

21.027

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUND

State Project/Program: CORONAVIRUS STATE FISCAL RECOVERY FUND

U.S. Department of Treasury

Federal Authorization: Social Security Act §602 and 603, as added by section 9901 of the American Rescue Plan Act (ARPA) of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified as 42 U.S.C. § 802 and 42 U.S.C. § 803 respectively; and as implemented by Treasury's Interim Final Rule and Final Rule at 31 C.F.R. Part 35.

State Authorization: General Assembly of North Carolina Session 2021 – Session Law 2021-180 (Senate Bill 105) as amended by Session Laws 2021-189 (House Bill 334), 2022-6 (House Bill 243), and 2022-74 (House Bill 103).

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

Agency Contact Persons - Program

Stephanie McGarrah, Executive Director
N.C. Pandemic Recovery Office
stephanie.mcgarrah@osbm.nc.gov
(984) 202-4267

Tommy Clark, Deputy Director
N.C. Pandemic Recovery Office
tommy.clark@osbm.nc.gov
(984) 480-6567

Andy MacCracken, Strategic Initiatives &
Reporting Manager
N.C. Pandemic Recovery Office
Andy.maccracken@osbm.nc.gov
(984)-218-0079

Tara Fikes, Grants
Administration Director
N.C. Pandemic Recovery Office
tara.fikes@osbm.nc.gov
(984) 227-5340

Agency Contact Person - Financial

Joy Darden, Chief Financial Officer
N.C. Pandemic Recovery Office
joy.darden@osbm.nc.gov
(984) 236-0798

N.C. Pandemic Recovery

Office Confirmation Reports:

Confirmation of Funds Expended and/or
Disbursed from the State Fiscal Recovery
Fund will be made available by request:
NCPRO@osbm.nc.gov

Additional Information:

[NCPRO website](#)

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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 2023 Compliance Supplement. 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.

The CSLFRF is a single fund, but Coronavirus State Fiscal Recovery Funds (CSFRF or SFRF) and Local Fiscal Recovery Funds (CLFRF or LFRF) feature distinctions in their administration. The North Carolina Pandemic Recovery Office (NCPRO) is charged with administering, and reporting to the U.S. Department of Treasury (Treasury) on SFRF appropriated by the North Carolina General Assembly in the State Appropriations Act of 2021 (Session Law 2021-180), as amended by Session Laws 2021-189, 2022-6, and 2022-74. NCPRO is not charged with administering LFRF. NCPRO passed LFRF to non-entitlement units (NEUs). These NEU recipients are prime recipients and report directly to Treasury. This Supplement includes wording of LFRF when appropriate for clarity, but does not include all compliance, reporting, and other administration procedures specific to LFRF. The auditor should consult all relevant Federal, State, and Treasury guidance, including the SLFRF Compliance Supplement Addendum, when auditing recipients of SFRF or LFRF.

I. PROGRAM OBJECTIVES

Note: This program is considered a “higher risk” program for 2023, pursuant to 2 CFR section 200.519(c)(2). Refer to the “Programs with Higher Risk Designation” section of Part 8, Appendix IV, Internal Reference Tables, for a discussion of the impact of the “higher risk” designation on the major program determination process.

Note: Per Part IV, “Other Information,” certain Coronavirus State and Local Fiscal Recovery Funds (SLFRF) recipients are provided with an option to have an alternative compliance examination engagement in lieu of a Single Audit or a Program-Specific Audit under 2 CFR Part 200, Subpart F.

The purpose of the SLFRF program is to provide direct payments to states (defined to include all 50 states and the District of Columbia), US territories (defined to include Puerto Rico, US Virgin Islands, Guam, Northern Mariana Islands, and American Samoa), tribal governments, metropolitan cities, counties, and (through states) non-entitlement units of local government (collectively the “eligible entities”) to:

1. Respond to the public health emergency, with respect to the Coronavirus Disease

- 2019 (COVID-19) or its negative economic impacts, including providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the recipient that perform essential work, or by providing grants to eligible employers that have eligible workers who are performing essential work;
 3. Provide government services, to the extent of the reduction in revenue of the eligible entities due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the eligible entities prior to the emergency; and
 4. Make necessary investments in water, sewer, or broadband infrastructure.

II. PROGRAM PROCEDURES

A. Overview

Sections 602 and 603 of the Social Security Act (the “Act”), as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified at 42 USC sections 802 and 803, authorized the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, respectively (referred to collectively as the “Coronavirus State and Local Fiscal Recovery Funds” or “SLFRF”).

