

Novel coronavirus (COVID-19) relief and 2020 State Compliance Supplements

June 10, 2020

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act (CARES) was signed into law which that has provided financial relief to State and local governments for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19). As part of the CARES Act, the Coronavirus Relief Fund (CRF) was created to provide State and local governments in North Carolina over \$4 billion in relief. Funding from the CRF is considered federal financial assistance. The State is due to receive nearly \$3.6 billion in aid and Guilford, Mecklenburg, and Wake Counties and Charlotte will receive a total of nearly \$500 million. The US Dept. of Treasury (Treasury) is the granting agency, and the CRF program has been assigned a CFDA No. 21.019. Information on the CRF can be found on the Treasury's website, [CARES Act, State Local, and Tribal Governments](https://home.treasury.gov/policy-issues/cares/state-and-local-governments) at: <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.

Treasury has provided guidance to recipients in the following documents. These documents can be found on the Treasury website:

[Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments](#) (April 22, 2020)

[Frequently Asked Questions](#) (periodically updated)

The General Assembly passed Session Law 2020-4, "2020 COVID-19 Recovery Act" which allocates to the Office of State Budget and Management (OSBM) \$150 million of the federal funds from the Coronavirus Relief Fund to be distributed to the 97 Counties that did not receive funds directly from Treasury. A County may allocate a portion of these funds to be used by municipalities within the County, but only for qualified expenditures. The Governor has established the NC Pandemic Recovery Office (NCPRO) to oversee the CRF funds. A website has been created as a resource for State agencies and local governments at <https://www.nc.gov/agencies/ncpro>.

An important document that auditors should read carefully is [Frequently Asked Questions for Local Governments](#) (periodically updated), located at NCPRO's website, which provides guidance on how these funds are to be used.

CRF funding is considered federal financial assistance subject federal single audit requirements found in the 2 CFR 200 (Uniform Guidance) Subpart F. As noted earlier, the Coronavirus Relief Fund is the federal program name, assigned a CFDA No. of 21.019. Uniform Guidance Subparts B, C, D, with exceptions, and Subpart E are not applicable. Subpart D sections on Internal controls (§200.303) and subrecipient monitoring and management (§§200.330 to 332) are applicable. Procurement standards found in Subpart D (§§200.317 to 326) are not applicable. CRF funding that is transferred from a government to another government, such as a County to a municipality, is considered a subaward. The County is considered a pass-through entity and the municipality is a subrecipient. The expenditures for these funds should be reported on the respective Schedule of Expenditures of Federal and State Awards.

There are other sources of funds from the CARES Act that has or will pass through State agencies to local governments that are considered federal financial assistance, such as the Educational Stabilization Fund (84.425) and existing and common federal programs. Information on some of these programs that can be found on the document below, located at NCPRO's website:

[Guide to Federal COVID-19 Funding for Local Governments](#)

IMPORTANT: There are no State funds appropriated for Coronavirus relief.

There are new federal programs created that will provide financial assistance to local governments in specific areas. These programs may be direct or pass-through. For example, Coronavirus Emergency Supplemental Funding Program (16.034) is a new program that will pass through NC Dept. of Public Safety, Governor's Crime Commission, established to provide relief specifically for legal and law enforcement. Auditors should work with their local governments in identifying funds and in determining the guidance provided by NCPRO, Treasury, as well as State Agencies. A useful resource for information on federal programs is the website <https://beta.sam.gov/>, an official website for US Government federal awards.

Understandably, since the CARES Act was signed into law, guidance has not been readily available, and questions still remain. The State Compliance Supplements from the State Agencies do not provide guidance on auditing CARES Act funding. A State Agency may revise their supplement if necessary, but auditors are encouraged to wait until the OMB 2020 Compliance Supplement is issued.

Also worth noting, in March OMB issued two memoranda to Heads of Federal Agencies, [M-20-11](#) and [M-20-17](#), dated March 9, 2020 and March 19, 2020, respectively, that directed State agencies to take action as they deem appropriate and allowable by law to provide administrative relief for recipients and applicants of federal assistance directly impacted by COVID-19. State agencies were informed unless they received guidance from their federal oversight agency, staff was not to incorporate the two OMB memoranda in the State Compliance Supplement since these exceptions are only temporary. The exceptions granted in the memos were time limited and were to be reassessed within 90 days of the respective memos. Auditors are encouraged to visit the AICPA's Governmental Audit Quality Center website for updates that will affect Single Audits as a result of the current health crisis.