note: Authority G.S. 143C-6-22; 143C-6-23;*  
10 *Eff. July 1, 2005;*  
11 *Readopted Eff. July 1, ~~2016~~. 2016;*  
12 *Amended Eff. July 1, 2024.*

09 NCAC 03M .0601 is amended as published in 38:08 NCR 478-483 as follows:

**SECTION .0600 - RESPONSIBILITIES OF THE OFFICE OF STATE BUDGET AND MANAGEMENT**

**09 NCAC 03M .0601 OFFICE OF STATE BUDGET AND MANAGEMENT RESPONSIBILITIES**

The Office of State Budget and Management shall:

- (1) Provide guidelines to agencies for developing monitoring plans and establishing reporting processes that meet the requirements established in this Subchapter.
- (2) Maintain a Suspension of Funding list readily accessible to any interested party that identifies any recipient found in noncompliance with the requirements of this Subchapter or the terms of their contract. This list shall serve as notice to other agencies that no further ~~State financial assistance grant funds~~ shall be provided to that recipient until they are removed from the list.
- (3) Periodically audit State agencies to ensure compliance with requirements set forth in Section .0400 of this Subchapter.
- (4) Upon notification from a disbursing agency that a recipient is no longer noncompliant with the requirements set forth in Section .0200 of this Subchapter, validate that all such noncompliance has been corrected prior to the removal of that recipient from the Suspension of Funding listing. A recipient may appeal to the Office of State Budget and Management to be removed from the Suspension of Funding list if they believe they have been suspended in error. Once removed from the Suspension of Funding list, the recipient is eligible for current and future ~~State financial assistance grants~~.
- (5) Take appropriate administrative action when the Director of the Budget finds that the recipient has spent or encumbered State funds for an unauthorized purpose, including ensuring allegations of criminal violations are reported to the Attorney General and the State Bureau of Investigation by the disbursing agency.
- (6) If the funds are a pass-through of funds awarded by an agency of the United States, consult with the awarding agency of the United States and the State agency that is the recipient of the pass-through funds prior to taking actions authorized by this Subchapter.

*History Note: Authority G.S. 143C-6-22; 143C-6-23;  
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1 09 NCAC 03M .0703 is amended as published in 38:08 NCR 478-483 as follows:

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3 **09 NCAC 03M .0703 REQUIRED CONTRACT PROVISIONS**

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

- 8 (1) A specification of the purpose of the award, services to be provided, objectives to be achieved, and  
9 expected results;
- 10 (2) The source of funds (such as federal or state) must be identified, including the CFDA number and  
11 percentages of each source where applicable.
- 12 (3) Account coding information sufficient to provide for tracking of the disbursement through the  
13 disbursing agency's accounting system.
- 14 (4) Agreement to maintain all pertinent records for a period of five years or until all audit exceptions  
15 have been resolved, whichever is longer.
- 16 (5) Names of all parties to the terms of the contract. For the recipient or subrecipient, each contract shall  
17 contain the employer/tax identification number, address, contact information, and the recipient's or  
18 subrecipient's fiscal year end date.
- 19 (6) Signatures binding all parties to the terms of the contract.
- 20 (7) Duration of the contract, including the effective and termination dates.
- 21 (8) Amount of the contract and schedule of payment(s).
- 22 (9) Particular duties of the recipient.
- 23 (10) Required reports and reporting deadlines.
- 24 (11) Provisions for termination by mutual consent with 60 days written notice to the other party, or as  
25 otherwise provided by law.
- 26 (12) A provision that the awarding of ~~State financial assistance~~ grant funds is subject to allocation and  
27 appropriation of funds to the agency for the purposes set forth in the contract.
- 28 (13) Provision that requires reversion of unexpended ~~State financial assistance~~ grant funds to the agency  
29 upon termination of the contract.
- 30 (14) A provision that requires compliance with the requirements set forth in this Subchapter, including  
31 audit oversight by the Office of the State Auditor, access to the accounting records by both the  
32 funding entity and the Office of the State Auditor, and availability of audit work papers in the  
33 possession of any auditor of any recipient of State funding.
- 34 (15) A clause addressing assignability and subcontracting, including the following:
  - 35 (a) The recipient or subrecipient is not relieved of any of the duties and responsibilities of the  
36 original contract.

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

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5 *History Note: Authority G.S. 143C-6-22; 143C-6-23;*

6 *Eff. July 1, 2005;*

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8 *Amended Eff. July 1, 2024.*

1 09 NCAC 03M .0801 is amended as published in 38:08 NCR 478-483 as follows:

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3 **SECTION .0800 - SANCTIONS**  
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5 **09 NCAC 03M .0801 NONCOMPLIANCE WITH RULES**

6 (a) An agency shall not disburse any ~~State financial assistance~~ grant funds to an entity that is on the Suspension of  
7 Funding list.

8 (b) When a non-State entity does not comply with the requirements of this Subchapter, the agency shall take measures  
9 to ensure that the requirements are met, including:

10 (1) Communicating the requirements in writing to the non-State ~~entity~~ entity within 30 business days.

11 (2) Requiring a response in writing from the non-State entity upon a determination of noncompliance.

12 (3) Suspending payments to the non-State entity until the non-State entity is in compliance.

13 (c) When an agency discovers evidence of management deficiencies or criminal activity leading to the misuse of  
14 funds, the agency shall notify the Office of State Budget and Management and take the appropriate action or actions,  
15 such as:

16 (1) Suspend payments until the matter has been fully investigated and corrective action has been taken.

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

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

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

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

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

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

29 (e) Each disbursing agency shall ensure that recipients and subrecipients have complied with the applicable provisions  
30 of this Subchapter.

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

35 (g) The Office of State Budget and Management shall notify the agency of the finding and provide 60 days to take  
36 corrective action. After the 60-day period, the Office of State Budget and Management shall conduct a follow-up audit  
37 to determine if appropriate corrective action has been taken. If an awarding agency fails to take appropriate corrective

1 action or is repeatedly found to be out of compliance with the requirements of this Subchapter, the Office of State  
2 Budget and Management shall notify the head of the agency and the State Auditor of the finding.

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4 *History Note:* Authority G.S. 143C-6-22; 143C-6-23;

5 *Eff. July 1, 2005;*

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7 *Amended Eff. July 1, 2024.*

1 09 NCAC 03M .0802 is amended with changes as published in 38:08 NCAC 478-483 as follows:

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3 **09 NCAC 03M .0802 RECOVERY OF STATE FUNDS**

4 (a) The disbursing agency shall take appropriate administrative action to recover ~~State financial assistance~~ grant funds  
5 in the event a recipient or subrecipient:

6 (1) Is unable to fulfill the obligations of the contractual ~~agreement.~~ agreement;

7 (2) Is unable to accomplish the purposes of the ~~award.~~ award;

8 (3) Is noncompliant with the reporting ~~requirements.~~ requirements; or

9 (4) Has ~~inappropriately used State financial assistance.~~ grant funds for purposes other than those  
10 described in the signed grant contract.

11 (b) The disbursing agency shall seek the assistance of the Attorney General in the recovery and return of ~~State financial~~  
12 ~~assistance~~ grant funds if legal action is required.

13 (c) Any apparent violations of a criminal law or malfeasance, misfeasance, or nonfeasance in connection with the use  
14 of ~~State financial assistance~~ grant funds shall be reported by the agency to the Office of State Budget and Management,  
15 the Attorney General, and the State Bureau of Investigation.

16

17 *History Note: Authority G.S. 143C-6-22; 143C-6-23;*

18 *Eff. July 1, 2005;*

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