****Note: This compliance supplement pertains only to the CSFRF funds (also referred to as SFRF) and does not apply to CLFRF (also referred to as LFRF) funds.***

SLFRF is administered by the US Department of the Treasury (“Treasury”) and provides assistance in the form of direct payments for specified use. SLFRF provides \$350 billion for payments to eligible entities. The total allocations to the eligible entities under SLFRF are as follows:

- (1) \$195.3 billion reserved for making payments to the 50 states and the District of Columbia;
- (2) \$4.5 billion reserved for making payments to the US territories;
- (3) \$20 billion reserved for making payments to tribal governments;
- (4) \$45.57 billion reserved for making payments to metropolitan cities;
- (5) \$65.1 billion reserved for making payments to counties; and
- (6) \$19.53 billion reserved for making payments to Non-entitlement Units of Local Government (NEU).

Amounts paid to eligible states and local governments were based on 2019 population data from the US Census Bureau as well as latest available data from the Bureau of Labor Statistics at the time of the issuance of Treasury’s Interim Final Rule, May 17, 2021. Treasury made a determination to allocate payments to tribal governments based on enrollment reported to the Bureau of Indian Affairs and employment data as well as consultation with tribal leaders.

Prior to receipt of award funds, all eligible entities are required to execute a Financial Assistance Agreement, which includes the Award Terms and Conditions that recipients must comply with in carrying out the objectives of their award, as well as the certification required at 42 USC 802(d)(1). Tribal and Local governments are not required to provide such certification as a condition of receiving payment under SLFRF. Eligible entities are required to use their award funds as set forth at 42 USC sections 802(c)(1) and 803(c)(1) and Treasury’s Final Rule, 31

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CFR Part 35 to meet pandemic response needs and rebuild a strong, more equitable economy as the country recovers.

The State of North Carolina (the State) and its Administering Agencies are the direct recipients of CSFRF funding, which totaled \$5.4 billion. Through the state's budget process, these funds were appropriated to state agencies, local organizations, and recognized tribes across more than 180 unique allocations.

N.C. Session Law 2020-4 Section 4.3 directed the N.C. Office of State Budget and Management (OSBM) to establish the North Carolina Pandemic Recovery Office (NCPRO) to oversee and coordinate funds made available under COVID19 Recovery Legislation. NCPRO will serve as the State agency that oversees and coordinates the State's CSFRF funds (the Coordinating Agency), and as the Administering Agency for the following recipients:

- 1). NC Truckers Association
- 2). Winston-Salem Housing
- 3). Emit Bio, Inc.
- 4). North Carolina League of Municipalities
- 5). Association of County Commissioners
- 6). NC Alliance of Young Men's Christian Associations, Inc. (YMCAs)
- 7). North Carolina Association of Regional Councils of Government and the 16 regional councils of government
- 8). Carolinas Associated General Contractors
- 9). NC Independent Colleges and Universities
- 10). United Way of NC

As the Coordinating Agency, NCPRO will provide oversight and technical assistance to Administering Agencies on as needed basis to help them improve their operations and compliance with state and federal requirements for subrecipient monitoring.

****Note: NCPRO can only act in an advisory role, it does not have the authority to direct Administering Agencies to take specific actions.***

This compliance supplement is intended to guide audits for CSFRF recipients for whom NCPRO is the administering agency (listed above), as well as any recipients for which NCPRO takes over monitoring from fellow Administering Agencies.

All other state entities receiving CSFRF allocations as administering agencies are to produce unique compliance supplements as they pertain to each agency's administration of CSFRF funds.

Source of Governing Requirements

Compliance Requirement:

The SLFRF program is authorized by sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), and codified at 42 USC sections 802 and 803, and implemented by Treasury's Interim Final Rule and Final Rule at 31 CFR Part 35.

On January 6, 2022, Treasury adopted a Final Rule to implement the requirements of the SLFRF program. The Final Rule responded to comments Treasury received on the Interim Final

Rule and became effective on April 1, 2022.

Along with the Final Rule, Treasury published a [Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule](#) (the “Statement”) that clarifies the transition from compliance with the Interim Final Rule to compliance with the Final Rule. Recipients should review the Final Rule for additional information. Recipients must comply with the Final Rule beginning on April 1, 2022. Prior to April 1, 2022, recipients were permitted to take actions and use funds in a manner consistent with the Final Rule, and Treasury will not take action to enforce the Interim Final Rule if a use of funds is consistent with the terms of the Final Rule, regardless of when the SLFRF funds were used. This means that Treasury will not take action to enforce against uses in accordance with the Interim Final Rule to the extent that the recipient wishes to change its planned uses of SLFRF funds in a manner consistent with the Final Rule.

