

**84.425-3**

**EDUCATION STABILIZATION FUND**

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**State Project/Program:** ARP – K-12 EMERGENCY RELIEF FUND (PRC 181)  
 ARP – PUBLIC SCHOOL UNIT SUPPLEMENTAL FUNDING (PRC 182)  
 ARP – SUMMER CAREER ACCELERATORY PROGRAM (PRC 188)  
 ARP – MATH ENRICHMENT PROGRAMS (PRC 189)  
 ARP – GRANTS FOR THE IDENTIFICATION AND LOCATION OF MISSING STUDENTS (PRC 191)  
 ARP – CYBERBULLYING & SUICIDE PREVENTION GRANTS (PRC 192)  
 ARP – GAGGLE GRANTS (PRC 193)  
 ARP – DISTRICT AND SCHOOL TURNAROUND GRANTS (PRC 195)  
 ARP – COVID-19 STUDENT ENROLLMENT INCREASE (PRC 202)  
 ARP – TEACHER BONUSES (PRC 203)  
 ARP – DRIVER TRAINING (PRC 205)  
 ARP – PRINCIPAL RETENTION SUPPLEMENTS (PRC 206)

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**U. S. Department of Education**

**Federal Authorization:** The Elementary and Secondary School (K-12) Emergency Relief Fund, authorized by Section 2001 of the American Rescue Plan Act (ARPA) of 2021 is intended to assist eligible public school units during and after the coronavirus pandemic.

**State Authorization:** GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2021  
 SESSION LAW 2021-180 SENATE BILL 105

**NC Department of Public Instruction**

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**Address Confirmation Letters To:**

Confirmation of Funds Expended and/or Disbursed from the State Public School Fund and Federal Programs 2022-23 will be available at the [NC DPI School Business Division Annual Reports Application](#). The system provides an electronic view of Year to-Date (YTD) financial reports in response to requests for confirmation from independent auditors.

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 the State Agencies.

This compliance supplement must be used in conjunction with the OMB 2023 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 Elementary and Secondary School (K-12) Emergency Relief Fund PRC 181 (ESSER III Fund), authorized by Section 2001 of the American Rescue Plan Act (ARPA) of 2021 is intended to assist eligible local education agencies, charter, lab, regional and innovative schools (herein referred to as public school units or PSU), during and after the coronavirus pandemic.

## **II. PROGRAM PROCEDURES**

ARP Act funds are provided to DPI based on the same proportion as the most recent Title I award. Allocations to eligible units are made in proportion to the amount of funds such units received under Title I, Part A in the most recent fiscal year. All local education agency, charter, lab, regional and innovative schools (PSUs), who are eligible to receive Title 1 funds, are also eligible to receive funds under the ARP Fund. Units that seek funds must complete and submit to NCDPI a brief application form provided by NCDPI and the State Board of Education. The application describes the PSUs plan for the use of the ESSER III Funds (PRC 181) as provided by the ARP Act. The plan should be data-based and reflective of needs that have emerged as a result of COVID-19. Allotments will be distributed to the PSUs once applications are approved.

ARPA, State Reserves allocation methods were different for each objective and were allocated as follows:

PRC 182 - For PSUs that did not receive Title I, Part A funds in 2020-21, an allocation of \$400 per 2020-21 funded ADM. For PSUs that received Title I, Part A in 2020-21, an allocation of \$400 per 2020-21 funded ADM, less the 2021 planning allotment in PRC181. Any PSUs with a PRC 181 planning allotment greater than \$400 per 2020-21 funded ADM shall not receive additional funding nor a reduction.

PRC 188 - Funds shall be allotted based on ADM for grades 6-12 based on 2021-22 allotted ADM for LEAs and 2021-22 Month 1 Funded ADM for all other public school units.

PRC 189 - Funds shall be allotted based on ADM for grades 4-8 based on 2021- 22 allotted ADM for LEAs and Month 1 Funded ADM for all other public school units.

