



# The American Rescue Plan Act of 2021



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- Quick CARES Overview
- ARPA Summary
  - Coronavirus State and Local Fiscal Recovery Funds
    - Eligible Uses
    - Reporting Requirements
    - How do we account for this?
  - Other Programs
- SEFA Updates relating to COVID-19 awards

# Learning Objectives

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**At the end of this session, you should be able to:**

- Identify resources available to you to assist with CARES Act and ARPA Funding
- Overview of requirements of the CARES Act to help you with potential upcoming Single Audits
- Identify the components of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) and eligible uses
- Identify the reporting and audit requirements of CSLFRF
- Recall changes to SEFA reporting related to COVID-19 awards

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# COVID -19 Resources

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- [FGFOA](#)
  - [National GFOA Website](#)
    - [GASB Technical Bulletin \(GASBTB 202001\)](#)
    - [GFOA FAQ](#)
    - [Revenue Loss Calculator](#)
- [USTreasury](#)
  - [Treasury FAQs](#)
  - [SLFRP Fact Sheet](#)
  - [NEU Guidance](#)
  - [Early Reporting Highlights](#)
- Your Auditor!

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# Terminology & Abbreviations



CFR	Code of Federal Regulations	HHS	Department of Health and Human Services
COVID-19	Novel Coronavirus	IHE	institutions of Institute of Higher Education
CPE	Continuing Professional Education	I/C	Internal Control
CRF	Coronavirus Relief Fund	IHE	Institute of Higher Education
DCF	Data Collection Form	NFP	Not-for-Profit Entities
ESF	Education Stabilization Fund	OIG	Office of Inspector General
F/S	Financial Statements	OMB	Office of Management and Budget
FAQ	Frequently Asked Questions	PDF	Adobe Acrobat File Format
FFATA	Federal Funding Accountability and Transparency Act	PPE	Personal Protective Equipment
FMCSA	Federal Motor Carrier Safety Assistance	PRF	Provider Relief Fund
FSRS	FFATA Subaward Reporting System	PTE	Pass-Through Entity
GAAP	Generally Accepted Accounting Principles	SAS	Statements on Auditing Standards
GAO	Government Accountability Office	SBA	Small Business Administration
GAQC	Governmental Audit Quality Center	SEFA	Schedule of Expenditures of federal Awards
HEERF	Higher Education Emergency Relief Fund	SFA	Student Financial Assistance
HHS	Department of Health and Human Services	UG	Uniform Guidance
HUD	Department of Housing and Urban Development	USDA	Department of Agriculture

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## Polling Question #1

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When does your entity plan to spend all of its CSFRF/CLFRF funding?

- A. We've already spent it
- B. Still spending CARES/CARES 2
- C. 2023
- D. 2024 and beyond
- E. Not quite sure yet

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# CARES Act Funding



- Funding for NEW and EXISTING Programs
- Payroll Protection Program (PPP) loans - Reminder these are NOT subject to Uniform Guidance/Single Audit
- Provider Relief Funds (Assistance Listing (CFDA) 93.498) - **generally available to healthcare providers that may be governments, NFPs, or for-profit entities.** Considered “Higher Risk” for 2021. Subject to Audit compliance requirements include, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting, Special Tests/Provision.

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# CARES Act Funding

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- Education Stabilization Fund (Assistance Listing 84.425) - funds are provided to **states, schools, and institutions of higher education**. Considered Higher Risk. There are several subprograms within this one program. All subprograms will be considered one program for major program determinations, however, for SEFA presentation and Data Collection Form reporting, should be broken out by subprogram and list applicable alpha character.

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# CARES Act Funding

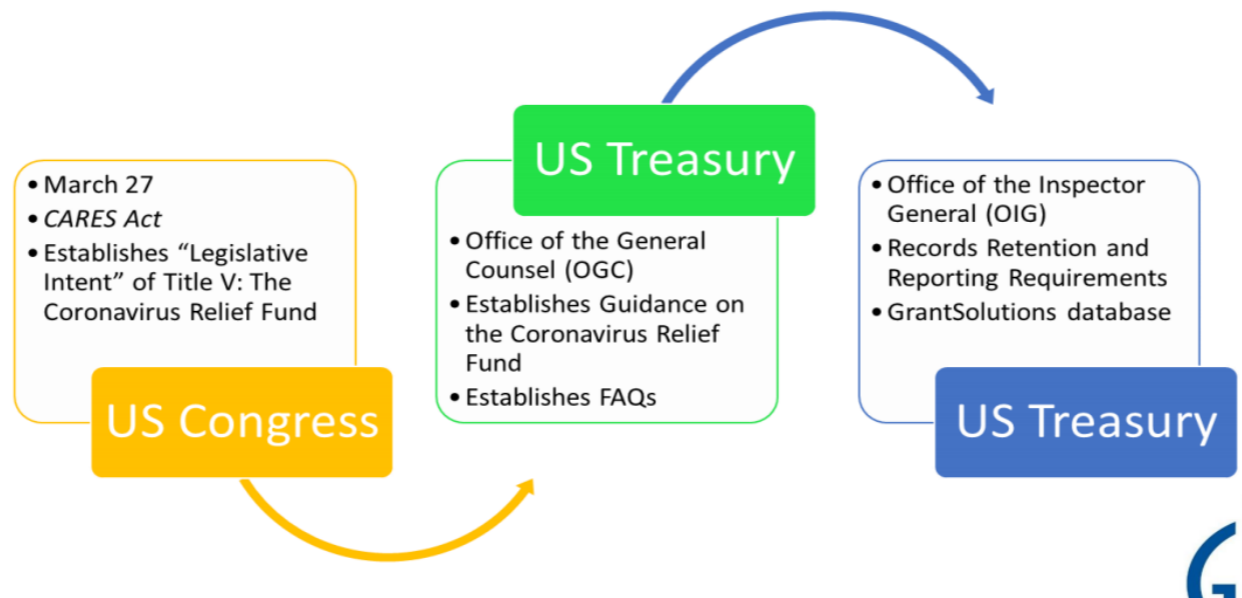
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- Coronavirus Relief Funds or CRF (Assistance Listing 21.019) - these are the funds that are being provided **directly to states, larger local governments,** and tribal entities. Considered Higher Risk for 2021. Subject to audit compliance requirements include Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Reporting, Subrecipient Monitoring.