Prior to April 1, 2022, the Interim Final Rule remained in effect. Accordingly, recipients were able to obligate and expend funds in a manner consistent with the Interim Final Rule prior to April 1, 2022. In addition, Treasury recognizes that recipients took steps to use SLFRF funds for projects in a manner consistent with the Interim Final Rule prior to adoption of the Final Rule. To the extent that a recipient took significant steps toward obligating SLFRF funds in a manner consistent with the Interim Final Rule prior to January 6, 2022, Treasury will generally not take action to enforce provisions contained in the Final Rule, to the extent that they are more restrictive than those in the Interim Final Rule. Such significant steps include initiation of procurement or grantmaking actions, detailed planning of projects or programs, appropriation of funds, and other significant planning steps.

Recipients must follow the requirements on award funds they expended for their fiscal year 2023 based on the requirements set forth at 42 USC sections 802 and 803, Treasury’s Interim Final Rule, Treasury’s Final Rule, and Frequently Asked Questions (FAQs), as applicable. If an expenditure is not consistent with the Final Rule, then auditors should consult the Statement in order to determine how to assess the applicability of the Interim Final Rule and use their professional judgment. See the “Other Information” section below for auditor guidance relating to the criteria auditors should use for compliance testing purposes.

Auditors should note that the Consolidated Appropriations Act, 2023 amended Sections 602 and 603 of the Social Security Act to provide state, local, and Tribal governments the flexibility to use SLFRF funds for additional eligible uses. See Division LL, Section 102 of the Consolidated Appropriations Act. Additional guidance will be forthcoming and available on the Treasury website.

Availability of Other Program Information

Additional information on the requirements for SLFRF is available through the program webpage on Treasury’s website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>.

SLFRF’s Compliance and Reporting Guidance can be found at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/recipient-compliance-and-reporting-responsibilities>.

The Compliance and Reporting Guidance provides additional detail and clarification for each

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recipient's compliance and reporting responsibilities and should be read in concert with the Award Terms and Conditions (Please refer to: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-fund/request-funding>), the authorizing statute, the Interim Final Rule and Final Rule, as applicable, and other regulatory and statutory requirements.

Interim Final Rule FAQs and Final Rule FAQs about SLFRF are available on the program webpage on Treasury's website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>.

The FAQ documents contain answers to frequently asked questions regarding the Interim Final Rule and the Final Rule. Treasury intends to update the Final Rule FAQs periodically in response to questions received from stakeholders. The Final Rule FAQs are applicable to the Final Rule, although readers will notice that many FAQs have been incorporated from the Interim Final Rule FAQs, because they remain applicable. Answers to frequently asked questions that are unique to the Interim Final Rule remain available on the Treasury website. The Final Rule FAQs include a categorization to assist readers in identifying the FAQs that remain largely the same as in the Interim Final Rule FAQs and the FAQs that are new or have been updated in conformity with the Final Rule.

Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule can be found at <https://home.treasury.gov/system/files/136/SLFRF-Compliance-Statement.pdf>.

The Statement clarifies the transition from compliance with the Interim Final Rule to compliance with the Final Rule. Recipients should also review the Final Rule for additional information.

State Guidance:

- [Current Operations Appropriations Act of 2021](#)
- Joint Conference Committee Report on the Current Operations Appropriations Act of 2021 for Senate Bill 105, dated 11/15/2021
- Technical, Clarifying, and Other Modifications to the Current Operations Appropriations Act of 2021 and to Other Legislation, [S.L. 2021-189 \(H.B. 334\)](#) and [S.L. 2022-6 \(H.B. 243\)](#).
- Modify the Current Operations Appropriations Act of 2021 and to Make Other Changes in the Budget Operations of the State, [S.L. 2022-74 \(H.B. 103\)](#)
- North Carolina Administrative Code (Title 09, Subchapter 03M)

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.

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	N	N	N	Y	Y	Y	N	Y	Y	N

A. Activities Allowed or Unallowed

Compliance Requirement:

Recipients may use SLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 (codified as 42 USC sections 802 and 803 respectively). Recipients may also use payments subject to the restrictions set forth Division LL, Section 103 of the Consolidated Appropriations Act, 2023, Treasury’s Interim Final Rule and Final Rule, at 31 CFR Part 35, and FAQs available at [SLFRF-Final-Rule-FAQ.pdf \(treasury.gov\)](#) and [SLFRPFAQ.pdf \(treasury.gov\)](#).

