
84.425 Education Stabilization Fund

State Program/Project Governor's Emergency Education Relief (GEER) Fund

US Department of Education

Federal Authorization: Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, Educational Stabilization Fund enacted March 27, 2020; Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021 enacted December 27, 2020

State Authorization: General Assembly of North Carolina Session 2019 – Session Law 2020-4 (House Bill 1043), Session 2021 – Session Law 2021-3 (House Bill 196)

**N. C. Office of State Budget and Management
N.C. Pandemic Recovery Office**

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**N.C. Pandemic Recovery Office Confirmation
Reports:**

Confirmation of Funds Expended and/or Disbursed
from the GEER Funds 2019-20 will be made
available by request.

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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.

I. PROGRAM OBJECTIVES

The objective of the Governor's Emergency Education Relief (GEER) Fund is to provide local educational agencies (LEAs), institutions of higher education (IHEs), and other education-related entities with emergency assistance as a result of the Novel Coronavirus Disease 2019 (COVID-19). The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted March 25, 2020, includes funding for an Education Stabilization Fund (ESF) to prevent, prepare for, and respond to coronavirus. The ESF includes the GEER Fund. The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021 enacted December 27, 2020 provided additional funding to GEER.

The US Department of Education (ED) allocated funds to governors of 60 percent based on each state's population of individuals ages 5 through 24 and 40 percent based on the number of children counted under section 1124(c) (indicators of poverty) of the Elementary and Secondary Education Act of 1965 (ESEA). The governor uses GEER funds to (1) provide emergency support through grants to LEAs that the State Education Agency (SEA) deems to have been most significantly impacted by COVID-19; (2) provide emergency support through grants to IHEs serving students within the state that the governor determines have been most significantly impacted by COVID-19; and (3) provide support to any other IHE, LEA, or education-related entity within the state that the governor deems essential for carrying out emergency educational services. In order to receive GEER funds, a governor must submit to ED a completed application in the form of a Certification and Agreement.

Each Governor will have one year, from the date of the State's award to award funds. Any funds not awarded by the Governor within one year of receiving the State's award will be returned to the ED for reallocation.

The North Carolina Pandemic Recovery Office (NCPRO) was established in North Carolina Session Law 2020-4 to oversee and coordinate the use of federal relief aid received by the State. NCPRO will oversee reporting for the use of GEER funds in alignment with requirements and guidance established by the U.S. Department of Education.

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.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

| 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 | Y | N | N | Y | N | Y | Y | Y |

A. Activities Allowed or Unallowed

Compliance Requirement

Governors and SEAs must demonstrate that costs incurred by governors, SEAs, and subrecipients are allowable under the relevant statutory provisions and Certification and Agreement, and consistent with the purpose of the ESF, which is “to prevent, prepare for, and respond to COVID-19.”

Under section 18002(c) of the CARES Act, GEER funds may be used to:

1. Provide emergency support through grants to LEAs that the SEA deems have been most significantly impacted by coronavirus to support the ability of such LEAs to continue to provide educational services to their students and to support the on-going functionality of the LEA;
2. Provide emergency support through grants to IHEs serving students within the state that the governor determines have been most significantly impacted by coronavirus to support the ability of such institutions to continue to provide educational services and support the on-going functionality of the institution; and
3. Provide support to any other institution of higher education, LEA, or education related entity within the state that the governor deems essential for carrying out emergency educational services to students for authorized activities described in section 18003(d)(1)

of the CARES Act or the HEA, the provision of child care and early childhood education, social and emotional support, and the protection of education-related jobs.

Audit Objective – To determine that funds were expended only for allowable activities in accordance with the program requirements.

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

Test a sample of transactions and perform procedures to verify that the expenditures were:

1. Reasonable with respect to the cost incurred and in compliance with the allowable activity established by the U.S. Department of Education, 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Education Stabilization Fund, Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, North Carolina Session Laws, and NCPRO Guidance;
2. In alignment with the allowable activities outlined in the application, award agreement or contract as required.

B. Allowable Costs/Cost Principles

Compliance Requirement

For GEER Funds auditors will be required to examine how each respective governor allocated the funds to subrecipients to determine which cost principles apply for each subrecipient, as governors may award funds to states, local governments and Indian tribes, educational institutions or nonprofits.

To the extent that the State charges, or authorizes eligible entities (i.e., LEAs, IHEs, and education-related entities) to charge, pre-award costs to the GEER Fund, the State and eligible entities will only use funds for allowable costs incurred on or after March 13, 2020.

Administrative Costs

There is no indirect costs formula for the GEER funds. The subrecipient may request up to 0.25% of the value of the program allocation to use to support administration and monitoring justified by actual expenditures. The administrative funds will be added on top of the program allocation.

Audit Objective – To determine that expenditures are allowable and properly recorded.

Suggested Audit Procedures:

Test expenditures and related records to determine if expenditures are:

1. Approved and have supporting documentation;
2. Reasonable with respect to the cost incurred and in compliance with the allowable costs established by the U.S. Department of Education, 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Education Stabilization Fund, Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021, North Carolina Session Laws, and NCPRO Guidance;
3. In alignment with the allowable use of funds in the application and award agreement or contract as required.

Test administrative expenditures to ascertain that the subrecipient complied with the requirements applicable to administrative expenses up to 25% charged to GEER per the award agreement.

C. Cash Management

Compliance Requirement

A state must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. A federal program agency must limit a funds transfer to a state to the minimum amounts needed by the state and must time the disbursement to be in accord with the actual, immediate cash requirements of the state in carrying out a federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

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.