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# Coronavirus Relief Funds (CRF)



## Broad Parameters for Expenditures

- Necessary incurred due to the public health emergency with respect to COVID-19
- Not accounted for in the budget most recently approved as of 3/27/20
- Were incurred during the period 3/1/20 to 12/31/21.

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- The Guidance provides that funding may be used to meet payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID -19 public health emergency. May Fund payments be used to cover such an employee's entire payroll cost or just the portion of time spent on mitigating or responding to the COVID -19 public health emergency? As a matter of administrative convenience, the entire payroll cost of an employee whose time is substantially dedicated to mitigating or responding to the COVID-19 public health emergency is eligible, provided that such payroll costs are incurred by December 31, 2021. An employer may also track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department.

*Source: Coronavirus Relief Fund Frequently Asked Questions- Updated as of October 20, 2020*

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- **Are recipients required to use other federal funds or seek reimbursement under other federal programs before using Fund payments to satisfy eligible expenses?** No. Recipients may use Fund payments for any expenses eligible under section 601(d) of the Social Security Act outlined in the Guidance. Fund payments are not required to be used as the source of funding of last resort. However, as noted below, recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement.

*Source: Coronavirus Relief Fund Frequently Asked Questions- Updated as of October 20, 2020*

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- **May Fund payments be used to assist impacted property owners with the payment of their property taxes?** Fund payments may not be used for government revenue replacement, including the provision of assistance to meet tax obligations.
- **Do governments have to return unspent funds to Treasury?** Yes. Section 601(f)(2) of the Social Security Act, as added by section 5001(a) of the CARES Act, provides for recoupment by the Department of the Treasury of amounts received from the Fund that have not been used in a manner consistent with section 601(d) of the Social Security Act. If a government has not used funds it has received to cover costs that were incurred by December 31, 2021, as required by the statute, those funds must be returned to the Department of the Treasury.

*Source: Coronavirus Relief Fund Frequently Asked Questions- Updated as of October 20, 2020*



- **Are Fund payments considered federal financial assistance for purposes of the Single Audit Act?** Yes, Fund payments are considered to be federal financial assistance subject to the Single Audit Act (31 U.S.C. §§ 7501-7507) and the related provisions of the Uniform Guidance, 2 C.F.R. § 200.303 regarding internal controls, §§ 200.330 through 200.332 regarding subrecipient monitoring and management, and subpart F regarding audit requirements.
- **Are recipients permitted to use payments from the Fund to cover the expenses of an audit conducted under the Single Audit Act?** Yes, such expenses would be eligible expenditures, subject to the limitations set forth in 2 C.F.R. § 200.425.

*Source: Coronavirus Relief Fund Frequently Asked Questions- Updated as of October 20, 2020*

## Polling Question #2

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Have you, or do you expect to, have a Single Audit on CARES Act Funding?

- A. Yes
- B. No
- C. Not sure
- D. We didn't receive CARES Act Funding

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# What is ARPA?

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- \$1.9 trillion COVID-19 relief package signed into law by President Biden on March 11, 2021
- Several programs, including:
  - \$350 billion - Coronavirus State and Local Fiscal Recover Fund (CSFRF/CLFRF)
  - \$21.5 billion – Emergency Rental Assistance Program (ERAP)
  - \$122.7 billion – Education Stabilization Fund (ESSER & HEERF)
  - ~\$95 billion – Transportation and Infrastructure
  - ~\$5 billion – Low-income water & energy assistance
  - Emergency paid sick and family leave credits
  - Direct stimulus payments

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- Subtitle M of ARPA, Section 602 (States) and 603 (Local)
- Formula grants (not competitive)
- \$195.3B for states and DC
- \$130.2B for local governments, more direct payments from Treasury than CRF (populations > 50,000)
  - For those with population so less than 50,000 (Non -entitlement Units or NEUs), allocations cannot exceed 75% of most recent budget as of 1/27/20.
  - Consolidated governments receive BOTH their city and county allocations
- Direct payments will be made to states and large local governments in two buckets



- **Non-Entitlement Units (NEUs)**
  - **Final Allocations Determined by the State**
  - **States cannot further restrict use of funds beyond guidance from Treasury**
  - **States can transfer additional funding to NEUs beyond the allocation based on population (still subject to eligible uses) – NEU FAQ 7.2**
  - **States may reallocate funding after “reasonable efforts” if a NEU is unresponsive and 60 days have elapsed since the state begins accepting and processing funding requests from NEUs – NEU FAQ 7.6**



- **Non-Entitlement Units (NEUs)**

## **7.14 Do states have to monitor NEUs for compliance with use of funds? [6/7]**

NEUs are considered prime recipients of Treasury and states are not responsible for monitoring NEUs for compliance with use of funds, beyond distributing and collecting signed copies of the award terms and conditions and assurances of compliance with Title VI of the Civil Rights Act of 1964. However, if a state transfers funds to an NEU under Section 602 of the Social Security Act, as added by the American Rescue Plan Act of 2021 (e.g., a transaction that is not a distribution of funds to the NEU as required by Section 603(b)(2)(C) of the Social Security Act) or otherwise establishes a subrecipient relationship with an NEU, the state will be obligated under the award terms to account for the uses of the funds and report on such uses.