The following activities are not permitted under SLFRF:

1. Offset a reduction in net tax revenue (applicable to states and territories)
2. Deposits into pension funds (applicable to all recipients except Tribes)
3. Debt service or replenishing financial reserves (e.g., “rainy day funds”) (applicable to all recipients)
4. Satisfaction of settlements and judgements (applicable to all recipients)
5. Programs, services, or capital expenditures that include a term or condition that undermines efforts to stop the spread of COVID-19 (applicable to all recipients)

Recipients may use payments from SLFRF to:

1. Respond to the public health and negative economic impacts of the pandemic by supporting the health of communities, and helping households, small businesses, impacted industries, and the public sector recover from economic impacts of the pandemic;
2. Replace lost public sector revenue to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
3. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and
4. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Under the Final Rule, recipients can elect a one-time “standard allowance” of \$10 million (not to exceed the recipient’s award amount) to spend on the “provision of government services” during the period of performance. Alternatively, recipients can calculate lost revenue for the years 2020, 2021, 2022, and 2023 based on the formula provided in the Final Rule to determine the amount of SLFRF funds that can be used for the “provision of government services.” In calculating revenue loss, recipients can choose whether to use calendar or fiscal year dates but must be consistent throughout the period of performance. If calculating revenue loss, recipients must provide auditors with evidence supporting their revenue loss calculation. Treasury has determined that there are no subawards under this eligible use category. The definition of subrecipient in the Uniform Guidance provides that a subaward is provided for the purpose of “carrying out” a portion of a federal award. Recipients’ use of revenue loss funds does not give rise to subrecipient relationships.

The dollar amount of the revenue loss determines the limit for the amount of SLFRF funds that can be used to “provide government services” (which is one of four eligible uses of SLFRF funds). For Schedule of Expenditures of Federal Awards (SEFA) reporting purposes, the aggregate expenditures for all four eligible use categories are reported on the SEFA and not the result of the revenue loss calculation or standard allowance. See the “Other Information” section below for guidance on the related Schedule of Expenditures of Federal Award reporting.

****Note: The revenue loss calculation is performed at the state level only, not by prime recipients, recipients, or subrecipients, hence the portion of the compliance requirement above related to the revenue loss calculation is applicable at the state level only.***

State Guidance:

The North Carolina General Assembly determined how CSFRF funds were to be allocated across more than 180 unique appropriations. These allocations and their respective projects are described throughout the following state budgetary documents:

1. North Carolina’s Current Operations Appropriations Act of 2021, S.L. 2021-180 (S.B. 105)
2. The Joint Conference Committee Report on the Current Operations Appropriations Act of 2021 for Senate Bill 105

3. Technical, Clarifying, and Other Modifications to the Current Operations Appropriations Act of 2021 and to Other Legislation, S.L. 2021-189 (H.B. 334)
4. Technical, Clarifying, and Other Modifications to the Current Operations Appropriations Act of 2021 and to Other Legislation, S.L. 2022-6 (H.B. 243)
5. Modify the Current Operations Appropriations Act of 2021 and to Make Other Changes in the Budget Operations of the State, S.L. 2022-74 (H.B. 103)

Each CSFRF recipient or administering agency must sign a unique project contract or MOU produced by NCPRO that contains the obligations of both parties. All CSFRF project expenditures and activities are to align with the projects described in the administering agency's or recipient's CSFRF project contract or MOU, as well as project descriptions provided in the five state budgetary documents listed directly above.

****Note: All administering agencies and NCPRO's recipients must report to NCPRO monthly using the PANGRAM grants management and reporting portal.***

Audit Objective: Determine whether funds were expended only for allowable activities in accordance with the program requirements.

Suggested Audit Procedures:

1. Obtain a copy of the signed CSFRF project MOU or contract
2. Obtain copies of the recipient's monthly reports submitted to NCPRO and compare to accounting records for appropriateness.
3. Test transactions and related records and perform procedures to verify that the transactions are only for allowable activities as described above and as established in:
 - a. Sections 4.8(a) to 4.13 (p. 19-23), 23.3., 23.4., 24.1B., 24.1C., 24.1D., and 24.4. of North Carolina's Current Operations Appropriations Act of 2021, S.L. 2021-180 (S.B. 105)
 - b. Pages F37-F38 of The Joint Conference Committee Report on the Current Operations Appropriations Act of 2021 for Senate Bill 105
 - c. Sections 6.2., 6.3., and 6.6. of Technical, Clarifying, and Other Modifications to the Current Operations Appropriations Act of 2021 and to Other Legislation, S.L. 2021-189 (H.B. 334)
 - d. Sections 10.1., 10A.1., and 20.17 of Technical, Clarifying, and Other Modifications to the Current Operations Appropriations Act of 2021 and to Other Legislation, S.L. 2022-6 (H.B. 243)
 - e. Section 10.2. to Modify the Current Operations Appropriations Act of 2021 and to Make Other Changes in the Budget Operations of the State, S.L. 2022-74 (H.B. 103)
 - f. Signed CSFRF project MOU, Project Description section
 - g. For expenditures prior to April 1, 2022, refer to:
 - i. SLFRF Interim Final Rule, Section 2. Eligible Uses
 - ii. SLFRF Interim Final Rule FAQs
 - h. For expenditures on or after April 1, 2022, refer to:
 - i. SLFRF Final Rule, Section 2. Eligible Uses
 - ii. SLFRF Final Rule FAQs

B. Allowable Cost/Cost Principles

Compliance Requirement:

SLFRF is considered “other financial assistance” per 2 CFR section 200.1 and is administered as direct payments for specified use.

