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MEMORANDUM

TO: Counties, Cities, Towns
FROM: Debbie Gibson, CPA, CFE Director of Audit Services
RE: Interest Earned on ARPA Funds
DATE: June 15, 2021 Updated July 8, 2021

We have received several inquiries regarding the earning of interest on money received from the Coronavirus Local Fiscal Recovery Fund established by the American Rescue Plan Act (ARPA). We have formulated the following answers based on information received from the U.S. Department of the Treasury (Treasury). At the time of the June 15 issuance of this memo the 2nd question below had not been addressed by the Treasury. The Treasury publication Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds, Version 1.1 has since been issued and brought clarification. We have modified the answer to the 2nd question to reflect this clarification.

[Are we required to put the ARPA payments from the Local Fiscal Recovery Fund into an interest-bearing account and remit the interest to the Treasury?](#)

No. Coronavirus Local Fiscal Recovery Fund payments made by Treasury to local governments are not subject to the requirement of 2 CFR 200.305(b)(8)–(9) to maintain balances in an interest-bearing account and remit payments to Treasury.

Coronavirus Local Fiscal Recovery Fund payments made by Treasury are not subject to the requirement of the Cash Management Improvement Act and Treasury's implementing regulations at 31 CFR part 205 to remit interest to Treasury. (U.S. Treasury Q & A as of June 10, 2021, Question 10.3)

[May we put the payments from the Local Fiscal Recovery Fund into an interest-bearing account and, if so, how should the interest be posted?](#)

According to Treasury publication Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds, Version 1.1, "State and Local Fiscal Recovery Fund payments made to recipients are not subject to the requirements of the Cash Management Improvement Act and Treasury's implementing regulations at 31 CFR part 205 or 2 CFR 200.305(b)(8)-(9). As such, recipients can place funds in interest-bearing accounts, do not need to remit interest to Treasury, and are not limited to using that interest for eligible uses under the SLFRF award."

Based on this guidance, interest earned on these funds may be posted in accordance with IC 5-13-9-6 to the General Fund or other fund designated by the fiscal body by resolution or the written investment policy of the unit. Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund.

[Can this money be comingled with other County/City/Town money on deposit?](#)

Yes. You may comingle with other county/city/town money on deposit.

§200.305 Federal payment (7)(i) provides: "The Federal awarding agency and pass-through entity must not require separate depository accounts for funds provided to a non-Federal entity or establish any eligibility requirements for depositories for funds provided to the non-Federal entity. However, the non-Federal entity must be able to account for funds received, obligated, and expended."

If you have any further questions, please contact us at:

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Cities/Towns: Cities.Towns@Sboa.in.gov

DG/SG