# CSLFRF – Eligible Uses

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- ✓ Response to COVID-19 and its negative impacts
- ✓ “Premium Pay” for essential workers
- ✓ Loss of Revenue
- ✓ Water, Sewer, and Broadband Infrastructure

***Treasury issued Interim Final Rule on May 10, 2021 – open for comments through July 16, 2021 – still waiting for final, final rule.....***

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# CSLFRF – Important Dates

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- ✓ **January 27, 2020 – beginning of COVID-19 public emergency**
- ✓ **March 3, 2021 – funds can be used for costs from this date forward with the exception of premium pay and loss of revenue**
- ✓ **December 31, 2024 – funds must be obligated**
- ✓ **December 31, 2026 – period of performance ends**

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## Expenditure Categories



<b>1: Public Health</b>
1.1 COVID-19 Vaccination ^
1.2 COVID-19 Testing ^
1.3 COVID-19 Contact Tracing
1.4 Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.)*
1.5 Personal Protective Equipment
1.6 Medical Expenses (including Alternative Care Facilities)
1.7 Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency
1.8 Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)
1.9 Payroll Costs for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19
1.10 Mental Health Services*
1.11 Substance Use Services*
1.12 Other Public Health Services
<b>2: Negative Economic Impacts</b>
2.1 Household Assistance: Food Programs* ^
2.2 Household Assistance: Rent, Mortgage, and Utility Aid* ^
2.3 Household Assistance: Cash Transfers* ^
2.4 Household Assistance: Internet Access Programs* ^
2.5 Household Assistance: Eviction Prevention* ^
2.6 Unemployment Benefits or Cash Assistance to Unemployed Workers*
2.7 Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives)* ^
2.8 Contributions to UI Trust Funds
2.9 Small Business Economic Assistance (General)* ^
2.10 Aid to Nonprofit Organizations*
2.11 Aid to Tourism, Travel, or Hospitality
2.12 Aid to Other Impacted Industries
2.13 Other Economic Support* ^
2.14 Rehiring Public Sector Staff
<b>3: Services to Disproportionately Impacted Communities</b>
3.1 Education Assistance: Early Learning* ^
3.2 Education Assistance: Aid to High-Poverty Districts ^
3.3 Education Assistance: Academic Services* ^
3.4 Education Assistance: Social, Emotional, and Mental Health Services* ^
3.5 Education Assistance: Other* ^
3.6 Healthy Childhood Environments: Child Care* ^
3.7 Healthy Childhood Environments: Home Visiting* ^
3.8 Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System* ^



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# Expenditure Categories



3.9	Healthy Childhood Environments: Other* ^
3.10	Housing Support: Affordable Housing* ^
3.11	Housing Support: Services for Unhoused Persons* ^
3.12	Housing Support: Other Housing Assistance* ^
3.13	Social Determinants of Health: Other* ^
3.14	Social Determinants of Health: Community Health Workers or Benefits Navigators* ^
3.15	Social Determinants of Health: Lead Remediation ^
3.16	Social Determinants of Health: Community Violence Interventions* ^
<b>4: Premium Pay</b>	
4.1	Public Sector Employees
4.2	Private Sector: Grants to Other Employers
<b>5: Infrastructure<sup>24</sup></b>	
5.1	Clean Water: Centralized Wastewater Treatment
5.2	Clean Water: Centralized Wastewater Collection and Conveyance
5.3	Clean Water: Decentralized Wastewater
5.4	Clean Water: Combined Sewer Overflows
5.5	Clean Water: Other Sewer Infrastructure
5.6	Clean Water: Stormwater
5.7	Clean Water: Energy Conservation
5.8	Clean Water: Water Conservation
5.9	Clean Water: Nonpoint Source
5.10	Drinking water: Treatment
5.11	Drinking water: Transmission & Distribution
5.12	Drinking water: Transmission & Distribution: Lead Remediation
5.13	Drinking water: Source
5.14	Drinking water: Storage
5.15	Drinking water: Other water infrastructure
5.16	Broadband: "Last Mile" projects
5.17	Broadband: Other projects
<b>6: Revenue Replacement</b>	
6.1	Provision of Government Services
<b>7: Administrative</b>	
7.1	Administrative Expenses
7.2	Evaluation and Data Analysis
7.3	Transfers to Other Units of Government
7.4	Transfers to Non-entitlement Units (States and territories only)





## Response to COVID-19 and its negative impacts

- Vaccine programs, PPE, medical expenses, capital investment to meet pandemic operational needs
- Behavioral Healthcare needs
- Public health and public safety workers (if primarily dedicated)
- Impacted industries (tourism, travel, & hospitality)
- Rebuilding public sector capacity (staffing and unemployment insurance)
- Small business support (loans, grants, in-kind, counseling)
- Hardest-hit communities (disparities)
- Public Jobs Program (FAQ 2.16)
- Administration & Consultants (FAQs 10.2 and 10.5)

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## Response to COVID-19 and Its Negative Impacts

*Unlike CRF, no assumption that ALL public safety/public health is in response to COVID-19*

“For administrative convenience, the recipient may consider a public health and safety employee to be entirely devoted to mitigating or responding to the COVID -19 public health emergency, and therefore fully covered, if the employee, or his or her operating unit or division, is **primarily dedicated (e.g., more than half of the employee’s time is dedicated) to responding to the COVID-19 public health emergency** .