PRC 191 - Funds are allotted based on the number of students in grades 1-13 reported as a dropout in the 2020-2021 school year.

PRC 192 - Funds shall be allotted based on 2021-22 allotted ADM for LEAs and 2021-22 funded ADM for other public school units.

PRC 193 - Funds shall be allotted based on 2021-22 allotted ADM for LEAs and 2021-22 funded ADM for other public school units.

PRC 195 - Eligible recipients are LEAs in which a majority of the public schools are qualifying public schools. A qualifying public school is a school meeting the following criteria:

- (a) For the most recent year for which data are available, has a school performance score in the lowest-performing five percent (5%) of all schools.
- (b) Receives funds under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended.
- (c) Is not one of the following types of schools:
  - 1) An alternative school.
  - 2) A cooperative innovative high school.
  - 3) A school that was in its first or second year of operation in the previous school year.
  - 4) A newcomers school, defined as a school in which at least ninety percent (90%) of its students are enrolled for no more than one year on the basis of their status as recently arrived English language learners.

PRC 197 - \$250.00 per ADM for grades 6-9 as reported on the 2021-22 Best 1 of 2 average daily membership report.

PRC 202 - \$600 per month for the difference between the actual average daily membership in each 2020-21 school month as reported on the Principal's Monthly Report and the funded average daily membership for the 2020-21 school year.

PRC 203 - Funds are allotted at \$1,000 (plus associated Federal withholding amounts) per unduplicated headcount. Allocations will be adjusted based on actual payment within funds available.

PRC 205 - All available funds are distributed to LEAs based on dollars per total ninth grade allotted ADM; this includes private, federal and charter schools.

PRC 206 - Individual retention supplements calculated on a per principal basis for each qualifying principal supervising a school at the start of the 2022-2023 school year.

Funds are distributed according to the cash request procedures discussed in the DPI Cross-Cutting Requirements, DPI-0.

### III. COMPLIANCE REQUIREMENTS

Below on the matrix are the types of compliance requirements are applicable to the federal program, noted as “Y,” as determined by the federal granting agency if the federal program is listed in Part 2 of the OMB 2023 Compliance Supplement. A State agency may have added a Type. If the program is not listed in Part 2, the State Agency has determined the applicable Types. If a Type, applicable by OMB, does not apply at the local level or if the State has modified the federal requirements at the local level, this should be explained in the supplement under the Type. A Type that is not applicable at the local level is noted by “N.”

If a particular Type is noted as “Y,” the auditor must determine if the Type has a direct and material effect on the federal program for the auditee. For each Type of compliance requirement, the auditor must use the OMB 2023 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	N	Y	Y	Y	N	N	Y	N	N

#### Crosscutting Requirements

The compliance requirements in Supplement “DPI-0 Crosscutting Requirements” are applicable to this grant. If the Matrix above indicates “Y” for a particular type, the auditor should refer to DPI-0 for additional testing requirements for that Type.

##### A. Activities Allowed or Unallowed

**Compliance Requirement** - Funds may be used by an LEA only in accordance with State and Federal laws, regulations and policies, and only for those services or activities included in its project application for grant funds.

**Audit Objective** - To determine that activities are allowable.

##### **Suggested Audit Procedures –**

- Obtain a copy of the Budget Balance Reconciliation Report (305/705) from the finance officer and compare to local accounting records for conformity.
- Obtain a copy of the ARPA application and review the PSU plan as described in Parts A through D. Review a sample of expenditures to determine that expenditures are in accordance with the plan described in the grant application.

- Test a sample of expenditures and related records to determine if expenditures were made only for those services or activities allowed and in the ARPA Fund application.