The auditor is not expected to determine whether the recipient exceeded the maximum limits for specified eligible use categories. Treasury will evaluate that the recipient was within the limits for eligible use categories through reviewing the recipient's reporting, which is subject to audit.

The 2 CFR Part 200, Subpart E is applicable to expenditures under SLFRF unless stated otherwise. Given the purpose and very broad scope of eligible uses of the revenue replacement funds, only a subset of the requirements in 2 CFR Part 200, Subpart E apply to recipients' use of such funds, as follows:

1. 2 CFR 200.400(a) – (c), and (e) Policy guide;
2. 200.403(a), (c), (d), (g), and (h) Factors affecting allowability of costs; and
3. 200.404(e) Reasonable costs.

State Guidance:

Per 09 NCAC 03M .0201, “Expenditures of State financial assistance by any recipient or subrecipient shall be in accordance with the cost principles outlined in the Code of Federal Regulations, 2 CFR, Part 200. If the State financial assistance includes federal sources, the recipient or subrecipient shall ensure adherence to the cost principles established in the Code of Federal Regulations, 2 CFR, Part 200.”

Administrative Costs:

Per North Carolina's Current Operations Appropriations Act of 2021, S.L. 2021-180 (S.B. 105), Section 4.9.(g) "For administrative expenses related to administration of a provision allocating ARPA funds in this act, a State agency may, of ARPA funds allocated to it under this act, use up to the lesser of (i) the amount allowed by federal law or guidance or (ii) ten percent (10%) of ARPA funds allocated to it under this act. "

Audit Objective: Determine whether costs expended for the award are allowable.

Suggested Audit Procedures:

1. Obtain copies of the recipient's monthly reports submitted to NCPRO and compare to accounting records for appropriateness.
2. Test transactions and related records and perform procedures to verify that the transactions are only for allowable costs as described above.

G. Matching, Level of Effort, Earmarking

a. Matching

Not applicable

b. Level of Effort

Not applicable

c. Earmarking

Recipients may use payments from SLFRF to replace lost public sector revenue to provide government services. Recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.

Under the Final Rule, recipients can elect a one-time “standard allowance” of \$10 million (not to exceed the recipient’s award amount) to spend on the “provision of government services” during the period of performance. Alternatively, recipients can calculate lost revenue for the years 2020, 2021, 2022, and 2023 based on the formula provided in the Final Rule to determine the amount of SLFRF funds that can be used for the “provision of government services.”

In calculating revenue loss, recipients can choose whether to use calendar or fiscal year dates but must be consistent throughout the period of performance. If calculating revenue loss, recipients must provide auditors with evidence supporting their revenue loss calculation.

Treasury has determined that there are no subawards under this eligible use category. The definition of subrecipient in the Uniform Guidance provides that a subaward is provided for the purpose of “carrying out” a portion of a federal award. Recipients’ use of revenue loss funds does not give rise to subrecipient relationships.

The dollar amount of the revenue loss determines the limit for the amount of SLFRF funds that can be used to “provide government services” (which is one of four eligible uses of SLFRF funds). For Schedule of Expenditures of Federal Awards (SEFA) reporting purposes, the aggregate expenditures for all four eligible use categories are reported on the SEFA and not the result of the revenue loss calculation or standard allowance. See the “Other Information” section below for guidance on the related Schedule of Expenditures of Federal Award reporting.

****Note: The revenue loss calculation was performed by the N.C. Office of State Budget and Management at the state level, hence this compliance requirement is applicable at the state level only.***

H. Period of Performance

Compliance Requirement:

Recipients may only use funds to cover costs incurred during the period beginning on March 3, 2021 and ending on December 31, 2024, pursuant to the Final Rule at 31 CFR section 35.5(a). Recipients must liquidate all obligations incurred by December 31, 2024, under the award no later than December 31, 2026, which is the end of the period of performance. As such, program obligations or costs must be incurred from the period beginning on March 3, 2021, and ending on December 31, 2024. No new obligations or costs may be incurred during the period beginning January 1, 2025, and ending on December 31, 2026. During this two-year period from January 1, 2025,

through December 31, 2026, recipients are only permitted to expend funds to satisfy obligations incurred by December 31, 2024.