Recipients may use presumptions for assessing whether an employee, division, or operating unit is primarily dedicated to COVID-19 response. The recipient **should maintain records to support its assessment** , such as payroll records, attestations from supervisors or staff, or regular work product or correspondence demonstrating work on the COVID -19 response. Recipients need not routinely track staff hours. **Recipients should periodically reassess their determinations** ”

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## Premium Pay

- Can be retroactive
- Essential workers for work performed in person (no telework)
- Up to \$13 hour (\$25,000 per person max)
- If total pay exceeds 150% of state, or local area's, average annual wage for all occupations, then additional justification needed
- Added to, not "in place of" regular wages
- Can be grants to private employers (3rd party sanitation workers) but does require additional reporting requirements



## Premium Pay

### **5.1. What criteria should recipients use in identifying essential workers to receive premium pay?**

Essential workers are those in critical infrastructure sectors who regularly perform in-person work, interact with others at work, or physically handle items handled by others.

Critical infrastructure sectors include healthcare, education and childcare, transportation, sanitation, grocery and food production, and public health and safety, among others, as provided in the Interim Final Rule. Governments receiving Fiscal Recovery Funds have the discretion to add additional sectors to this list, so long as the sectors are considered critical to protect the health and well-being of residents.

### **5.3. May recipients provide premium pay retroactively for work already performed?**

Yes. Treasury encourages recipients to consider providing premium pay retroactively for work performed during the pandemic, recognizing that many essential workers have not yet received additional compensation for their service during the pandemic.

## Polling Question #3

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What is your plan for spending CSFRF/CLFRF funding?

- A. COVID-19 Response
- B. Premium Pay
- C. Infrastructure
- D. Revenue Loss

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## Water, Sewer, & Broadband Infrastructure

“Necessary investments designed to provide adequate minimum level of service and are unlikely to be made using private sources”

### Water & Sewer

- Aligned with EPA’s Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF)
  - Replacement of lead lines
  - Wastewater infrastructure (public -owned treatment plant, stormwater )



## Water, Sewer, & Broadband Infrastructure

### Broadband

- “...unserved and underserved households and businesses” = lacking access at least 25/3 Mbps (megabits per second) service
- Provide service that “reliably meets or exceeds symmetrical speeds of 100 Mbps” or at least 100/20 Mbps with ability to scale to 100 Mbps
- Consider affordability
- “Deliver a physical broadband connection by prioritizing projects that achieve last mile connections” (However, “middle -mile” is OK – FAQ 6.10)
- Recipients should prioritize networks “owned and operated by local governments, nonprofits and cooperatives”

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## Water, Sewer, & Broadband Infrastructure

- 6.9. For broadband infrastructure to provide service to “unserved or underserved households or businesses,” must every house or business in the service area be unserved or underserved? [6/17]**

No. It suffices that an objective of the project is to provide service to unserved or underserved households or businesses. Doing so may involve a holistic approach that provides service to a wider area in order, for example, to make the ongoing service of unserved or underserved households or businesses within the service area economical. Unserved or underserved households or businesses need not be the *only* households or businesses in the service area receiving funds.



## Water, Sewer, & Broadband Infrastructure

### **6.11. For broadband infrastructure investments, what does the requirement to “reliably” meet or exceed a broadband speed threshold mean? [6/17]**

When making these assessments, recipients may choose to consider any available data, including but not limited to documentation of existing service performance, federal and/or state-collected broadband data, user speed test results, interviews with residents and business owners, and any other information they deem relevant. In evaluating such data, recipients may take into account a variety of factors, including whether users actually receive service at or above the speed thresholds at all hours of the day, whether factors other than speed such as latency or jitter, or deterioration of the existing connections make the user experience unreliable, and whether the existing service is

EXCERPT

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## Revenue Loss

- Uses “General Revenue” based on Census reporting
- Excludes:
  - Federal transfers (even those flowing through the State)
  - Transfers within the entity
  - Revenues from utilities, insurance trusts, agency or private trust transactions
  - Refunds and correcting transactions
  - Proceeds from debt
  - Liquor store revenues (exchange transactions)
- Includes everything not listed above – taxes & fees generated by underlying economy (Ex: Component units, enterprise funds such civic center, zoo, parking, ports, sports stadiums, etc.)



