

21.019		Coronavirus Relief Fund
State Project/Program:		Coronavirus Relief Fund
US Department of Treasury		
Federal Authorization:	Social Security Act §601(d), as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)	
State Authorization:	General Assembly of North Carolina Session 2019 – Session Law 2020-4 (House Bill 1043), Session Law 2020-80 (House Bill 1023), Session Law 2020-88 (Senate Bill 808); Session Law 2020-97 (House Bill 1105); Session Law 2020-32 (Senate Bill 836); 2020 COVID-19 Recovery Act	
N. C. Office of State Budget and Management N.C. Pandemic Recovery Office		
<u>Agency Contacts:</u> <u>Program</u> Stephanie McGarrah, Executive Director N.C. Pandemic Recovery Office stephanie.mcgarrah@osbm.nc.gov (984) 202-4267 Catherine Moga Bryant, Policy and Strategic Planning Director N.C. Pandemic Recovery Office Policy and Strategic Planning catherine.mogabryant@osbm.nc.gov (984) 232-1300		<u>N.C. Pandemic Recovery Office</u> <u>Confirmation Reports:</u> Confirmation of Funds Expended and/or Disbursed from the Coronavirus Relief Funds 2019-20 will be made available by request. Agency Contact: Lisa Fox, Program Director N.C. Pandemic Recovery Office lisa.fox@osbm.nc.gov (984) 239-0344
<u>Financial</u> Nuray Eksen, Accounting Manager N.C. Pandemic Recovery Office Data Management and Business Operations nuray.eksen@osbm.nc.gov (984) 236-0600		

The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate. Auditors may request documentation of monitoring visits by State Agencies.

This compliance supplement should be used in conjunction with the OMB 2021 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

PROGRAM OBJECTIVES

The Coronavirus Relief Fund (CRF) is established in the Coronavirus Aid, Relief and Economic Security Act of 2020 (CARES Act). The CRF funding received from the U.S. Department of Treasury by the State of North Carolina was appropriated under Session Law 2020-4 (House Bill 1043). The fund is established to provide necessary and appropriate relief and assistance from the effects of COVID-19, consistent with the provisions of the CARES Act and subsequent legislation addressing the effects of COVID-19. All funds allocated from the Fund must be used for necessary expenditures incurred due to the public health emergency with respect to COVID-19.

II. PROGRAM PROCEDURES

The 2020 COVID-19 Recovery Act appropriates nonrecurring Coronavirus Relief Funds to the North Carolina Office of State Budget and Management (OSBM) for the 2019-2020 fiscal year. The CRF fund was subsequently extended until December 31, 2021 with the passage of the Coronavirus Response and Consolidated Appropriations Act. The Recovery Act requires the North Carolina Pandemic Recovery Office (NCPRO), a division of the OSBM to administer the funds to carry out the provisions of the law and to ensure proper reporting and accounting of the Coronavirus Relief Funds. NCPRO allocated and disbursed Coronavirus Relief Funds to eligible local governments, state agencies, nonprofits and hospitals in accordance with the CARES Act legislation. Eligible subrecipients are required to send proof of use of funds and reimbursement documentation to NCPRO monthly.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as "Y," on the "Matrix of Compliance Requirements" located in Part 2 of the OMB 2021 Compliance Supplement; however, the State Agency may have added the Type and this is noted by "Y." If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by "N."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2021 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements), to perform the audit.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y

A. Activities Allowed or Unallowed

Compliance Requirement

Payments must be used to cover costs that are:

1. Necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. Not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act);
3. Incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.

Expenditures must be used for actions taken to respond to the public health emergency. These may include expenditures incurred to respond directly to the emergency as well as expenditures incurred to respond to second-order effects of the emergency. The expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.

Audit Objective - Determine that expenditures are allowable.

Suggested Audit Procedures - Obtain a copy of the subrecipient's NCPRO Attachment C-2 Report from the finance officer and compare to local accounting records for appropriateness.

Test expenditures and related records to determine if expenditures were:

1. Reasonable with respect to cost being incurred due to the Coronavirus Disease 2019 (COVID-19);
2. In compliance with the allowable activity established by the U.S. Department of Treasury, 2020 COVID-19 Recovery Act Legislation (Recovery Act), North Carolina Session Laws, and NCPRO Guidance;
3. In alignment with the application and contract if one was required.
4. Used for costs that were not accounted for in the subrecipient's budget most recently approved as of March 27, 2020.

