

SBOA Monthly Meeting with Cities and Towns

September 2021

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For today....

- ARPA Refresher
 - American Rescue Plan Act
 - State Examiner Directive and Memos
 - Interim Final Rule
 - Frequently Asked Questions to SBOA
- Other Important Topics
- Upcoming Events

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American Rescue Plan Act *State and Local Fiscal Recovery Fund Section 603*

Costs incurred to respond to the 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.

Funds may be used for costs incurred to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers... that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;

Costs incurred for Governmental Services (limited to calculated revenue reduction)

Costs incurred to make necessary investments in water, sewer, or broadband projects

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ARPA and your Local Plan

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Costs incurred to respond to the 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.

Interim Final Rule and FAQs Section 2

- Assessments
- Non-exclusive lists
- Services or programs presumed to be eligible

Documentation

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ARPA and your Local Plan

Funds may be used for costs incurred to respond to workers performing **essential work** during the COVID-19 public health emergency by providing **premium pay** to **eligible workers**... that are performing such **essential work**, or by providing grants to **eligible employers** that have **eligible workers** who perform **essential work**;

- See ARPA, Interim Final Rule, and FAQ Section 5
- Definitions
- Limitations
- Documentation

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ARPA and your Local Plan

Funds may be used for costs incurred for the provision of **government services to the extent of the reduction in revenue**...due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year... prior to the emergency.

General Revenue

- *Interim Final Rule*
- FAQs Section 3 and Appendix Chart of General Revenue
- Census Bureau's Annual Survey of State and Local Government Finances:
https://www2.census.gov/govs/pubs/classification/2006_classification_manual.pdf

Included items

Excluded items

Mathematical Formula – See Interim Final Rule

Maintain documentation, explanation & calculations!

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ARPA and your Local Plan

Funds may be used for costs incurred for the provision of **government services to the extent of the reduction in revenue...** due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year... prior to the emergency.

Non-exclusive List of Government Services

- Government Services entail direct provision of services to citizens

Eligible Uses – FAQs Section 3

Ineligible expenses

Maintain Supporting Documentation and Explanation

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ARPA and your Local Plan

Funds may be used for costs incurred to make necessary investments in water, sewer, or broadband infrastructure.

Water and Sewer

- Eligible Projects
 - Clean Water SRF: https://www.epa.gov/sites/production/files/2016-07/documents/overview_of_cwsrf_eligibilities_may_2016.pdf
 - Drinking Water SRF: <https://www.epa.gov/dwsrf/dwsrf-eligibilities>

Broadband Infrastructure

- Unserved or underserved areas
- Minimum speeds expected

See Interim Final Rule and FAQ Section 6

Maintain Documentation and Explanation

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ARPA and your Local Plan

Other Information

- Interest
- 603(c)(2) Pension Funds
- 603(c)(3) Transfers to certain entities or the State
 - Special Purpose Governments
- Ineligible Uses – *Interim Final Rule & FAQ Section 8*
- Prior Costs Incurred – March 3, 2021
- Funds may be used to cover costs incurred or obligated by December 31, 2024.

Key Documents with compliance requirements

- ARPA - Section 603
- Interim Final Rule
- Treasury FAQs
- SBOA Uniform Compliance Guidelines, including
 - State Examiner Directive 2021-1
 - Accounting Processes for ARPA May 12, 2021
 - Interest Earned on ARPA Funds, June 15, 2021
 - City and Town Manual and Bulletins
 - Internal Controls Manual
- Uniform Guidance
 - https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
- Local Plan

Accounting for Costs Incurred in the ARP Fund

Source: State
Examiner
Directive and
Memos

Separate Fund

Fund Name: ARP [Name of Grant]

- Fund Number Range: 176-199

Ordinance

- Establishes the ARP Grant Fund
- Specifies uses in accordance with section 603 that are applicable
- References a plan providing details for the use of the funds

Transactions

- Appropriation by Council required before use.
- Disbursements must be made directly from the ARP Fund through the normal claims process with adequate supporting documentation. (IC 5-11-10-1.6).
- Disbursements must comply with ARPA and Interim Final Rule.
- Money may not be transferred to another fund.

