



NC Pandemic Recovery Office

Standard Operating Procedures – Beneficiaries

June 15, 2022

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1.0 Purpose

As authorized by North Carolina General Statute [143C-2-1](#), the Governor, as Director of the Budget, has delegated certain powers and authorities to Office of State Budget Management (OSBM). Included in these authorities are the preparation and execution of State's comprehensive budget, as enacted by the General Assembly. The Appropriations Act of 2021 directed OSBM to allocate, as specified, federal funds received by the State under COVID-19 Recovery Legislation. In addition, Session Law 2020-4 Section 4.3 directed OSBM to establish the North Carolina Pandemic Recovery Office (NCPRO) to: oversee and coordinate funds, provide technical assistance, and ensure coordination, proper reporting and accounting of these funds.

NCPRO was initially established to assist in administering the Coronavirus Relief Funds (CRF). In March 2021, when the State received an additional \$5.4 billion in State Fiscal Recovery Funds (SFRF) from the U. S. Department of the Treasury (Treasury) through the American Rescue Plan Act (ARPA), NCPRO was also tasked with overseeing the State's use of these funds and implementing routines to ensure compliance with the applicable State and federal requirements.

In November 2021, the State passed its fiscal year 2022 budget, which specified appropriations of the \$5.4 billion of SFRF. Funds were appropriated to twenty-four state and non-state entities through the creation of 130 projects. Subsequent to this initial appropriation, NCPRO has been responsible for reassessing and determining the optimum number of projects. State agencies that received SFRF appropriations are considered prime recipients and are referred to as "Administering Agencies." NCPRO is also considered an Administering Agency and subject to these Standard Operating Procedures when NCPRO is a prime recipient of SFRF funds with pass-through responsibilities. To document expectations, terms, and conditions, a Memorandum of Understanding (MOU) is executed between Administering Agencies and NCPRO for each SFRF funded project.

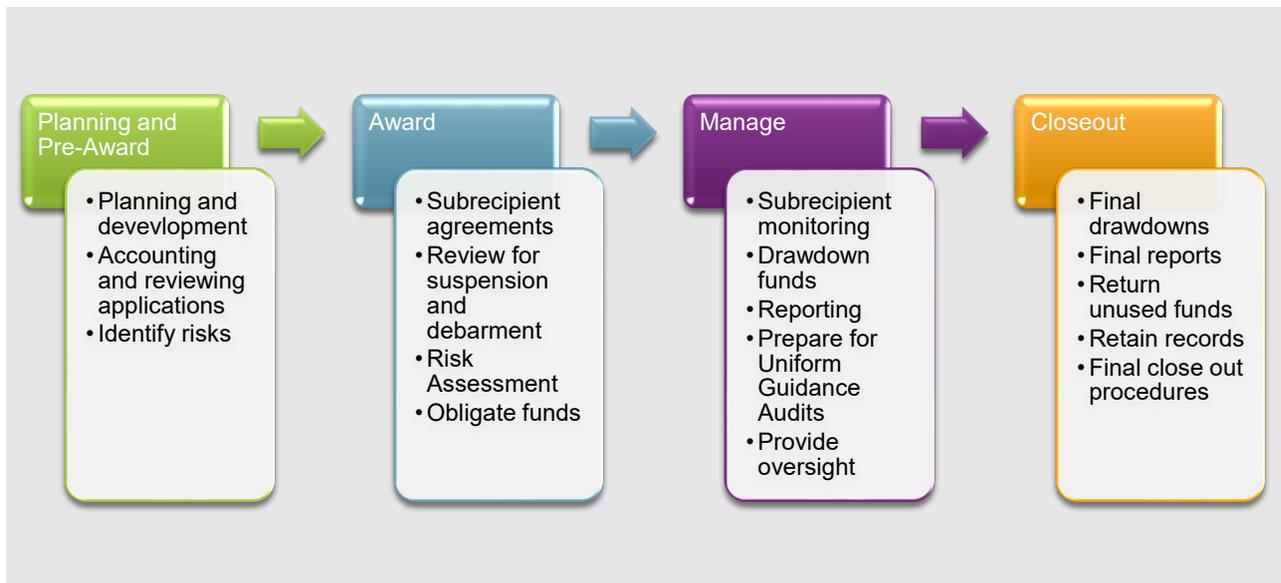
The purpose of this SOP is to provide guidance on the requirements associated with beneficiaries that receive SFRF funds. These Standard Operating Procedures outline NCPRO's expectations for all subrecipients receiving subawards. The guidance has been developed to be consistent with the State legislative intent under Subchapter 03M of the North Carolina Administrative Code (NCAC), and the Code of Federal Regulations (CFR), 2 CFR, Part 200.

