

ARPA UPDATES

AUDITOR SPRING CONFERENCE
APRIL 2022

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INTERIM FINAL RULE


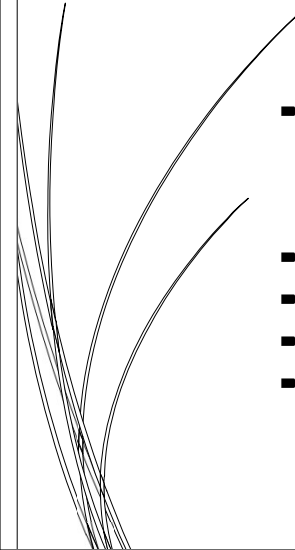
- Respond to public health emergency or its negative economic impacts including assistance to households, small businesses and nonprofits or aid to impacted industries such as tourism, travel and hospitality
- Respond to workers performing essential work by providing premium pay
- Provision of government services to the extent of the reduction in revenue
- Make necessary investments in water, sewer, or Broadband infrastructure

- Time Frame: March 3, 2021, to December 31, 2024 (unobligated funds returned to US Treasury)
 - Expenses incurred or obligated by December 31, 2024, must be spent by December 31, 2026




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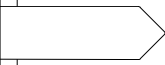
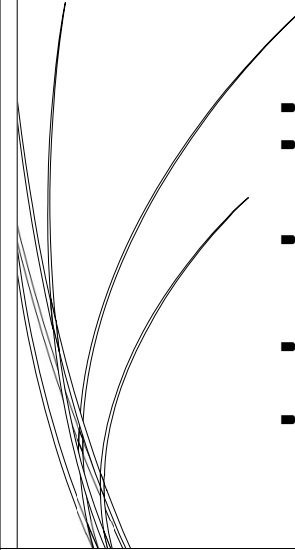
SBOA Guidance

- ▶ SBOA Website in.gov/sboa
 - ▶ Directive 2021-1 Accounting for ARP and Specific Processes for Subtitle M
 - ▶ Accounting Processes for ARP Subtitle M- Coronavirus State and Local Fiscal Recovery Funds
- ▶ ARP Coronavirus Local Fiscal Recovery Fund- separate fund
- ▶ Ordinance and Plan
- ▶ Appropriations
- ▶ Disbursements from the APRA Local Fiscal Recovery Fund




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Final Rule – January 2022

- ▶ Effective April 1, 2022, but can be implemented early
- ▶ Replacing Lost Public Sector Revenue
 - ▶ Allows for a standard allowance of up to \$10 million for revenue loss as an alternative to calculating the actual revenue loss each year
- ▶ Public Health and Economic Impacts
 - ▶ Allows for some capital expenditures
 - ▶ Broader set of uses to restore and support government employment
- ▶ Premium Pay
 - ▶ Workers who are non-exempt from Fair Labor Standards Act
- ▶ Water, Sewer and Broadband Infrastructure
 - ▶ Expands types of eligible projects



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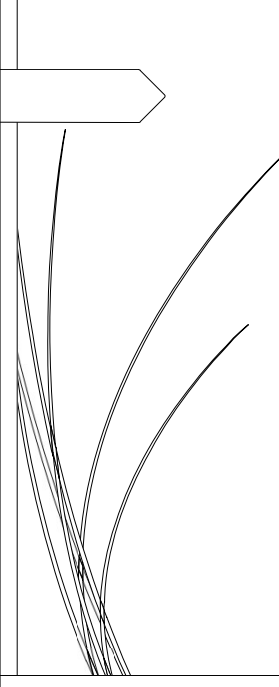
Audit Expectations – Compliance Requirements

- ▶ Allowable Activities
- ▶ Allowable Cost/Cost Principals
- ▶ Eligibility
- ▶ Equipment/real property management
- ▶ Period of Performance
- ▶ Procurement Suspension & Debarment
- ▶ Reporting
- ▶ Subrecipient Monitoring




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Restrictions on Use – Unallowable costs