Key Documents for Audit

Source: State
Examiner
Directive and
Memos

- Ordinance
- Local Plan
- Written Internal Control Procedures
 - Evidence that Internal Control Procedures were followed
- Documentation of Costs Incurred
- Explanation of costs incurred per Section 603, Interim Final Rule & Other Treasury Guidance
 - Board minutes, attorney opinions, notes

Internal Controls

Internal controls must be designed, implemented, and documented to provide reasonable assurance that the ARP funds will be safeguarded and used in accordance with the ARP.

Each of the five components of internal control is necessary to form a complete internal control process.

- *Uniform Internal Control Standards for Indiana Political Subdivisions*
- SBOA Best Practice Documents

Separate funds, maintaining records, detailed comments that provide audit trails, appropriate approvals, etc., are all part of good internal controls.

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Internal Controls

Source: US Treasury Compliance and Reporting Guidance State and Local Fiscal Recovery Funds, June 24, 2021 Version 1.1

- Recipients should ensure they maintain proper documentation supporting determinations of costs and applicable compliance requirements, and how they have been satisfied as part of their award management, **internal controls**, and subrecipient oversight and management. (p.4)
- ...your organization must **develop and implement effective internal controls** to ensure that funding decisions under the SLFRF award constitute eligible uses of funds, and document determinations. (p. 6)
- Recipients must **implement robust internal controls and effective monitoring** to ensure compliance with the Cost Principles, which are important for building trust and accountability. (P. 6)
- Your organization should also **develop and implement internal controls** related to activities occurring outside the period of performance. (p. 8)

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US Treasury Expectations

- “To ensure public trust, Treasury expects all recipients to serve as strong stewards of these funds. This includes ensuring funds are used for intended purposes and recipients have in place **effective financial management, internal controls, and reporting** for transparency and accountability.”

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Summary

- Accounting for costs incurred in the ARP Fund per State Examiner Directive 2021-1 and memorandums
- Written internal control procedures & evidence that internal control procedures were followed
- Local Plan
- Documentation of costs incurred
- Explanation of costs incurred per Section 603, Interim Final Rule & Other Treasury Guidance
- To ensure public trust, Treasury expects all recipients to serve as strong stewards of these funds. This includes ensuring funds are used for intended purposes and recipients have in place **effective financial management, internal controls, and reporting** for transparency and accountability.”

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U.S. Treasury Compliance and Reporting Guide State and Local Fiscal Recovery Funds

Guide: <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>

Webinars: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/recipient-compliance-and-reporting-responsibilities>

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Reporting Requirements

Source: US Treasury
Compliance and Reporting
Guidance State and Local
Fiscal Recovery Funds, June
24, 2021 Version 1.1

Table 2: Reporting requirements by recipient type

Recipient	Interim Report	Project and Expenditure Report	Recovery Plan Performance Report
States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	By August 31, 2021, with expenditures by category	By October 31, 2021, and then 30 days after the end of each quarter thereafter ⁹	By August 31, 2021, and annually thereafter by July 31 ¹⁰
Metropolitan cities and counties with a population below 250,000 residents which received more than \$5 million in SLFRF funding			Not required
Tribal Governments		By October 31, 2021, and then annually thereafter ¹¹	
Metropolitan cities and counties with a population below 250,000 residents which received less than \$5 million in SLFRF funding			
NEUs	Not required		

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Project Expenditure Report

Source: US Treasury
Compliance and Reporting
Guidance State and Local Fiscal
Recovery Funds, June 24, 2021
Version 1.1

- ✓ Project Description (detailed)
- ✓ Expenditure Category (Appendix 1)
- ✓ Obligations and Expenditures
- ✓ Project Status
- ✓ Project Demographic Distribution
- ✓ Subawards
- ✓ Civil Rights Compliance
- ✓ Required Programmatic Data section (pgs 19-22)

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American Rescue Plan Act of 2021

Sources of Information

State Board of Accounts

www.in.gov/sboa - homepage

Accounting Inquiries: cities.towns@sboa.in.gov

Indiana Finance Authority

<https://www.in.gov/ifa/coronavirus-state-and-local-fiscal-recover-funds-american-rescue-plan-act-of-2021/>

NEU Payment Process Inquiries: COVID-19@ifa.in.gov



U.S Treasury

<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>

Inquiries email: SLFRP@treasury.gov

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Frequently Asked Questions to SBOA

Can we use ARPA money to purchase/provide....?