2.0 ARPA Overview

Congratulations on receiving a portion of the State’s ARPA allocation under the SFRF program. This program helps ensure that governments have the resources needed to:

- Fight the pandemic and support families and businesses struggling with its public health and economic impacts
- Maintain vital public services even amid declines in revenues
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity

The figure below illustrates the four key aspects to the life cycle for SFRF funds and all other federal grants.



3.0 Roles and Responsibilities

3.1 North Carolina Pandemic Recovery Office

NCPRO has two roles under the SFRF program. When NCPRO is the prime recipient of State appropriated SFRF funds, NCPRO is an *Administering Agency*. NCPRO's other role is to oversee the SFRF program, as explained in the Purpose Section above. In the latter role, NCPRO is referred to as the *Coordinating Agency*. As the State's Coordinating Agency over the SFRF funds appropriated to the twenty-four Administering Agencies, the oversight by NCPRO of Administering Agencies may include, but is not limited to providing guidance to ensure that Administering Agencies:

- implement policies and procedures that are sufficient to carry out the legislative intent of the appropriations for SFRF funds.
 - execute procedures required to monitor subrecipients.
 - adhere to their policies and procedures.
 - comply with the State's legislative intent, subchapter 03M of the NCAC, and the Code of Federal Regulations, 2 CFR, Part 200
- submit monthly, quarterly, and annual financial and performance reports as required.

NCPRO will assign staff to each Administrative Agency to facilitate the disbursement of funds, project documentation, reporting to Treasury and State authorities, technical assistance, coordination of effort, risk management, and administrative adjustments, as needed, to promote effective financial and project outcomes. NCPRO is not authorized to direct the work of Administering Agencies. However, in its advisory role, NCPRO will provide guidance to enhance compliance with State and federal requirements.

3.2 Administering Agencies

Under the Federal Grants Management Model, Administering Agencies receiving federal awards are deemed to be prime recipients of the federal awards. This designation as prime recipients and not subrecipients of NCPRO is consistent with U.S. Treasury guidance for the CRF. Under this guidance, agencies and departments of a state are considered prime recipients. This approach is also consistent with the manner in which agencies are reported in the State's Annual Comprehensive Financial Report (ACFR). All State departments, agencies, commissions, and authorities governed and legally controlled by the State's executive, legislative, and judicial branches are included in the ACFR; therefore, all SFRF funds appropriated to the Administering Agencies are included in the ACFR. In addition, the SFRF funds expended by the Administering Agencies are included within the scope of the NC statewide single audit process.

Administering Agencies are responsible for creating grant projects that may be direct State spending, subawards to non-state entities, or both. In addition, Administering Agencies are responsible for ensuring that:

- Projects comply with the State legislative intent under Session Law 2021-180, Senate Bill 105; Subchapter 03M of the NCAC; and the Code of Federal Regulations, 2 CFR Part 200.
- Policies and procedures to monitor the activities of subrecipients are prepared and implemented (See Section 4.2 for further details regarding responsibilities for subrecipient monitoring).
- Reports (financial and performance) are submitted to NCPRO in accordance with prescribed timelines, templates, and platforms.
- Responses to requests from NCPRO and OSBM internal auditors are completed accurately and timely.
- Requirements for subawards described in Section 3.5 below are met.
- Significant questions or concerns about the overall allowability of SFRF to fund specific projects and other policy issues are promptly reported.

As defined in Section 3.2, under SFRF, prime recipients may transfer/award funds to subrecipients and beneficiaries. At a minimum, the Administering Agency must evaluate each beneficiary's eligibility to receive the funds. Administering Agencies will also be responsible for verifying that the beneficiaries are not deemed suspended or debarred by the federal government. The Administering Agencies are required to have a formal process to verify the eligibility. This process will be subsequently reviewed by NCPRO.

3.3 Beneficiaries

Households, small businesses, nonprofits, or any impacted industries that experienced a direct negative economic impact and received SFRF funds are beneficiaries. For example, if a nonprofit organization provides food assistance (an eligible use) to low-income households, the households would be deemed a beneficiary and the nonprofit that carries out the program would be deemed to be a subrecipient. Beneficiaries are responsible for the following:

- Timely submission of all requested documentation related to eligibility to receive SFRF funds
- Maintaining good standing with the federal government and the State of North Carolina (i.e., beneficiary is not suspended or debarred)
- Maintaining active registration with SAM.gov (via an Unique Entity Identifier (UEI) Number and Cage Code), if a business or organization
- Complying with requests for documentation and complying with reviews or audits of an SFRF project – beneficiaries are not subject to an audit of their use of and accounting for the SFRF funds they receive, but they may be requested to provide documentation to show what SFRF funds they received

