

SECTION .1000 – AUDITING PROCEDURES

10A NCAC 01A .1001 SINGLE AUDITS OF LOCAL GOVERNMENTS AND PUBLIC AUTHORITIES

(a) Independent auditors retained to conduct single audits for local governments or public authorities may be notified by the Department of Health and Human Services (hereinafter "the Department") or the Local Government Commission of problem areas that the audit shall address.

(b) The Local Government Commission shall review single audits for compliance with OMB Circular A-133 and accept those single audits for the State that have been determined to comply with Federal and State requirements. Whenever a single audit is performed on a local government or public authority that received funds from the Department during the fiscal year audited, the Local Government Commission shall provide the Department with a copy of the audit report(s).

(c) Following receipt of the audit report by the Controller of the Department, relevant portions of the report shall be sent to the Controller's Office employee who is assigned division responsibility for coordination of a departmental position on the corrective actions planned or taken.

(d) The Department or any affected division of the Department may request any additional information deemed necessary for clarification of an audit finding, recommendation, questioned cost or the corrective action plan. The local government or public authority shall provide the information to the requesting official within 30 days after the receipt of the request. If additional information or clarification from the independent auditor is requested, the local government or public authority shall direct its auditor to provide the information requested to the requesting official within the 30 day response time.

(e) If the Department has reason to believe that due professional care was not used in conducting a single audit or if a local government or public authority or their independent auditor is unwilling or unable to provide clarification or additional information requested by an official of the Department, a written request for review of the auditor's work papers may be filed with the Office of the State Auditor by the Controller. The Controller shall make or arrange for any review of the auditor's work papers deemed necessary for timely resolution of single audit findings, recommendations, or questioned cost.

(f) Following receipt of any additional information requested, the Controller's Office shall prepare a recommendation to accept or reject the corrective action plan for each fiscal compliance finding, recommendation or questioned cost. The Director of an affected division shall prepare a recommendation to accept or reject the corrective action plan for each program-specific compliance finding or recommendation. If the corrective action plan is rejected, the reasons for the rejection and an acceptable corrective action shall be specified. These recommendations shall be forwarded to the Controller's Office Audit Resolution Coordinator for Governmental Audits for coordination of a Departmental position on the corrective action plan.

(g) The Secretary of the Department shall provide the local government or public authority with a written determination which accepts or rejects the corrective action plan for each audit finding, recommendation or questioned cost that pertains to or otherwise affects a program of the Department. If the corrective action plan is rejected the reasons for the rejection and an acceptable corrective action shall be specified in the determination letter. If the corrective action plan indicates that the proposed corrective action for nonmonetary findings has not been implemented, the determination on all nonmonetary findings shall specify the time by which the local government or public authority shall implement the corrective action if different from the time proposed in the corrective action plan. The determination on all questioned costs or other charges to the Department shall state whether the cost or other charge is allowable or unallowable for reimbursement to the local government or public authority under applicable laws and rules. If a cost or other charge to the Department is determined to be unallowable for reimbursement, the determination letter shall require full monetary repayment to the Department within 60 days of the date of the determination letter. The amount of any cost or other charge determined to be unallowable shall constitute a debt due the State of North Carolina until repayment in full is received by the Department.

(h) A determination by the Secretary of the Department required under Paragraph (g) of this Rule shall become final unless a petition for a contested case is filed in accordance with G.S. 150B-23.

(i) Upon a petition for a contested case filed in accordance with G.S. 150B-23 monetary repayment or implementation of a corrective action required under Paragraph (g) of this Rule shall be suspended only for individual determinations or parts of a determination specifically disputed in the appeal. Interest may be charged under the conditions specified under Paragraph (j) of this Rule on the amount of any cost or other charge determined to be unallowable under Paragraph (g) of this Rule.

(j) Except where otherwise provided by statutes or rules, Federal agencies are required to charge interest on overdue amounts in accordance with the Federal Claims Collection Standards (4 CFR Ch. II). The date from which interest

is computed is not extended by litigation or the filing of any form of appeal. If a Federal agency charges the Department interest on the Federal share of an overdue amount from a local government or public authority, the Department shall charge the interest to the local government or public authority.

(k) If a local government or public authority fails to make repayment of an amount due to the Department or obtain Department approval of a deferred payment plan by the "due date" specified in Paragraph (g) of this Rule, the Department shall offset the amount of the disallowance or any portion thereof remaining unpaid and any interest due from subsequent reimbursements or other amounts due the local government or public authority until the amount due is fully recovered.

(l) A local government or public authority may propose a plan for repayment of amounts determined to be unallowable on an installment basis. The local government or public authority must certify that it is unable to make repayment by the "due date" specified in Paragraph (g) of this Rule and that commercial financing can not be obtained. Repayment of the Federal share of amounts determined to be unallowable shall not be allowed on an installment basis unless the Federal grantor agency approves of the installment plan or otherwise allows the Department the same installment repayment terms. Interest may be charged as specified under Paragraph (j) of this Rule while awaiting Federal approval of an installment plan or on installment payments.

(m) If a local government or public authority fails to submit additional information requested under Paragraph (d) of this Rule or fails to implement corrective action within the time frame established by the Secretary under Paragraph (g) of this Rule, the Secretary of the Department or the Director of the requesting division may suspend all or any portion of the administrative and indirect cost funding administered by the Department until such time as the required corrective action plan or additional information is submitted as requested. Alternatively, the Secretary of the Department may issue a unilateral determination on the audit findings, recommendations, and questioned cost requiring any corrective action and repayment of questioned cost deemed necessary for compliance with the laws and rules governing assistance programs affected.

*History Note: Authority G.S. 143B-10(j); 143B-139.1; 143B-139.3; 159-34;
Eff. January 1, 1990;
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Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. April 23, 2017.*