- *We recommend that you review the ARPA, IFR, and FAQs to see if your particular need is covered in the permitted uses, goals, and objectives of the Act. Your city or town may wish to seek the advice of an attorney. Keep all explanations, determinations, opinions, etc. for audit.*

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Frequently Asked Questions to SBOA

What do I include in the revenue calculation?

- *SBOA Video:* <https://www.youtube.com/watch?v=2u87DOF2IB8>
- *SBOA Charts:* <https://www.in.gov/sboa/files/ReceiptCodeYNChart.pdf>
<https://www.in.gov/sboa/files/revenue-diagram.pdf>
- *US Treasury:* See Chart in Appendix of US Treasury FAQs

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Frequently Asked Questions to SBOA

How do we handle eligible ARPA expenses incurred before we received the distribution?

- *Permitted expenses incurred in the fund of a unit after the passage of ARP (March 11, 2021) but before the receipt of the ARP funds may be shown as an expense from the ARP local grant fund.*
- *For example, if on March 12, 2021, a city incurred expenses in the amount of \$10,000 from the General Fund in response to the public health emergency, the city may transfer that expense to the ARP fund through a reversing entry. The city will first reverse the \$10,000 expense in the General Fund, which will reinstate the expense appropriation line item and the cash balance of the general fund. The city will then post the \$10,000 disbursement to the ARP fund with a link to the original claim and supporting documentation.*

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Frequently Asked Questions to SBOA

What do I do if ARPA eligible expenses were paid out of another fund?

- *Assuming the expenses comply with the ARPA and your local plan, you can do a correcting entry by reversing out the original transaction and posting it to the ARP fund. Reversing the original entry will restore the appropriation balances to the line item(s) originally charged.*
- *You would need to retain the supporting documentation of the original entry that was transferred to the ARP fund with your grant paperwork.*
- *Expense incurred must be on or after March 3, 2021*

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Frequently Asked Questions to SBOA

What is the appropriation process for these funds to spend in 2021?

- *Follow DLGF Additional Appropriation Process*
<https://www.in.gov/dlqf/files/210205-Van-Dorp-Memo-Additional-Appropriation-Submissions.pdf>
- *Include in normal budgeting process for 2022*
If not included, seek an additional appropriation in 2022

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Frequently Asked Questions to SBOA

Is there a specific deadline to appropriate the money?

- *Appropriation required prior to spending the money*
- *Expend or Obligate Funds by December 31, 2024*

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Frequently Asked Questions to SBOA

What is the proper receipt code for ARPA Funds?

- *R134 - Federal grant distributions is appropriate.*

R129	Taxes and Intergovernmental	Federal and State Grants and Distributions - Highways and Streets
R130	Taxes and Intergovernmental	Federal and State Grants and Distributions - Culture and Recreation
R131	Taxes and Intergovernmental	Federal and State Grants and Distributions - Economic Development
R132	Taxes and Intergovernmental	Federal and State Grants and Distributions - Health and Welfare
R133	Taxes and Intergovernmental	Federal and State Grants and Distributions - Public Safety
R134	Taxes and Intergovernmental	Federal and State Grants and Distributions - Other
R135	Taxes and Intergovernmental	Commercial Vehicle Excise Tax Distribution (CVET)
R136	Taxes and Intergovernmental	ABC Challenge Tax Distribution

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Frequently Asked Questions to SBOA

Do we need a separate bank account for ARPA money?

- *No, a separate bank account is not required, although you can keep it in a separate bank account if desired.*

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Frequently Asked Questions to SBOA

How do we account for interest? Does the interest have to be deposited into the ARP Fund?

- *The interest is not required to be used for ARPA purposes, so you will account for the interest in accordance with IC 5-13-9-6.*
- *For more information, see the Cities and Towns Bulletin for September 2021.*

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Frequently Asked Questions to SBOA

We are investing the ARPA money in Trust Indiana; Keystone does not allow us to attach more than one bank to a fund – is it okay to have two funds?

- *For reporting on the AFR (and subsequently your financial statements), ARPA will need to be presented in one fund.*

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Frequently Asked Questions to SBOA

What Fund Number should be used for the ARPA Fund?