B. Allowable Costs/Cost Principles

**Compliance Requirement-** For the most up to date information, see the COVID Allotment Manual at [COVID Funds | NC DPI](#). In summary:

Allowable costs related to the CRRSA Funds PRC 181 include:

1. Any activity authorized by the Elementary and Secondary Act of 1965 (ESEA), the Individuals with Disabilities Education Act (IDEA), the Adult Education and Family Literacy Act, the Carl D. Perkins Career and Technical Education Act of 2006, or Title VII, Subtitle B of the McKinney-Vento Homeless Assistance Act.
2. Coordination of preparedness and response efforts of PSUs with State or local public health departments and other relevant agencies to improve coordinated responses in preventing, preparing for, and responding to coronavirus.
3. Providing principals and other school leaders with resources to address the needs of their individual schools.
4. Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of those students.
5. Develop and implementing procedures and systems to improve preparedness and response efforts.
6. Training and professional development for staff pertaining to sanitation and minimizing the spread of infectious diseases.
7. Purchasing sanitation and cleaning supplies for PSU facilities, including buildings operated by such agency.
8. Planning for and coordinating long term closures, including for how to provide meals to eligible students, provide technology for online learning to all students, provide guidance for carrying requirements under IDEA, and ensuring that other services can continue consistent with applicable Federal, State, and local requirements.
9. Purchasing educational technology (including hardware, software and connectivity) for students to aid in regular and substantive interaction between students and their classroom instructors (including low-income and disabled students), which may include assistive technology or adaptive equipment.
10. Providing mental health services and supports.
11. Planning and implementing summer learning and supplemental afterschool program activities, including providing classroom instruction or online learning during the summer months, and addressing the needs of low-income students, children with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.
12. Addressing learning loss among students, including low-income students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, of the local educational agency.
13. School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
14. Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and

- other air cleaning, fans, control systems, and window and door repair and replacement.
15. Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the Centers for Disease Control and Prevention for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.
  16. Other activities deemed necessary to maintain the operation and of and continuity of services in public school unit and continuing to employ existing staff of the public school unit.

Allowable costs related to ARPA Reserves include:

PRC 182 - Is a supplemental fund for public school units receiving ESSER III (PRC181) funds. These funds are intended to assist eligible public school units during the novel coronavirus pandemic.

PRC 188 - To support public school units in addressing COVID-19 related needs during the summer, including through in-person instruction to address learning loss and provide enrichment activities for students in grades 6-12. PSUs shall prioritize enrollment in the program to students who are at risk, as defined in State Board of Education policy ALTP-002, and/or students identified as having been disproportionately impacted by the COVID-19 pandemic.

PRC 189 - To support public school units in addressing COVID-19 related needs during the instructional year, including through after-school and before-school programs that incorporate supplemental in-person instruction to address learning loss in math in grades 4-8. PSUs shall prioritize enrollment in the program to students who are at risk, as defined in State Board of Education policy ALTP-002, and/or students identified as having been disproportionately impacted by the COVID-19 pandemic.

PRC 191 - To contract with either (i) one or more third-party entities to provide technology to facilitate identification and location of missing students or (ii) outside personnel to assist the unit to identify and locate missing students.

PRC 195 - To support low performing schools in implementing flexible improvement and intervention options to address the negative impacts of the COVID-19 pandemic.

PRC 192 - Funds shall be used to contract with a third-party entity for technology to mitigate cyberbullying, monitor student internet activity, monitor classroom educational devices, and assist with suicide prevention services. Funds may not be used for any other purpose than contracted service.

PRC 193 - To contract with Gaggle.Net, Inc. for Gaggle monitoring subscription licenses to mitigate cyberbullying, monitor student internet activity and assist with suicide prevention services. The licenses shall end no later than September 30, 2024.

PRC 197 - To enable the twenty-four identified public school units to provide additional support to middle school students who have been identified as reading below grade level.

PRC 202 - -To account for additional students enrolled in local school administrative units and charter schools during the 2020-2021 school year as a result of the COVID-19

pandemic. Funds shall not be provided for students in excess of the fiscal year 2020-21 legal maximum for the charter school.

PRC 203 - To administer a one-time, lump sum bonus of \$1,000 to every qualifying teacher.