## Revenue Loss

- Base Year Revenue\* $[(1.041)^{(n/12)}]$  = “Counterfactual Revenue”
- Look at past “Base Year Revenue” (usually fiscal year 2019) and average annual growth for the past 3 fiscal years
- Apply average growth rate or 4.1%, whichever is greater – “Growth Adjustment”
- Apply multiplier for elapsed time from last full fiscal year end prior to the emergency (1/27/20) to 12/31. Ex. 9/30/19 to 12/31/20 is 15 months
- Compare “Counterfactual Revenue” to actual collected – if actual exceeds Counterfactual Revenue, then loss of revenue is deemed to be zero
- Checkpoint each December 31 for actual revenues

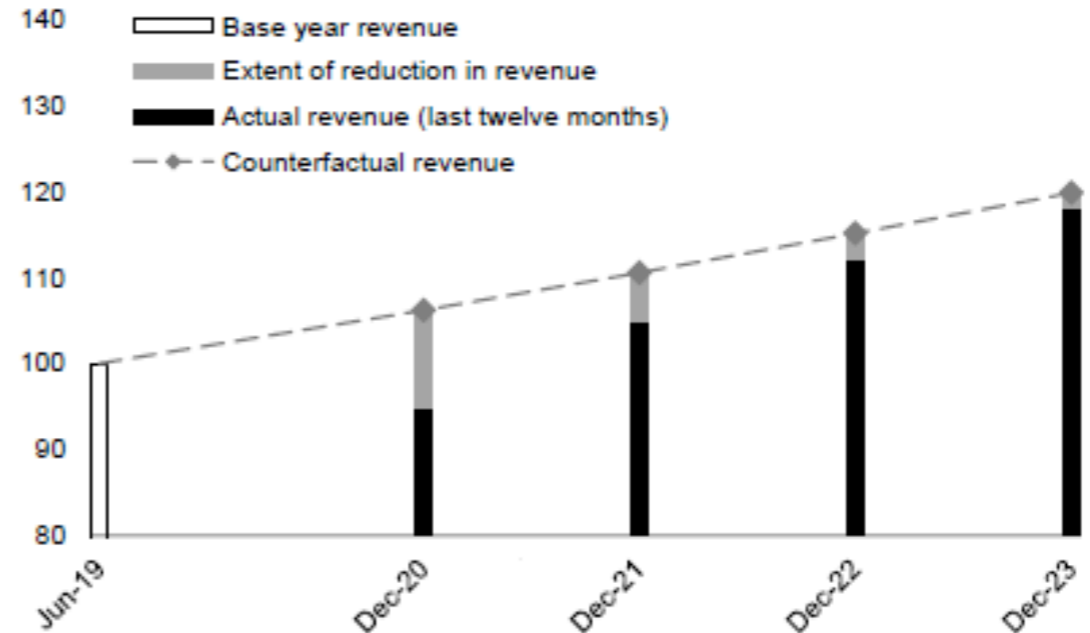
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## Revenue Loss

- Assume Base Year Revenue is \$100, average growth rate is less than 4.1, and fiscal year end is 6/30.
- $\$100 * [1 + .041]^{(18/12)} = \$106.2$  for December 31, 2020

As of:	12/31/2020	12/31/2021	12/31/2022	12/31/2023
<i>n</i> (months elapsed)	18	30	42	54
<i>Counterfactual revenue:</i>	106.2	110.6	115.1	119.8





## Revenue Loss

### Sample Government, Florida - ARPA Revenue Loss Calculation

Fiscal Year End		9/30/2019					
Base Revenue		20,000,000	<b>A</b>				
Growth Rate		4.1%	<b>B</b>				
				12/31/2020	12/31/2021	12/31/2022	12/31/2023
Months elapsed since base year	<b>X</b>		15	27	39	51	
Counterfactual Revenue			21,030,200	21,892,438	22,790,028	23,724,420	
Actual revenue for the period	<b>Y</b>		20,000,000	20,000,000	20,000,000	20,000,000	
Gain (loss)			(1,030,200)	(1,892,438)	(2,790,028)	(3,724,420)	

- A** Total general revenue for the base year (base year would be the first full fiscal year prior to COVID impact).
- B** Growth rate is computed as the larger of 4.1% or the average growth rate of the three fiscal years prior to COVID impact).
- X** Number of months from the base year noted in **A** above to the respective calendar year end.
- Y** Enter actual general revenue for the calendar year.

**Note:** See interim final rule for definition of "general revenue".



## Polling Question #4

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What is the maximum amount that can be paid to 1 employee throughout the ARPA performance period under “Premium Pay”?

- A. \$10,000
- B. \$25,000
- C. \$5,000
- D. \$50,000

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## Revenue Loss

### **3.10. In calculating revenue loss, are recipients required to use audited financials? [6/8]**

Where audited data is not available, recipients are not required to obtain audited data. Treasury expects all information submitted to be complete and accurate. See 31 CFR 35.4(c).

### **3.11. In calculating revenue loss, should recipients use their own data, or Census data? [6/8]**

Recipients should use their own data sources to calculate general revenue, and do not need to rely on published revenue data from the Census Bureau. Treasury acknowledges that due to differences in timing, data sources, and definitions, recipients' self-reported general revenue figures may differ somewhat from those published by the Census Bureau.

### **3.12. Should recipients calculate revenue loss on a cash basis or an accrual basis? [6/8]**

Recipients may provide data on a cash, accrual, or modified accrual basis, provided that recipients are consistent in their choice of methodology throughout the covered period and until reporting is no longer required.