- *Under the current chart of accounts use a number in the range of 176-199.*
- *Under the new chart of accounts starting January 1, 2022, use the range 2401-2499.*

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Frequently Asked Questions to SBOA

We have an ARPA grant for the city and an Airport ARP grant. Can we keep them in the same fund?

- *No, each grant should have its own separate fund.*

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Frequently Asked Questions to SBOA

Can we provide premium pay in the form of bonuses to employees under ARPA?

- *Our audit position is ARPA funds can be used to compensate eligible workers performing essential work with 'premium pay' of up to \$13/hour in addition to wages the worker otherwise receives. The total premium pay can't exceed \$25,000 per eligible worker. While we believe eligible workers can be paid premium pay, what we've seen so far from the U.S. Treasury is such pay should be an hourly rate versus a 'bonus'. The word "bonus" doesn't appear in the Interim Final Rule from the US Treasury, so our position is ARPA couldn't be used for bonuses. If the town paid bonuses, the money would need to come from another source and the salary ordinance would need amended.*
- *For additional information on ARPA premium pay, see the Interim Final Rule, Section B – Premium Pay <https://www.govinfo.gov/content/pkg/FR-2021-05-17/pdf/2021-10283.pdf>*

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Frequently Asked Questions to SBOA

What is the CFDA Number for ARPA?

- *The CFDA Number (now called the ALN number) is 21.027. ALN stands for Assistance Listing Number.*

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Frequently Asked Questions to SBOA

Can ARP money be used as a match for SWIF (State Water Infrastructure Fund)?

- SWIF Grants
 - *Per IFA, a city or town can use the allocation of ARP funds as a source of co-funding a SWIF grant. While there are prohibitions on using ARP as a match to some federal grants, SWIF is not considered a federal program and a match of local funds is not required.*
 - *We will not take audit exception to using ARP on SWIF activities if those activities are ARP allowable and part of your ARP plan.*

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Frequently Asked Questions to SBOA

If a town spends more than \$750,000 in one year does that initiate a Federal audit?

- *Yes. If a city or town expends more than \$750,000 in federal assistance in the year, then a federal audit will be required for that year.*

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Frequently Asked Questions to SBOA

When does the local plan have to be completed?

- *The establishing ordinance should address the permitted uses of the ARP fund by identifying the four broad categories under section 603 and referencing a more specific local plan for the use of these moneys within the parameters of section 603.*
- *It is not required for the local plan to be completed before the passage of the ordinance, but it should be completed before the disbursing of money out of the ARPA Fund. The local plan may be a policy document which can be amended as circumstances change.*

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Frequently Asked Questions to SBOA

What is ID Me?

- *Per U.S. Treasury ARPA FAQ #11.5: ID.me is a trusted technology partner to multiple government agencies and healthcare providers. It provides secure digital identity verification to those government agencies and healthcare providers to make sure you're you – and not someone pretending to be you – when you request access to online services. All personally identifiable information provided to ID.me is encrypted and disclosed only with the express consent of the user. Please refer to ID.me Contact Support for assistance with your ID.me account. Their support website is <https://help.id.me>.*

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Frequently Asked Questions to SBOA

What kind of documentation will be needed for audit?

Detailed Invoice or Contract

Assessments required by the IFR

- *Example – how a cost incurred responds to the COVID-19 public health emergency*
- Board Minutes
- Written Legal Opinion
- Notes

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Frequently Asked Questions to SBOA

Do we need a separate set of Internal Controls for the ARP Fund?

- *A 'separate set' of Internal Controls is not required. However, you would be expected to have additional controls related to specific ARP activities.*
 - *Example – controls should be in place for determining which employees receive premium pay, monitoring that they are paid the approved rate (not more than \$13/hour), etc.*
 - *ARP money distributed to local businesses – what is the procedure for determining who gets the money, who approves it, etc.*
- *Controls should be in place to provide the objectives of the ARPA are being met and in order to obtain accurate information required for federal reporting.*

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Other Important Topics

- CARES
- Do you have any information on how to handle the CARES money which is still in my CARES Fund?

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Upcoming Events



SBOA will have a Resource Table available October 6th

SBOA day is November 8th



Final monthly webinar of the year – December 15, 2021

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Contact
Information

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