- ▶ Offset a reduction in net tax revenue
- ▶ Deposits into pension funds
- ▶ Payment of debt
- ▶ Deposits to Rainy Day fund
- ▶ Payment of settlements and judgements
- ▶ Activity that conflicts or contravenes the purpose of ARPA
- ▶ Activity that violates Award Terms and Uniform Guidance
 - ▶ Conflict of interest
 - ▶ Procurement laws



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REVENUE LOSS CALCULATION

- ▶ The final rule offers a standard allowance for revenue loss of up to \$10 million
- ▶ This standard can be chosen in place of the calculation of revenue loss that was provided in the interim rule
- ▶ If your allocation was \$10 million or less, this allows you to show the entire assistance to be used for government services which will also streamline reporting.
- ▶ If your allocation was more than \$10 million, you can still choose the standard and use \$10 million on government services with the remaining allocation on other allowable activities.



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Spending on Government Services

- ▶ "Government services generally include any service traditionally provided by a government, unless Treasury has stated otherwise."
 - ▶ Construction of schools and hospitals
 - ▶ Road building and maintenance, and other infrastructure
 - ▶ Health services
 - ▶ General government, administration, staff and administrative facilities
 - ▶ Environmental remediation
 - ▶ Provision of police, fire, and other public safety (including purchase of fire trucks and police vehicles)



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Final Rule: Premium Pay

- ▶ Expanded when Premium Pay "responds to" eligible workers by adding the category of a worker that is not exempt from the Fair Labor Standards Act for overtime provisions.
- ▶ Written justification for the premium pay is only needed if the premium pay would increase the worker's total pay above the 150% of residing states average annual wage for all occupations.



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SBOA Audit Position: PREMIUM PAY

- ▶ State Examiner Directive 2021-3 amended on March 22, 2022
- ▶ According to the FR, "elected officials are prohibited from using their official position and control over SLFRF funds for their own private gain. This policy also prohibits, among other things, elected officials from steering funds to projects in which they have a financial interest or using funds to pay themselves premium pay"
- ▶ Our audit position based on the final rule and 2CFR 200.318(c) is that elected officials are not eligible for premium pay. Unless the US Treasury states otherwise, payments of premium pay to elected officials will result in a federal finding and questioned cost, whether such payment was made before or after the effective date of the final rule.



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Additional Guidance: Premium Pay

- Memorandum dated March 22, 2022, provides guidance on steps to be taken to reverse entries for Premium pay to elected officials from ARP Local Fiscal Recovery funds.
 - Payment from the General Fund for 2022 premium pay
 - Moving general fund expenses to Local Fiscal Recovery Fund for provision of government services due to revenue loss and using general fund to pay premium pay in 2022
 - Premium pay to elected officials in 2021 would be in conflict with IC 36-2-5-13(c) on not changing compensation for an elected official in the year for which it is fixed.



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REPORTING


- Assistance Listing number (CFDA) 21.027
- Chrome works best to access on-line report
- Report User Guide from US Treasury:
- <https://home.treasury.gov/system/files/136/April-2022-PE-Report-User-Guide.pdf>
- "All recipients of federal funds must complete financial, performance, and compliance reporting as required..."



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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. <i>Note: NEUs were not required to submit an Interim Report</i>	By January 31, 2022, and then 30 days after the end of each quarter thereafter <i>Note: NEUs were not required to submit a Project and Expenditure Report on January 31, 2022. The first reporting date for NEUs will be April 30, 2022.</i>	By August 31, 2021 or 60 days after receiving funding, and annually thereafter by July 31
2	Metropolitan cities and counties with a population below 250,000 residents that are allocated more than \$10 million in SLFRF funding, and NEUs that are allocated more than \$10 million in SLFRF funding.			
3	Tribal Governments that are allocated more than \$30 million in SLFRF funding		By April 30, 2022, and then annually thereafter	
4	Tribal Governments that are allocated less than \$30 million in SLFRF funding			
5	Metropolitan cities and counties with a population below 250,000 residents that are allocated less than \$10 million in SLFRF funding, and NEUs that are allocated less than \$10 million in SLFRF funding.			