Audit Objective: Determine that funds were used only to cover costs incurred during the specified award period and that obligations were liquidated within the required time period.

Suggested Audit Procedures: Test transactions to verify that no funds were used for expenditures that were incurred prior to or after the period of performance given above by examining the dates of recipients' relevant expenditures.

I. Procurement, Suspension and Debarment

a. Procurement

Compliance Requirement:

Recipients may use award funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in 42 USC sections 802(c) and 803(c) and Treasury's Interim Final Rule and Final Rule. As such, except as noted in the next paragraph, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance.

In July 2022, Treasury released [Final Rule FAQ 13.15](#), which explains that only a subset of the requirements in Subparts D and E of the Uniform Guidance apply to recipients' use of award funds under the revenue loss eligible use category. The requirements of 2 CFR sections 200.318 through 200.327 are not included in the list of requirements applicable to such funds.

Recipients may also refer to section 13 of the [Final Rule FAQs](#), which includes FAQs related to procurement and other Uniform Guidance-related topics.

Audit Objective(s):

1. Determine whether procurements were made in compliance with applicable regulations and other procurement requirements specified above.
2. Ensure that recipients have procurement policies and procedures in place that comply with the procurement standards outlined above.

Suggested Audit Procedures:

1. Examine contract files and verify that they document the history of the procurement, including the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price (2 CFR section 200.318(i) and 48 CFR Part 44 and section 52.244-2), except for revenue loss funds as noted above.
2. For grants and cooperative agreements, verify that the procurement method used was appropriate based on the dollar amount and conditions specified in 2 CFR section 200.320, except for revenue loss funds as noted above.

b. Suspension and Debarment

Compliance Requirement:

Prior to entering into subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. Refer to the OMB 2023 Compliance Supplement, Part 3 Compliance Requirements – Suspension and Debarment section.

State Requirement:

Per the North Carolina Administrative Code 09 NCAC 03M, an agency shall not disburse any State financial assistance to an entity that is on the Suspension of Funding list. The North Carolina Office of State Budget and Management (OSBM) maintains the Suspension of Funding List for non-compliant grant recipients.

Audit Objective: Determine whether the recipient verified that an entity with which it plans to enter into a transaction is not suspended, debarred, or otherwise excluded prior to entering subawards and contracts with award funds. This includes verifying the entity is not on the Suspension of Funding list maintained by OSBM.

Suggested Audit Procedures:

1. Review the recipient entity's procedures for verifying that an entity with which it plans to enter into a transaction is not debarred, suspended, or otherwise excluded, including the OSBM Suspension of Funding list.
2. Select a sample of procurements and subawards and test whether the recipient entity performed procedures to ensure that an entity which it plans to enter into a transaction was not debarred or suspended.

L. Reporting

1. Financial Reporting

- a. *SF-270, Request for Advance or Reimbursement* – **Not Applicable**
- b. *SF-271, Outlay Report and Request for Reimbursement for Construction Programs* – **Not Applicable**
- c. *SF-425, Federal Financial Report* – **Not Applicable**

2. Performance Reporting

- a. See "Reporting to NCPRO" section below.
- b. Title of Report: Project and Expenditure Report
PRA Number: 1505-0271
Reporting Cycle: Quarterly and Annual

More information and guidance regarding this report can be found in the OMB 2023 Compliance Supplement, Part 4 – United

States Treasury for this program. This report is completed by NCPRO at the state level using information provided by recipients and is therefore not applicable at the local level.

Key Line Items – The following line items contain critical information:

1. Obligations and Expenditures- Quantifiable Objective Criteria:
Reported obligations and expenditures.
 - Current period obligation
 - Cumulative obligation
 - Current period expenditure
 - Cumulative expenditure

Revenue loss calculation validation- Note- Recipients may elect a "standard allowance" of up to \$10 million to spend on government services through the period of performance instead of using the full formula specified in the final rule. The standard allowance is available to all recipients. See federal guidance for when recipients may modify their revenue loss election. Quantifiable Objective Criteria: Recipient's application of the revenue loss calculation is accurate if they did not elect the standard allowance. Specific information regarding the revenue loss formula can be found in [paragraph \(d\)\(2\) of 31 CFR 35.6 at 31 CFR 35.6\(d\)\(2\)\(d\)\(2\)](#).

****Note: The revenue loss calculation was performed by the N.C. Office of State Budget and Management at the state level, hence this is applicable at the state level only.***

2. Capital Expenditures- Quantifiable Objective Criteria: The recipient has the required written justification in their grant file if the total of the capital expenditures costs in a project is greater than or equal to \$1 million and less than \$10 million; or, the recipient submitted the required justification to the Treasury if (1) a project has total capital expenditures costs greater than \$10 million for capital expenditures enumerated by Treasury in the final rule. Note: Capital expenditures paid for using revenue replacement funds are not subject to this requirement. Tribal governments are not required to complete the written justification. See [31 CFR section 35.6\(b\)\(4\)](#).