PRC 205 - To support driver education programs and aid in reducing a backlog of student applicants due to the COVID-19 pandemic. Funds shall be used only for driver education programs that comply with State Board of Education Policy. Funds shall be used for salary and fringe expenses incurred by LEA and/or contract instructors in delivering class instruction or associated duties, or other operational costs associated with the driver's education program. Funds shall not be used for personnel bonuses, including retention and recruitment bonuses. Funds shall not be used for equipment, including vehicles and computers.

PRC 206 - To provide retention supplements to experienced principals to ensure continuity in school operations during transition back to use of current student growth scores for principal salary determination during fiscal years 2023 and 2024. *(Eligible was determined and bonus amounts were calculated and provided to the PSU's that had eligible principles under PRC 206.)*

**Important Note:** For all ESSER funds expended on construction activities a grantee must have or obtain a full title or other interest in the site to include right to access, that is sufficient to ensure the grantee's undisputed use and possession of the facilities for 50 years or the useful life of the facilities, whichever is longer. See [Federal Requirements Construction.pdf](#) for additional information concerning construction activities.

**Audit Objective** – To determine costs are allowable.

**Suggested Audit Procedures** - Test expenditures and related records to ensure expenditures are in alignment with cost principles of Subpart E of the Uniform Guidance including determining if costs are:

- supported with adequate documentation;
- necessary and reasonable for the performance of the award;
- reasonable as defined in Uniform Guidance 200.404; and
- allocable to the grant.

**Compliance Requirement** – PRC 203 “Qualifying teacher” is defined as State funded teachers and instructional support personnel, and who participated in one or more trainings between March 12, 2020, and January 1, 2022, that addressed the mitigation of COVID-19 in public schools, learning loss resulting from the COVID-19 pandemic, or virtual instruction needed because of the COVID-19 pandemic. The governing body of each public school unit shall determine whether a teacher is a qualifying teacher for the purpose of receiving a bonus.

The bonuses awarded do not apply to any teacher no longer employed as a teacher due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to January 1, 2022.

Only permanent employees of a local school administrative unit, charter school, regional school, or innovative school are eligible to receive the SFRF bonuses. Employees of contracted charter management organizations (CMOs/EMOs) are not eligible to receive a SFRF bonus.

**Audit Objective** - To determine that funds were used only to provide bonuses for eligible teachers.

**Suggested Audit Procedures** – Identify and review the documentation supporting the expenditure of the teacher bonuses and determine if the bonuses were received by an eligible teacher still employed at the time of the bonus payment and not paid to employees of contracted CMOs/EMOs. See link for PRC 203 FAQ to ensure bonus payments are made to eligible teachers. [COVID Funds | NC DPI](#)

C. Cash Management

**Compliance Requirement** - Addressed in the NC Department of Public Instruction Cross-Cutting Requirements.

E. Eligibility

**Compliance Requirement** – Not applicable

F. Equipment and Real Property Management

**Compliance Requirement** - Addressed in the NC Department of Public Instruction Cross-Cutting Requirements.

G. Matching, Level of Effort, Earmarking

**Compliance Requirement** – Not applicable at local level

H. Period of Performance

**Compliance Requirement** - Funds are available from, March 13, 2020, until September 30, 2024, plus an additional 12 months through the Tydings Amendment. Expenditures may not be incurred before the grant begins or after the grant period ends. Any expenditures prior to the beginning date or after the end date are considered unallowable and must be refunded to DPI.

**Audit Objective** - Determine that no expenditures were incurred or obligated prior to the date the grant began or obligated after the grant 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 and Suspension and Debarment

**Compliance Requirement** - Addressed in the NC Department of Public Instruction Cross-Cutting Requirements.

J. Program Income

**Compliance Requirement** – Not applicable

L. Reporting

**Compliance Requirement** – Not applicable at local level

M. Subrecipient Monitoring

**Compliance Requirement** – Not applicable at local level

N. Special Tests and Provisions

**Compliance Requirement** – Not applicable