Beneficiaries are not required to adhere to the following:

- Requirements placed on subrecipients in the Uniform Guidance, including audit pursuant to the Single Audit Act and 2 CFR Part 200, Subpart F or subrecipient reporting requirements
- NCAC Title 09 Chapter 03 Subchapter M Uniform Administration of State Grants (09 NCAC 03M10)

4.0 Distinguishing Subrecipients, Beneficiaries, and Contractors

Administering Agencies are responsible for determining whether entities receiving SFRF subawards from their respective agency are classified as subrecipients, beneficiaries, or contractors. This distinction is important because of the differing compliance and reporting requirements. Subrecipients must comply with the requirements in the federal Uniform Guidance. As a result, Administering Agencies must monitor and report on the activities of subrecipients. The requirements are addressed later in this document. Below is a section of the Treasury Final Rule that provides guidance on how to determine whether a transferee is subrecipient or beneficiary.

The distinction between a subrecipient and a beneficiary contingent upon the rationale for why a recipient is providing funds to the individual or entity. If the recipient is providing funds to the individual or entity for the purpose of carrying out a [SFRF] program or project on behalf of the [Administering Agency], the individual or entity is acting as a *subrecipient*. Acting as a subrecipient, the individual or entity is subject to subrecipient monitoring and reporting requirements. Conversely, if the recipient is providing funds to the individual or entity for the purpose of directly benefitting the individual or entity as a result of experiencing a public health impact or negative economic impact of the pandemic, the individual or entity is acting as a *beneficiary*. Acting as a beneficiary, the individual or entity is not subject to subrecipient monitoring and reporting requirements.

The State Administrative Code adopted the same definition in 09 NCAC 03M.0102 (10) and (14) as in 2 CFR 200.1 that a federal subrecipient “does not include an individual that is a beneficiary of such [project].” The U.S Treasury defines terms such as “recipient” or “subrecipient” receiving financial assistance “to carry out part of a state [project],” or is a non-covered “beneficiary,”

As required under 2 CFR 200.101 (b)(2) of the Uniform Guidance, the terms and conditions of federal awards flow down to subawards and subrecipients. Therefore, non-federal entities, as defined in the Uniform Guidance, must comply with the applicable requirements in the Uniform Guidance, regardless of whether the non-federal entity is a recipient or subrecipient of a federal award. This includes requirements such as the treatment of eligible uses of funds, procurement, and reporting requirements (Page 210 of the Final Rule).

Households, communities, small businesses, nonprofits, and impacted industries are all potential beneficiaries of projects carried out with SFRF funds. Beneficiaries and contractors are not subject to the requirements placed on subrecipients in the Uniform Guidance, including an audit pursuant to the Single Audit Act and 2 CFR Part 200, Subpart F, or subrecipient reporting requirements (Page 210 of the Final Rule). While Administering Agencies will make the subrecipient, beneficiary, or contractor designations, in its oversight and coordinating role, NCPRO may review those determinations to ensure proper compliance with regulations.

5.0 Reporting

Treasury requires the submission of a comprehensive set of Expenditure and Performance data reporting for the full amount of SFRF funds received by the State from a single source. NCPRO is responsible for gathering all necessary data and documentation in order to properly complete the required quarterly and annual reports. NCPRO uses a grant management system called PANGRAM to track specific grant details and reporting.

To meet these reporting requirements, NCPRO is requiring that all requested information is submitted monthly through PANGRAM. The monthly reports are due by the 15th calendar day of each month. NCPRO has created templates for beneficiaries to use to generate the required reports.

Under SFRF, Treasury will complete the Federal Funding Accountability and Transparency Act (FFATA) reporting on behalf of the State. The Administering Agency must submit the data NCPRO needs to report for any amounts paid to subrecipients, beneficiaries, and contractors in excess of \$50,000. Additional reporting is required if a subrecipient, beneficiary, or contractor has received over \$50,000 and:

- received over 80% of their annual revenues from federal sources, or
- had over \$25,000,000 of revenue from federal procurement or assistance contracts.

If either of those requirements are met, the reporting must also include tracking the top five highest-paid employees at the organization.

NCPRO will be able to obtain the detailed data for disbursements made directly from the State to NCPRO subrecipients, beneficiaries and contractors through the North Carolina Accounting System (NCAS); however, NCAS will not contain the necessary reporting data from beneficiaries. NCPRO has developed a template for the Administering Agencies to track the necessary information that will be required to be submitted on a monthly basis.

5.1 Requests for Funds

On an as-needed basis, beneficiaries will prepare justifications for funding and submit the requests to NCPRO through PANGRAM. Upon authorization by NCPRO, OSBM will initiate the transfer of funds.