This report is completed by NCPRO, as applicable, at the state level using information provided by recipients and is therefore not applicable at the local level.

3. Special Reporting

Not applicable

4. Special Reporting for Federal Funding Accountability and Transparency Act (FFATA)

Not applicable

a. Treasury received approval from the Office of Management and Budget (OMB) to increase the subaward reporting threshold outlined in 2 CFR Part 170 from \$30,000 to \$50,000 for SLFRF.

b. Although reporting on subaward information is applicable to SLFRF recipients pursuant to the award term set forth in Appendix A to 2 CFR Part 170, which is incorporated by reference in the SLFRF Financial Assistance Agreement, SLFRF recipients' compliance with FFATA reporting requirements is not subject to audit.

Reporting to NCPRO:

NCPRO established monthly reporting requirements for CSFRF recipients based on established state-level data requirements as well as information required by the US Treasury that is necessary for NCPRO to complete the Project and Expenditure and Performance reports listed above. Unless otherwise agreed upon, recipients will submit monthly reports on the 15th day of each month following the month the expenses were incurred using the PANGRAM grants management and reporting portal. The information they must provide includes, but is not limited to, the following:

1. Obligations and Expenditures.
 - a. Current period obligation
 - b. Cumulative obligation
 - c. Current period expenditure
 - d. Cumulative expenditure
2. Subawards.
3. Detailed information on any loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient that are greater than \$50,000. For amounts less than \$50,000, the recipient must report in the aggregate for these same categories of loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient.
4. Programmatic and performance information (varies by recipient)

Recipients will enter some of this information directly into the portal, while other data will be collected via fillable NCPRO-provided templates that can be uploaded into the portal.

Audit Objective: Determine whether required monthly reports for CSFRF funding 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:

1. Obtain PANGRAM monthly reporting summaries from recipient
2. Select a sample of reports and perform appropriate analytical procedures and ascertain the reason for any unexpected differences. Examples of analytical procedures include:
 - a. Comparing current period reports to prior period reports.
 - b. Comparing anticipated results to the data included in the reports.
 - c. Comparing information obtained during the audit of the financial statements to the report results from PANGRAM.

M. Subrecipient Monitoring

Compliance Requirements:

See OMB 2023 Compliance Supplement Part 3, Section M, “Subrecipient Monitoring” for a general description of the compliance requirements, the related audit objectives, and suggested audit procedures.

Note that subrecipient monitoring is not required for entities deemed to be beneficiaries. Because non-entitlement units (NEUs) are considered by Treasury to be direct recipients of SLFRF (and not subrecipients or beneficiaries), states have no subrecipient monitoring responsibilities related to the funding states were required to distribute to NEUs.

The subrecipient or beneficiary designation is an important distinction as funding provided to beneficiaries is not subject to audit pursuant to the Single Audit Act and 2 CFR Part 200, Subpart F, but funding provided to subrecipients is subject to those audit requirements. For example, when recipients of SLFRF provide award funds to entities to respond to the negative economic impacts of COVID-19 as end users, and not for the purpose of carrying out program requirements, the entities receiving such funding are beneficiaries of SLFRF. Alternatively, when recipients of SLFRF provide award funds to an entity to carry out a program on behalf of the SLFRF recipient, the entities receiving such funding are subrecipients.

Recipients may permit for-profit subrecipients to submit a consolidated audit that reflects their SLFRF expenditures across subawards and programs.

Also as discussed in [Final Rule FAQ 13.14](#), Treasury has determined that there are no subawards under this eligible use category because a recipients’ use of revenue loss funds does not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award. Therefore, subrecipient monitoring is not applicable to Expenditure Category Group 6 “Revenue Replacement”.

NCPRO Monitoring Requirements:

All administering agencies and each of NCPRO’s direct recipients must sign a grant agreement, either an MOU or a contract, prior to receiving SFRF funds. Each agreement states that the direct recipient or administering agency must adhere to all State regulations found in Title 09, Subchapter 03M of the North Carolina Administrative Code (NCAC). Title 09, Subchapter 03M .0401 of NCAC lists the monitoring responsibilities of administering agencies, including (but not limited to):

1. Developing a monitoring plan for each State assistance program the agency oversees and submitting the plan to the Office of State Budget and Management for approval.
2. Perform monitoring and oversight functions as specified in agency monitoring plans to ensure that State financial assistance is used for authorized purposes in compliance with laws, regulations, and the provisions of contracts, and that performance goals are achieved.
3. Ensuring that State financial assistance is spent consistent with the purposes for which it was awarded.
4. Determining that reporting requirements have been met by the recipient and that all reports have been completed and submitted in accordance with the recipient's/subrecipient's contract.
5. Monitoring compliance by recipients/subrecipients with all terms of a contract. Upon determination of noncompliance the agency shall take appropriate action (as specified in Section .0800 of NCAC Subchapter 03M).