## Revenue Loss

*What if my city's/county's revenue streams were not the same in the 3 years prior to FY 2019???*

- We implemented a new tax in 2018
- We had a tax cease in 2017
- Council/Commission raised the millage rate 3 mills in 2017 and 3 more mills in 2018
- The City didn't even EXIST in 2018

*The Answer is.....we do not know. Treasury has yet to address this question in the IFR or FAQs. Several people have commented to ask. Stay tuned!*



## Revenue Loss Example:

Assume the following:

	9/30/2016	9/30/2017	9/30/2018	9/30/2019	12/31/2020
<b>Revenue Source:</b>					
Property Tax	\$ 95,000	\$ 97,000	\$ 99,000	\$ 100,000	\$ 95,000
General Sales and Use Tax	20,000	22,000	23,500	25,000	20,000
Occupational Licenses & Permits	8,500	9,000	9,500	10,000	8,500
State Intergovernmental	22,500	24,000	24,500	25,000	22,500
Water Revenue	6,000	8,000	9,500	10,000	6,000
Sewer Revenue	7,500	7,500	8,000	8,000	7,500
Fines & Forfeitures	1,000	1,000	1,000	1,000	1,000
<b>Total Revenues</b>	<b>\$ 160,500</b>	<b>\$ 168,500</b>	<b>\$ 175,000</b>	<b>\$ 179,000</b>	<b>\$ 160,500</b>





## Revenue Loss

*What can revenue replacement be spent on?*

- “Government services” directly provided to citizens
- Pay-go infrastructure funding (Ex. Roads, cybersecurity)
- Health Services
- Environmental remediation
- School or educational services
- Public safety services

*Remember March 3, 2021 date...*

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## Revenue Loss

*What can revenue replacement NOT be spent on?*

- Principal or interest on debt including TANs and settlements
- Reserves or rainy day funds
- Federal match
- “One-time” Pension payments

Treasury will track use of funds through reporting requirements (FAQ 9.4)



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## FAQs on Eligible Uses

### **4.7. Do restrictions on using Coronavirus State and Local Fiscal Recovery Funds to cover costs incurred beginning on March 3, 2021 apply to costs incurred by the recipient (e.g., a State, local, territorial, or Tribal government) or to costs incurred by households, businesses, and individuals benefiting from assistance provided using Coronavirus State and Local Fiscal Recovery Funds? [6/8]**

The Interim Final Rule permits funds to be used to cover costs incurred beginning on March 3, 2021. This limitation applies to costs incurred by the recipient (i.e., the state, local, territorial, or Tribal government receiving funds). However, recipients may use Coronavirus State and Local Fiscal Recovery Funds to provide assistance to households, businesses, and individuals within the eligible use categories described in the Interim Final Rule for economic harms experienced by those households, businesses, and individuals prior to March 3, 2021. For example,

- Public Health/Negative Economic Impacts – Recipients may use Coronavirus State and Local Fiscal Recovery Funds to provide assistance to households – such as rent, mortgage, or utility assistance – for economic harms experienced or costs incurred by the household prior to March 3, 2021 (e.g., rental arrears from preceding months), provided that the cost of providing assistance to the household was not incurred by the recipient prior to March 3, 2021.

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## FAQs on Eligible Uses

- Premium Pay – Recipients may provide premium pay retrospectively for work performed at any time since the start of the COVID-19 public health emergency. Such premium pay must be “in addition to” wages and remuneration already received and the obligation to provide such pay must not have been incurred by the recipient prior to March 3, 2021.
- Revenue Loss – The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. The calculation of lost revenue begins with the recipient’s revenue in the last full fiscal year prior to the COVID-19 public health emergency and includes the 12-month period ending December 31, 2020. However, use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021.
- Investments in Water, Sewer, and Broadband – Recipients may use Coronavirus State and Local Fiscal Recovery Funds to make necessary investments in water, sewer, and broadband. See FAQ Section 6. Recipients may use Coronavirus State and Local Fiscal Recovery Funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the Coronavirus State and Local Fiscal Recovery Funds were incurred after March 3, 2021.

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## FAQs on Eligible Uses

### **8.2. May recipients use Fiscal Recovery Funds to fund Other Post-Employment Benefits (OPEB)? [6/8]**

OPEB refers to benefits other than pensions (see, e.g., [Governmental Accounting Standards Board, “Other Post-Employment Benefits”](#)). Treasury has determined that Sections 602(c)(2)(B) and 603(c)(2), which refer only to pensions, do not prohibit CSFRF/CLFRF recipients from funding OPEB. Recipients of either the CSFRF/CLFRF may use funds for eligible uses, and a recipient seeking to use CSFRF/CLFRF funds for OPEB contributions would need to justify those contributions under one of the four eligible use categories.



## Audit Reporting

- Subject to Uniform Guidance & Single Audit – Assistance Listing 21.027
- Financial Records and Supporting Docs must be retained for 5 years after all funds have been expended or returned
- Additional requirements under consideration & are forthcoming

## ARPA Reporting

- Interim Report
- Project & Expenditure (P&E Reports) – Quarterly or Annually
- Recovery Plan Performance Reports



## ARPA Reporting

- **Interim Report**
  - NOT required for NEUs
  - Expenditures through July 31, 2021 at summary level
  - For States, distributions to NEUs
  - Was due to Treasury by August 31, 2021
- **Quarterly Project & Expenditure Reports**
  - NOT required for NEUs
  - NOT required for cities and counties population under 250k and received award less than \$10 million
  - Contracts & subawards over \$50,000, Types of Projects funded
  - Initial report covers through 12/30/21 , first report is due 1/31/22
  - Subsequent Reports due 30 days after the end of each quarter.

