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**STATE EXAMINER DIRECTIVE 2021-1**

Date: March 18, 2021

Subject: Accounting for American Rescue Plan Act (ARP), Accounting Processes for Subtitle M-Coronavirus State and Local Fiscal Recovery Funds

Authority: IC 5-11

Application: This Directive applies Counties, Cities, and Towns

From: Paul D. Joyce, CPA, State Examiner

The purpose of this directive is to prescribe the accounting procedures for federal assistance received through the American Rescue Plan Act of 2021 (ARP).

**Separate Fund Required.** Assistance provided through the ARP must be received into a separate fund. There are many funding provisions in this Act. A separate fund must be established for each separately identified assistance provided with ARP in the naming title.

The fund name and number for each ARP grant fund must be assigned as follows:

Counties: ARP [Name of Grant]; Fund Number Range 8950-8975  
Cities and Towns: ARP [Name of Grant]; Fund Number Range 176-199

**ARP Coronavirus Local Fiscal Recovery Fund.** Counties, Cities, and Towns will each receive an allocation of Coronavirus State and Local Fiscal Recovery Funds. Each local unit that receives an allocation from the Coronavirus Local Fiscal Recovery Fund under Section 603 of the Social Security Act, as added by Section 9901 of the ARP, shall establish by ordinance a separate local grant fund called the ARP Coronavirus Local Fiscal Recovery Fund within the fund number range described above. For a county, the ARP grant fund must be established by ordinance of the County Commissioners. For a city or town, the ARP grant fund must be established by ordinance of the legislative body. The ordinance must specify the uses of the fund in accordance with the purposes outlined in Section 603(c). The ordinance should reference a plan that will provide the details for the use of these funds. All moneys received from the Local Fiscal Recovery Fund must be receipted into the separate ARP grant fund.

Before money in the fund is disbursed, the fiscal body must appropriate the money in the fund for a use consistent with Section 603(c) as stated in the adopted ordinance and the plan. Only a local appropriation is needed. To ensure accountability and transparency of the use of these funds, all disbursements must be made from the ARP grant fund; money from the ARP fund may not be transferred to another fund of the county, city, or town.

A detailed accounting of the fund is required by the ARP. All related expenditure records (accounts payable vouchers, minutes, correspondence, contracts, etc.) must be maintained in a separate file for future audits of ARP funds. It is important that you track every dollar disbursed and maintain supporting documentation for those disbursements. Each disbursement must be directly tied to a use listed in Section 603(c). The grant funding may be used to cover costs incurred by December 31, 2024. It is extremely important that these files be complete and accurate for this time period.


If your unit chooses to use the ARP funds to cover costs incurred for the provision of governmental services as provided in Section 603(c)(1)(C), you must maintain detailed calculations of the reduction in revenue due to COVID-19. For purposes of this calculation, the most recent full fiscal year prior to the emergency is 2019.

Note that the use of the funds for the provision of governmental services is limited to the extent of the reduction in revenue due to the COVID-19 public health emergency.

**Other ARP Assistance or Grants.** Other assistance or grants may be coming through the ARP. As stated above, each form of assistance or grant must be separately identified and accounted in a separate fund with a fund name and number as described. The Indiana State Board of Accounts will prescribe accounting procedures for these funds as more information becomes available.

**Internal Controls.** Sufficient internal controls over all transactions must be in place. Separate funds, maintaining records, detailed comments that provide audit trails, appropriate approvals, etc., are all part of good internal controls.

These prescribed accounting procedures will promote transparency and accountability of funds received through the Coronavirus Local Fiscal Recovery Fund. This Directive may be amended from time to time and may be rescinded at any time in writing by the State Examiner or Deputy State Examiner.

  
Paul D. Joyce, CPA  
State Examiner