B. Allowable Costs/Costs Principles

Compliance Requirement

In accordance with the federal CARES) Act, Coronavirus Relief Fund, these funds may not be used to directly account for revenue shortfalls related to the COVID-19 outbreak.

1. Funds may only be used for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19), and for costs that are a substantially different use from any expected use of budgeted funds.
2. Funds may not be used for expenses that have been or will be reimbursed under any federal program.
3. Funds may be used for payroll or benefits expenses for employees whose work duties are dedicated to mitigating or responding to the COVID-19 public health emergency.

Audit Objective – To determine costs are allowable.

Suggested Audit Procedures

Test expenditures and related records to determine if expenditures are:

1. Approved and have supporting documentation;
2. Reasonable with respect to cost being incurred due to the Coronavirus Disease 2019 (COVID-19);
3. In compliance with the allowable activities and costs as established by the U.S. Department of Treasury, 2020 COVID-19 Recovery Act Legislation (Recovery Act), North Carolina Session Laws, and NCPRO Guidance;
4. In alignment with the application and contract if one was required.

C. Cash Management

Compliance Requirement

Subrecipients paid on a reimbursement basis maintains supporting documentation to show that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request. When funds are advanced to subrecipients, procedures must be followed to minimize the time elapsing between the transfer of funds and disbursement.

Audit Objectives

1. Determine whether the subrecipients paid on a reimbursement basis maintain supporting documentation to show that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.
2. Determine whether the subrecipients minimized the time elapsing between use of funds and the receipt of funds.

Suggested Audit Procedures

Test a sample of transactions to ascertain if subrecipients funded on a reimbursement basis paid for program costs before reimbursement and subrecipients funded in advance followed procedures to minimize the time elapsing between the receipt of funds and the use of funds.

E. Eligibility

Compliance Requirement

The specific requirements for eligibility are found in the N.C. Session Laws, NCPRO Guidance, and the terms and conditions of the contract and award agreement.

Audit Objectives

1. Determine whether required eligibility determinations were made (including obtaining any required documentation/verification), and that beneficiaries were determined to be eligible to participate in the program.
2. Determine whether subawards were made only to eligible subrecipients.

3. Determine whether amounts provided to beneficiaries were calculated in accordance with program requirements.

Suggested Audit Procedures

Perform test procedures to determine that the recipient or subrecipient specified criteria for determining the individuals, groups of individuals (including area of service delivery), or subrecipients that can participate in the program and the amounts for which they qualify.

F. Equipment/Real Property Management – Not applicable

G. Matching, Level of Effort, Earmarking – Not applicable

H. Period of Performance

Compliance Requirement – Funds from the Recovery Act are available March 1, 2020 through December 31, 2021.

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period.

Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request.

Expenditures may not be incurred before the period begins or after the period ends. Any expenditures prior to the beginning date or after the end date are considered unallowable and must be refunded to NCPRO.

Audit Objective

Determine that no expenditures were incurred prior to the date the period began or after the period ends.

Suggested Audit Procedure

Review transactions to verify that no expenditures were incurred prior to or after the approved period of availability.

I. Procurement, Suspension, and Debarment

Procurement – Not Applicable

Compliance Requirement

Suspension and Debarment

Per N.C. 09 NCAC 03M an agency shall not disburse any State financial assistance to an entity that is on the Suspension of Funding list. The N.C. Office of State Budget and Management maintains the Suspension of Funding List for non-compliant grant recipients. In addition, federal

regulations require an entity to verify that the intended vendor is not suspended or debarred or otherwise excluded from participating in federal assistance programs by either checking the government-wide System for Award Management (SAM) Exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with that vendor.

Audit Objectives

Determine that there are procedures in place to verify that recipients receiving CRF are not suspended or debarred or otherwise excluded prior to issuing the funds.

Suggested Audit Procedures

Test contracts, subawards and vendors to the list of parties excluded from the state and federal suspension and debarment funding lists to ascertain if funds were expended to subrecipients and vendors on the suspension lists and contracts were awarded to suspended or debarred parties.