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## ARPA Reporting

- **Annual Project & Expenditure Reports**
  - NEUs
  - Cities and counties population under 250k and received award less than \$10 million
  - Activity through 3/31/22, due 4/30/22
- **Annual Recovery Plan Performance Report**
  - Recipients with populations over 250,000
  - Provides info on projects and how recipients are taking actions to “...ensure project outcomes are achieved in an effective, efficient, and equitable manner.”
  - Flexibility in form and content as long as minimum information required by Treasury is included.
  - Includes performance indicators
  - Initial report covers through 7/31/21, due 8/31/21
  - Subsequent reports cover 7/1 to 6/30 and due 7/31

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## ARPA Reporting ■ Annual Recovery Plan Performance Report: Education Example

**Collier County, Florida** plans to dedicate funds toward education services including the following program:

- *“The COLE Project will provide educational sessions at the Golden Gate and Immokalee libraries, both serving QCT populations. They will offer three sessions per week to support literacy and improved educational outcomes of local students. A COLE coordinator will serve at each branch, overseeing community outreach, homework & tutoring for ESOL students, and teen life skills programs. The project will be implemented through a memorandum of understanding with Collier County Library. Outcomes include increased literacy, improved school grades for participants, and better school-career (such as college enrollment) for teen life skills participants.”*

**Source: Treasury’s Coronavirus State and Local Fiscal Recovery Funds – Early Reporting Highlights**

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## ARPA Reporting



Tier	Recipient	Interim Report	Project and Expenditure Report	Recovery Plan Performance Report
1	States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	By August 31, 2021 or 60 days after receiving funding if funding was received by October 15, with expenditures by category	By January 31, 2022, and then 30 days after the end of each quarter thereafter <sup>9</sup>	By August 31, 2021 or 60 days after receiving funding, and annually thereafter by July 31 <sup>10</sup>
2	Metropolitan cities and counties with a population below 250,000 residents which received more than \$10 million in SLFRF funding			Not required
3	Tribal Governments which received more than \$30 million in SLFRF funding		By April 30, 2022, and then annually thereafter <sup>11</sup>	
4	Tribal Governments which received less than \$30 million in SLFRF funding			
5	Metropolitan cities and counties with a population below 250,000 residents which received less than \$10 million in SLFRF funding			
6	NEUs	Not required		

Note: Based on the period of performance, reports will be collected through April 30, 2027. See the specific due dates listed in Sections B and C.

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## How Do we Record This Funding?

- Separate bank account not required, though certainly ok
- Separate fund/department/project?
- Investments okay (interest bearing or not)
- Interest is not required to be remitted to Treasury (FAQ 10.3)
- Unspent funds will most likely be a liability at year end.
- Most Likely Handled like CRF

*GASB Technical Bulletin No. 20201, states the following: “The U.S. Treasury has determined that CRF resources are not grants and instead has identified the resources as ‘other financial assistance’ under 2 CFR 200.40. However, the provisions in paragraph 8 of Statement 33 require that, for accounting and financial reporting purposes, the focus of the analysis be on the substance of a transaction. The CARES Act, as clarified through the FAQs, stipulates certain conditions that are required to be met, such as the incurrence of eligible expenditures. Those conditions are identified, for accounting and financial reporting purposes, as eligibility requirements. In addition, the recipient government has the ability not to accept the resources. Therefore, the CRF Funds are identified as voluntary nonexchange transactions, **subject to eligibility requirements rather than purpose restrictions.**”*



## How Do we Record This Revenue?

### *Current GASB Guidance- Implementation Guide 2021 Update*

#### **Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions**

4.23. Q—If a program that gives rise to a nonexchange transaction requires entering into one or more contractual agreements (for example, a grant agreement, a certification of acceptance, acceptance of terms and conditions, or project worksheets), can those agreements be considered nonsubstantive eligibility requirements such that revenue would be recognized before the agreement is executed if allowable costs are incurred?

A—No. Contractual agreements are not eligibility requirements. Rather, contractual agreements provide evidence of the resource recipient's acceptance of the terms and conditions of the provider's program, including eligibility requirements in that program. If an executed contractual agreement is required, the incurrence of allowable costs is not sufficient to fulfill recognition criteria in the absence of such executed agreement in accordance with the grantor's legal requirements. That is the case even if the contractual agreement includes provisions to reimburse allowable costs that are incurred prior to its execution.

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## Polling Question #5

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What classifies an entity as an “Non-entitlement Unit (NEU)?

- A. Revenues less than \$100 million
- B. Revenues greater than \$100 million
- C. Populations more than 50,000
- D. Populations less than 50,000

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## When Is There An Award?

Very difficult to determine in some cases, especially challenging when funds are received in advance

- Typical awarding process not followed due to pandemic crisis
- May not be a "signed" document

Suggestions for determining award date when it is unclear:

- Discussions with management and results of management discussions with PTEs, when applicable
- Review of client records including Board minutes and e-mail correspondence



## Compliance Requirements

- Allow Cost/Activities – **Yes, UG does apply**
- Cash Management – **No, Interest is OK and not restricted**
- Eligibility – **Yes for beneficiaries and subrecipients**
- Equipment & Real Property – **Yes**
- Matching, LOE, Earmarking – **No**
- Period of Performance – **Yes**
- Procurement, S&D – **Yes**
- Program Income – **Yes, but stay tuned for additional guidance**
- Reporting – **Yes**
- Subrecipient Monitoring – **Yes**
- Special Tests – **Stay Tuned for Final, Final Rule**

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# What is ARPA?