Audit Objective: Determine whether the recipient monitors subrecipient activities in accordance with NCAC Title 09, Subchapter 03M .0401 to provide reasonable assurance that the subrecipient is administering the subaward in compliance with the terms and conditions of the subaward.

Suggested Audit Procedures:

1. Review the recipient's subrecipient monitoring plan as well as other internal monitoring policies and procedures to gain an understanding of, and to gauge the quality of, the recipient's process to evaluate risk of noncompliance and perform monitoring procedures based upon identified risks.
2. Review the recipient's documentation of monitoring the subaward and consider if the recipient's monitoring:
 - a. Provides reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with statutes, regulations, and the terms and conditions of the subaward.
 - b. Conforms with the recipient's monitoring policies and procedures.

OTHER INFORMATION

Refer to the section entitled "Source of the Governing Requirements" above.

Schedule of Expenditures of Federal and State Awards (SEFSA)

As noted above in Activities Allowed or Unallowed, the dollar amount of the revenue loss determines the limit for the amount of SLFRF funds that can be used to "provide government services" (which is one of four eligible uses of SLFRF funds). For SEFSA reporting purposes, the aggregate expenditures for all four eligible use categories are reported on the SEFSA and not the result of the revenue loss calculation or standard allowance.

Additionally, because NEUs are considered direct recipients under SLFRF, NEUs that do not elect or are not eligible for the alternative compliance examination engagement are required to report their award expenditures on the SEFSA and data collection form as direct awards. Further, States must not report award funds that were required to be distributed to the NEUs on State SEFAs or data collection forms.

SFRF Beneficiary Eligibility Requirement:

Treasury's Compliance and Reporting Guidance states that recipients and subrecipients are responsible for determining the eligibility of any beneficiaries to which they intend to disburse SFRF funds. The U.S. Treasury's SFRF guidance defines beneficiaries and subrecipients as follows:

- Beneficiaries: Households, small businesses, or nonprofits that can receive assistance based on impacts of the pandemic that they experienced.
- Sub-recipients: Organizations that carry out eligible uses on behalf of a government, often through grants or contracts.

Sub-recipients do not need to have experienced a negative economic impact of the pandemic in order to receive SFRF funds. Rather, they are providing services to beneficiaries that experienced an impact. However, in order to be eligible to receive SFRF funds, beneficiaries must have experienced a negative economic impact due to the pandemic, and SFRF payments to beneficiaries should be reasonably proportional to the impact that they are intended to address. Uses that bear no relation or are grossly disproportionate to the type or extent of harm experienced would not be eligible uses. UST clarifies the definition and assessment of economic impact throughout the Interim Final Rule, Interim Final Rule FAQs, the Final Rule, Final Rule FAQs, and the Compliance and Reporting Guidance.

Audit Objective: Determine whether SFRF recipients and subrecipients established that intended beneficiaries experienced a negative economic impact due to the pandemic.

Suggested Audit Procedures:

1. Review UST guidance documents regarding the determination of "negative economic impact(s) due to the pandemic" as it pertains to SFRF beneficiaries. These documents include:
 - a. Interim Final Rule
 - b. Interim Final Rule FAQs
 - c. Final Rule
 - d. Final Rule FAQs
 - e. Compliance and Reporting Guidance
2. Review the recipient's or subrecipient's procedures for assessing whether intended and/or existing beneficiaries experienced a negative economic impact due to the pandemic to establish whether these procedures align with UST guidance.
3. Review data regarding existing and/or intended beneficiaries to establish whether these individuals or groups meet UST's "negative economic impact(s) due to the pandemic" criteria.

IMPORTANT

Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving CSLFRF Awards

If a SLFRF recipient expends \$750,000 or more during the recipient's fiscal year in federal awards and which meet **both** criteria listed below have the option to follow the alternative SLFRF compliance examination engagement:

1. The recipient's total SLFRF award received directly from Treasury or received (through states) as a non-entitlement unit of local government (NEU) is at or below \$10 million; and
2. Other federal award funds the recipient expended (not including their direct SLFRF award funds) are less than \$750,000 during the recipient's fiscal year.

Please refer to the 2023 OMB Compliance Supplement "Other Information" for guidance on the Alternative Compliance Examination.