J. Program Income – Not applicable

L. Reporting

Compliance Requirements

1. Federal Reporting

Quarterly Federal Reporting to the US Treasury – **Not applicable at the local level**

NCPRO reports the expenditures and performance objectives to the U.S. Treasury documented on the Pandemic Response Accountability Committee (PRAC) website using the Grants Solutions portal.

2. State Reporting

The North Carolina General Assembly may require various recipients of CRF funds to provide a special report as enacted by session law.

3. NCPRO Guidance

NCPRO established monthly and final reporting requirements for the subrecipients receiving CRF funds.

Monthly Reporting

NCPRO requires that each subrecipient submit the Attachment C-1 and Attachment C-2 reports by the 20th of the month following the month the expenses were incurred to ensure the CRF funds are being used to meet the subrecipient's goals and deliverables related to recovering from the Coronavirus pandemic and to allow NCPRO to verify that expenditures comply with federal and state requirements.

Performance Report

The Attachment C-1 Covid-19 Grant Project Status Report provides a descriptive summary of how the CRF funds were used and details of the subrecipient's performance including specific deliverables achieved. The subrecipient is also required to include the performance metrics used to measure success in achieving its recovery goals. The report is to be completed by the grant recipient and each subrecipient.

Financial Report

The Attachment C-2 NCPRO Coronavirus Grant Monthly Reimbursement Request report is submitted by a subrecipient for the reimbursement of funds used.

- Part A of the Attachment C-2 report provides a summary of the funding received and spent.
- Part B of the Attachment C-2 report provides the detail of the expenditures and must include the associated invoices, payroll registers, contracts, applications, and/or timesheets to support the expenditure transaction details provided in the report.

Final Reporting (Closeout)

NCPRO requires each subrecipient to submit the Attachment F Covid-19 Grant Outcomes and Accomplishments Final Report when the allotment is completed. The subrecipient is required to provide a narrative of the outcomes and accomplishments related to the funds spent for the specific purpose of the CRF grant and include the subrecipient's final performance metrics in achieving its recovery goals. Final reporting of Attachment F is due 45 days after the final CRF expenditures are incurred.

Audit Objective

Determine whether required reports for the Coronavirus Relief Funds include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

Suggested Audit Procedures

Select a sample of each report type and test for accuracy and completeness and ensure that the recipients and subrecipients:

1. Reported to the N.C. General Assembly as required by the Session Law or other legislation.
2. Used the standard reporting forms, or such other forms as may be authorized by NCPRO (indicated by an NCPRO contract number on the form) and reported program outlays as cash or accrual basis, as prescribed by NCPRO.
3. Submitted reports that include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

M. Subrecipient Monitoring

Identify the Award and Applicable Requirements

Determine whether Recipient provided award notification to the Subrecipient of requirements to comply with federal statutes, regulations, and the terms and conditions of the federal award.

Monitoring Subrecipient Activities

Determine whether the Recipient monitored subrecipient activities to provide reasonable assurance that the subrecipient administered the subaward in compliance with the terms and conditions of the subaward.

Subrecipient Audits

- (1) Ensuring that subrecipients expending \$500,000 (state threshold) or \$750,000 (federal threshold) or more in Federal awards during the subrecipient's fiscal year for fiscal years ending

after as provided in 2 CFR 200 have met the single audit requirements and that the required audits are completed within 9 months of the end of the subrecipient's audit period.

- (2) Issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and
- (3) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- (4) Evaluating the Impact of subrecipient activities on the Pass-Through entity's ability to comply with applicable Federal regulations.

Audit Objectives

To provide reasonable assurance that Federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient noncompliance on the pass-through entity is evaluated. Also, the pass-through entity should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.

Suggested Audit Procedures

1. Inspect the subaward documents including the terms and conditions of the subaward to ascertain if, at the time of subaward (or subsequent subaward modification), the entity made the subrecipient aware of the award information.
2. Inspect the documentation of monitoring the subaward and consider if the pass-through entity's monitoring activities provided reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward.
3. Ascertain if the pass-through entity ensured that the subrecipient takes timely and appropriate action on deficiencies detected through audits.

N. Special Tests and Provisions

Federal awards may require additional compliance, performance, fraud, and financial requirements. The tests are designed to determine compliance with requirements as defined by oversight entities, senior management and/or other factors that could increase the risk of loss or misuse of federal funds.

1. Compliance Requirement – Conflict of Interest

Audit Objective

Determine that the recipient and subrecipient has written standards of conduct that cover conflicts of interest and govern the performance of its employees engaged in the selection, award, and contracts.