- \$1.9 trillion COVID-19 relief package signed into law by President Biden on March 11, 2021
- Several programs, including:
  - \$350 billion - Coronavirus State and Local Fiscal Recover Fund (CSFRF/CLFRF)
  - \$21.5 billion – Emergency Rental Assistance Program (ERAP)
  - \$122.7 billion – Education Stabilization Fund (ESSER & HEERF)
  - ~\$95 billion – Transportation and Infrastructure
  - ~\$5 billion – Low-income water & energy assistance
  - Emergency paid sick and family leave credits
  - Direct stimulus payments

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# Emergency Rental Assistance



- **\$18.6 billion to states, counties, and cities for emergency rental and utility assistance**
  - **Goal to stabilize renters during pandemic, and help rental property owners continue to cover their costs**
- **\$9.96 billion to states and territories address ongoing needs of homeowners struggling to afford their housing due directly or indirectly to impacts of coronavirus pandemic by providing direct assistance with:**
  - **Mortgage payments**
  - **Property Taxes**
  - **Property Insurance**
  - **Utilities**

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- **Granted to State Educational Agencies (SEAs)**
  - **States required to allocate no less than 90% to Local Educational Agencies (LEAs) for Elementary and Secondary School Emergency Relief**
    - **SEAs to reserve 5% of new ESSERF allocations to address learning loss**
    - **LEAs to reserve 20% of sub-grants to learning loss**



- On November 12, the GAQC issued Alert #433
  - No CS Addenda, however, the latest timeline for Addendum #1 is in the coming weeks
    - Expected to include an update to ESF (84.425) and a Part 4 for CSLFRF(21.027)
    - Addendum #2 is “further behind” – list of programs evolving
    - Updated listing of previously existing programs that received ARPA funding.



- On November 15, the Treasury updated its FAQ for the first time since July 14, 2021:
  - Added FAQ 12.1 for Tribal Governments
  - Updated FAQ 9.2 on Reporting
    - Extension of reporting deadlines previously discussed.

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## When Should Expenditures Go On the SEFA?

While PRF has included specific requirements for SEFA reporting, other new COVID-19 programs are introducing challenges to normal process

General rule of thumb for SEFA inclusion

- ✓ Underlying activity occurs
- ✓ There is an award/terms of conditions
- ✓ Not necessarily tied to GAAP recognition of revenue



## Separate Identification of COVID-19 Related Awards

Nonfederal entities should separately identify of COVID -19 expenditures on the SEFA and DCF

- This includes both new and existing programs
- On a separate line by Assistance Listing number with “COVID-19” as a prefix to the program name or on a separate row

### SEFA Example:

COVID-19 Temporary Assistance for Needy Families	93.558	\$1,000,000
Temporary Assistance for Needy Families	93.558	<u>\$3,000,000</u>
<i>Total – Temporary Assistance for Needy Families</i>		<u>\$4,000,000</u>

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## Donated PPE

- Per OMB Memo M-20-20, federal agencies and recipients could donate PPE purchased with federal assistance funds to various entities for the COVID -19 response
- Mostly provided with no compliance or reporting requirements
- Nonfederal entities *that received* such donated PPE should include the fair market value of the PPE at time of receipt in a stand-alone footnote to the SEFA that *can be marked “unaudited”*
- The donated PPE *should not be* counted for purposes of determining the threshold for a single audit, determining type A/B program threshold for major programs, and *is not required to be audited as a major program*

# Compliance Supplement 2021

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- Issued August 12, 2021 – TWO Addendums to follow
- As a general rule, CS is NOT updated for ARPA
- 1<sup>st</sup> addendum - should includes Part 4 for CSLFRF(21.027) & updates to ESF (84.425)
- List of programs in 2<sup>nd</sup> addendum not finalized yet – assumed CSLFRF and updates to ESF (see above)
- Part 3 includes numerous updates – changes to UG, including procurement thresholds
- Part 5 – Student Financial Aid (SFA) Cluster has numerous updates
- New Program added to CNC Cluster– 10.579

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# Compliance Supplement 2021



- More programs identified as higher risk - ESF, CRF, PRF, COVID Uninsured (93.461), Airport Improvement Program (20.106), Federal Transit Cluster, Emergency Rental Assistance (ERAP - 21.023), and Medicaid
- If the "higher risk" programs are Type A programs, they will need to be audited as major programs unless the program is otherwise low risk AND the portion of COVID-19 funding is immaterial. Programs like CRF, PRF, ESF, CSLFRF etc are 100% COVID-19 funded and thus will always be major. Most likely will not be an added burden since many of these would be new, Type A programs anyway.
- If the "higher risk" programs are Type B programs, there is no mandate that the programs be tested as major, but the higher risk designation should be part of the high risk assessment that is always performed for a selection of Type B programs.

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## Polling Question #6

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What are your Thanksgiving plans?

- A. We are hosting at our house
- B. We are traveling out of town
- C. We are traveling somewhere local
- D. We are eating out
- E. No plans

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# Closing Thoughts

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- Encourage Patience from Governing Body
- “One-Time” Funding – Temporary Nature
- Be cognizant of state and regional initiatives to avoid duplication but consider cooperative spending to enhance overall community
- Spread expenditures over the qualifying period
- Discuss accounting & reporting with your auditors
- Carefully consider use of funds
- Consider the “front-page” headline

# Questions

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