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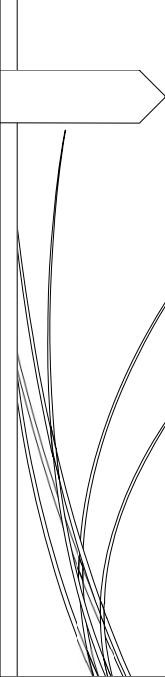
Tier 1 Reporting: Counties with populations over 250,000

- Interim Report due August 31, 2021, or 60 days after receiving funding with expenditures by category
- Project and Expenditure Report due by January 31, 2022, and each quarter thereafter. (Second report due by April 30, 2022)
- Recovery Plan Performance Report by August 31, 2021, or 60 days after receiving funding and annually thereafter by July 31




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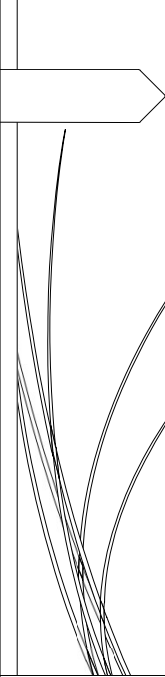
Tier 2 Reporting: Counties allocated more than \$10 million in SLFRF funding

- ▶ Interim Report: Due by August 31, 2021, or 60 days after the receipt of funding
- ▶ Project and Expenditure Report due by January 31, 2022, and quarterly thereafter. Second report due by April 30, 2022.
- ▶ NOT REQUIRED: Recovery Plan Performance Report




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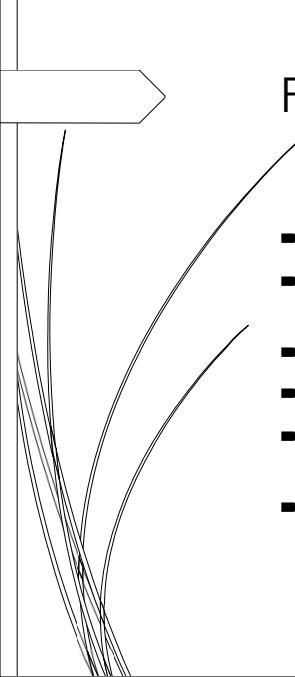
Tier 5: Counties that received less than \$10 million in SLFRF funding

- ▶ Project and Expenditure Report due April 30, 2022, and due annually thereafter.
- ▶ NOT REQUIRED
 - ▶ Interim Report
 - ▶ Project and Expenditure Report January 31, 2022 (and quarterly reporting)
 - ▶ Recovery Plan and Performance Report




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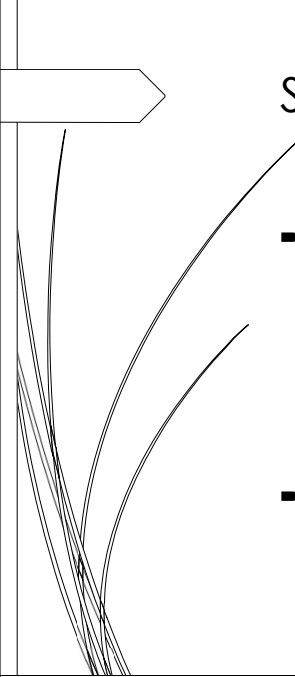
Project and Expenditure Report

- ▶ Required information
- ▶ Projects – Provide information on all SLFRF project including an expenditure category.
- ▶ Obligations and expenditures for each project (current and cumulative)
- ▶ Project status (Not started, less than 50%, 50% or more, completed)
- ▶ For Public Health and Negative Economic impact Expense Categories- Demographic information
- ▶ <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>




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Subrecipient Monitoring

- ▶ SLFRF recipients are pass-through entities are required to manage and monitor their subrecipients to ensure compliance with requirements of the SLFRF award. You must clearly identify to the subrecipient:
 - ▶ (1) that the award is a subaward of the SLFRF funds
 - ▶ (2) any and all compliance requirements for use of the SLFRF funds
 - ▶ (3) any and all reporting requirements for expenditures of SLFRF funds
- ▶ Subrecipients do not include individuals and organizations that received SLFRF funds as end users. Such recipients are beneficiaries.



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