Interest Earnings

Entities using GEER funds must expend the funds within 3 days of receipt and track interest accrual if placing GEER funds in an interest-bearing account. Under the Cash Management Improvement Act, up to \$500 of interest may be accrued per year and used toward administrative costs associated with the subaward. Any interest accrued in excess of \$500 must be returned to OSBM, which will be required to return accrued funds to the ED.

31 CFR Part 205 (Cash Management Improvement Act) applies to this program.

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 and complied with the interest earned requirements on program funds.

Suggested Audit Procedures

1. 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.
2. Test transactions to determine if interest earned, on GEER funds deposited in an interest-bearing account, was recorded, and used in accordance with the program requirements. Any excess interest earned was returned to OSBM as applicable.

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

Compliance Requirements

Consistent with 2 CFR section 200.311 (real property), section 200.313 (equipment), and section 200.439 (equipment and other capital expenditures) ESF funds may be used to purchase equipment. Capital expenditures for general and special purpose equipment purchases are subject to prior approval by ED or the pass-through entity. In addition, with prior approval by the ED or the pass-through entity, recipients and subrecipients may use GEER funds to purchase real property and perform construction for improvements to land, buildings, or equipment that meet the overall purpose of the ESF program, which is "to prevent, prepare for, and respond to" the COVID-19 pandemic.

If governors, SEAs, and or subrecipients propose to use GEER funds for construction they must also comply with applicable requirements in 34 CFR section 76.600 and 34 CFR sections 75.600–617. Approved construction projects must comply with all other applicable Uniform Guidance requirements, as well as the ED's regulations regarding construction, as applicable, at 34 CFR section 76.600. As is the case with all construction contracts using laborers and mechanics financed by federal education funds, recipients and subrecipients that use GEER funds for construction contracts over \$2,000 must meet Davis-Bacon prevailing wage requirements. For information about the prevailing wages in the applicable region, per the Department of Labor (DOL) regional office.

Any purchases with ESF funds in this category are subject to applicable inventory control, log maintenance, and disposition requirements consistent with Part 3, Section F, "Equipment/Real Property Management" of the August 2020 Compliance Supplement.

Auditors should determine whether governors, SEAs, and/or subrecipients received prior approval for capital expenditures for equipment acquisition or improvements to land, buildings, or equipment.

1. For capital equipment or improvements to land, buildings, or equipment that were purchased with grant funds, the governor or SEA must receive prior approval from ED.
2. For capital equipment or improvements to land, buildings, or equipment that were purchased with grant funds, the governor or SEA pass-through agency must provide prior approval to subrecipients.

3. For construction, the pass-through entity must have considered applicable ED construction requirements as part of the pass-through entity's prior approval process for construction. For example, if an LEA proposed renovating a school building to increase the filters or ventilation to its HVAC system, did the passthrough entity appropriately ensure compliance with applicable construction regulations (such as 34 CFR 75.609 (Safety and Health standards) and 75.616 (Energy Conservation))

Audit Objectives

1. Determine whether the entity maintains proper records for equipment and adequately safeguards and maintains equipment.
2. Determine whether disposition or encumbrance of any equipment or real property acquired or improved under federal awards is in accordance with federal requirements and that the federal awarding agency was properly compensated for its portion of any property sold or converted to non-federal use.

Suggested Audit Procedures

1. Select a sample of equipment and real property transactions acquired under federal awards and test for compliance with the state's policies and procedures for management, including acquisition, inventory, and disposition.
2. Test to ensure the appropriate approval was obtained from the awarding agency prior to the acquisition of equipment and real property transactions were made.

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

H. Period of Performance – Not Applicable

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 GEER funds 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. Special Reporting

Federal Funding Accountability and Transparency Act (FFATA) – **Not applicable at the local level**

NCPRO submits this report at the state level to meet the monthly FFATA reporting requirements.

2. NCPRO Guidance

NCPRO established monthly reporting requirements for recipient institutions. Unless otherwise agreed upon, recipient institutions will submit monthly reports on the 20th day of each month, following the month the expenses were incurred, using the G-1 GEER Project Status Report and G-2 Disbursement Request provided through NCPRO reporting. Recipients must report the total amount of funds received, the total amount of funds spent, location of recipient, the place of service, the number of education-related jobs created or retained as a result of the grant, the number of students retained as a result of the grant, and the number of students generally impacted as a result of the grant.

Performance Report

The subrecipient shall detail how the organization has spent the amount of funding allocated for the specific purpose as stated in the award notice. The description should include activities and progress against the recipient's (or subrecipient's) scope of work and outcomes of that work.

The G-1 GEER Project Status Report provides a descriptive summary of how the GEER funds were used, including specific deliverables achieved, and progress against objectives and outcomes expected to be achieved, including performance metrics.

Financial Report

The subrecipient must submit the G-2 Disbursement Request report for the reimbursement of funds used. The report includes the monthly reimbursement request and must include supporting documents for the expenditure transactions provided in the report. The report also provides a summary of the funding received and spent to date.

Audit Objective

Determine whether required reports for the GEER 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. 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.
2. 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 monitoring 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 GEER 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.

Other Program Governing Requirements: The regulations in 34 CFR Part 76 (State-Administered Programs), 2 CFR Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards), and 31 CFR Part 205 (Cash Management Improvement Act) apply to this program.

Additionally, the certification and agreements each SEA or governor completed and signed prior to receiving a grant award also form the basis of the governing requirements for this program. Additionally, the certification and agreements each SEA or governor completed and signed prior to receiving a grant award also form the basis of the governing requirements for this program.