

AIM Webinar
Distributions to Non-entitlement Units
of Local Government

Accounting for ARPA Money

June 30, 2021

Indiana State Board of Accounts - 2021

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State Board of Accounts

- We are dedicated to providing the citizens of the State of Indiana with complete confidence in the **integrity and financial accountability** of state and local government.



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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



What are we looking for in an audit?

- Accounting for costs incurred in the ARP Fund
- 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
- Applicable Uniform Guidance Requirements when the amount of federal money expended exceeds \$750,000.

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Accounting for Costs Incurred in the ARP Fund

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.

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Written Internal Control Procedures & Evidence that Internal Control Procedures were Performed

Control Environment


Risk Assessment

Control Activities

Communication and Information

Monitoring

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Supporting Documentation Needed

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- 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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U.S. Treasury Expectations


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- “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.”

US Treasury FAQ 9.5

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Recordkeeping

What records must be kept by governments receiving funds?

- Financial records and supporting documents related to the award must be retained for a period of five years after all funds have been expended or returned to Treasury, whichever is later. This includes those which demonstrate the award funds were used for eligible purposes in accordance with the ARPA, Treasury's regulations implementing those sections, and Treasury's guidance on eligible uses of funds.

US Treasury FAQ 9.1

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ARPA Section 603 & your Local Plan

Section 603 – Four Broad Categories

- Detailed Local Plan
- Interim Final Rule encourages public input

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ARPA and your Local Plan


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

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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

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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



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 & FAQs*
- Prior Costs Incurred – March 3, 2021
- Funds may be used to cover costs incurred or obligated by December 31, 2024.



ARPA and your Local Plan

Reporting Requirements – U.S. Treasury

- Reporting Requirements for Metropolitan Cities
 - Interim Report due August 31, 2021
 - Initial Quarterly Project and Expenditure Report due October 31, 2021
 - If population exceeds 250,000 – Annual Recovery Plan Performance Report
- Reporting Requirements for Other Cities and Towns
 - Annual Project and Expenditure Report due October 31, 2021
- Guidance on Recipient Compliance and Reporting Responsibilities
 - <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>
 - FAQ Section 9

Reporting Requirements – SBOA

- Annual Financial Report Grant Schedule – CFDA # 21.027
- Maintain all supporting documentation for audit



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.”

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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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



American Rescue Plan Act of 2021 Sources of Information

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Contact Information

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