Suggested Audit Procedure

Perform test procedures to determine that the recipient maintains a conflict-of-interest policy and required a conflict-of-interest policy from its subrecipients.

2. Compliance Requirement - System for Award Management (SAM).gov Registration

Audit Objective

Recipients, including subrecipients and vendors receiving over \$50,000 in Coronavirus Relief Funds, must be registered in the SAM.gov (System for Award Management), including obtaining a DUN and Bradstreet Data Universal Numbering System (DUNS) number.

Suggested Audit Procedure

Test transactions to verify that subrecipient required vendors and contractors to receiving over \$50,000 obtained a DUNS number and are registered in SAM.gov.

3. Compliance Requirement – Sales Tax

Per CRF-Guidance-Federal-Register_2021-00827, fund payments may not be used for government revenue replacement, including the provision of assistance to meet tax obligations. Per the NCPRO Contract, if eligible, the Recipient and all subrecipients shall: (a) ask the North Carolina Department of Revenue for a refund of all sales and use taxes paid by them in the performance of this Contract, pursuant to N.C.G.S. 105-164.14; and (b) exclude all refundable sales and use taxes from all reportable expenditures before the expenses are entered in their monthly project status reports.

Audit Objective

Determine if entities that are being reimbursed for sales tax on the CRF funds and filed with the N.C. Department of Revenue (DOR), returned the reimbursement checks/refunds from DOR to NCPRO.

If the entity is exempt from sales and use tax and is reimbursed when such expenses are entered on the monthly reimbursement reports, the entity is to request a refund from DOR for the refund of all sales and use tax paid during the performance of the grant and return the refunded amount to NCPRO.

Suggested Audit Procedure

Test transactions to verify if the recipient and subrecipient are exempt from sales tax, and if so determine if sales tax was included in the expenditures reported to NCPRO. Any reimbursement of sales tax must be returned to NCPRO.

4. Compliance Requirement - Interest Earnings

Interest earnings generated on the CRF funds must be used for an allowable COVID related purpose or returned to NCPRO.

Audit Objective

Determine if interest earned, on CRF funds deposited in an interest-bearing account, was recorded, and used in accordance with the program requirements. If funds were not used for an allowable COVID related purpose, funds were returned to NCPRO.

Suggested Audit Procedure

Test transactions to determine recipient calculated interest on program funds and returned the funds to NCPRO, if not used for the same purpose as the financial assistance award.

5. Compliance Requirement - Double Dipping

Audit Objective

Determine that no double-dipping occurred, such as with another program, e.g., payroll protection, Medicare, Medicaid.

Per the Federal Office of Management and Budget *Memorandum to The Heads of Executive Departments and Agencies*, expenditures, such as, payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice.

Suggested Audit Procedure

Test a sample of transactions to determine recipient and subrecipient submitted expenditures to more than one Federal program to receive reimbursement from the federal government for the same expenditures twice, and if so, verify procedures were performed to recoup the funds if issues were subsequently discovered.

6. Compliance Requirement - Families First Coronavirus Relief Act personnel expenditures

The Families First Coronavirus Response Act (FFCRA) requires certain employers to provide their employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19.

Audit Objective

Determine that personnel expenditures used to reimburse family leave (employee initiates leave) comply with the Families First Coronavirus Relief Act (FFCRA).

Suggested Audit Procedure

Test a sample of personnel expenditures to ascertain that the subrecipient complied with the FFCRA requirements.

7. Compliance Requirement – Furloughed Employee Expenditures

Audit Objective

Determine that CRF funds were not used to pay for furloughed employee personnel expenditures.

Suggested Audit Procedure

Test a sample of personnel expenditures to ascertain that the subrecipient complied with the requirements applicable to furloughed employee expenditures.

8. Compliance Requirement - Administrative Expenses

Audit Objective

1) Determine if the subrecipient reimbursed administrative expenses from CRF funds and if so, documented how they determined the amount to be charged to the CRF grant were directly related to the grant; 2) Determine that indirect administrative expenses were not allocated to the CRF grant.

Suggested Audit Procedure

Test a sample of administrative expenditures to ascertain that the subrecipient complied with the requirements applicable to administrative expenses and no indirect costs were charged to the CRF grant.