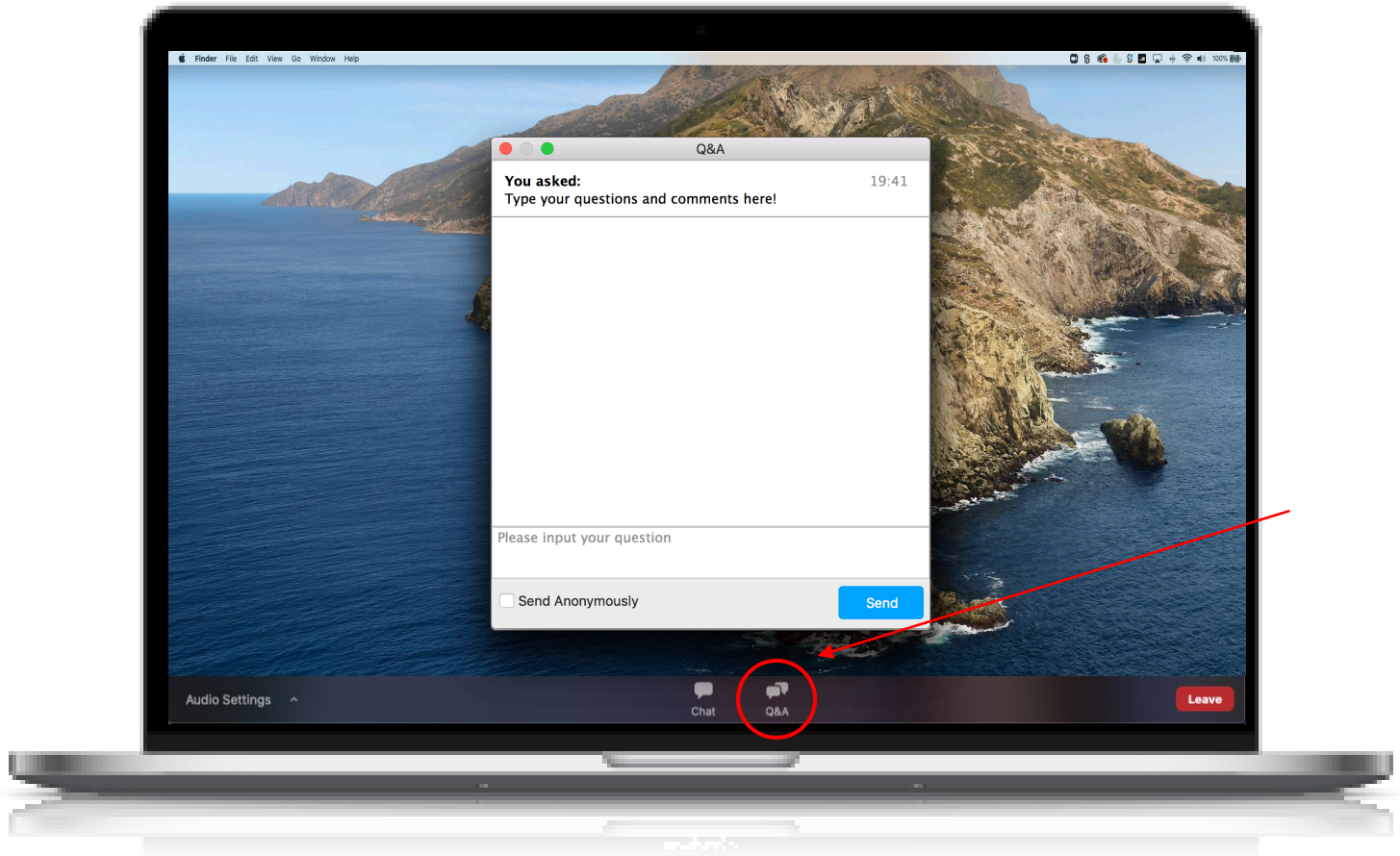




Department of
**Finance &
Administration**

Local Government Training Program

*Overview of Local Fiscal Recovery
Fund & Your Responsibility*



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Q&A

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Objectives

- Coronavirus State and Local Fiscal Recovery Fund overview
- Overview of recipient responsibilities
- Next steps for local governments



State and Local Fiscal Recovery Fund Overview

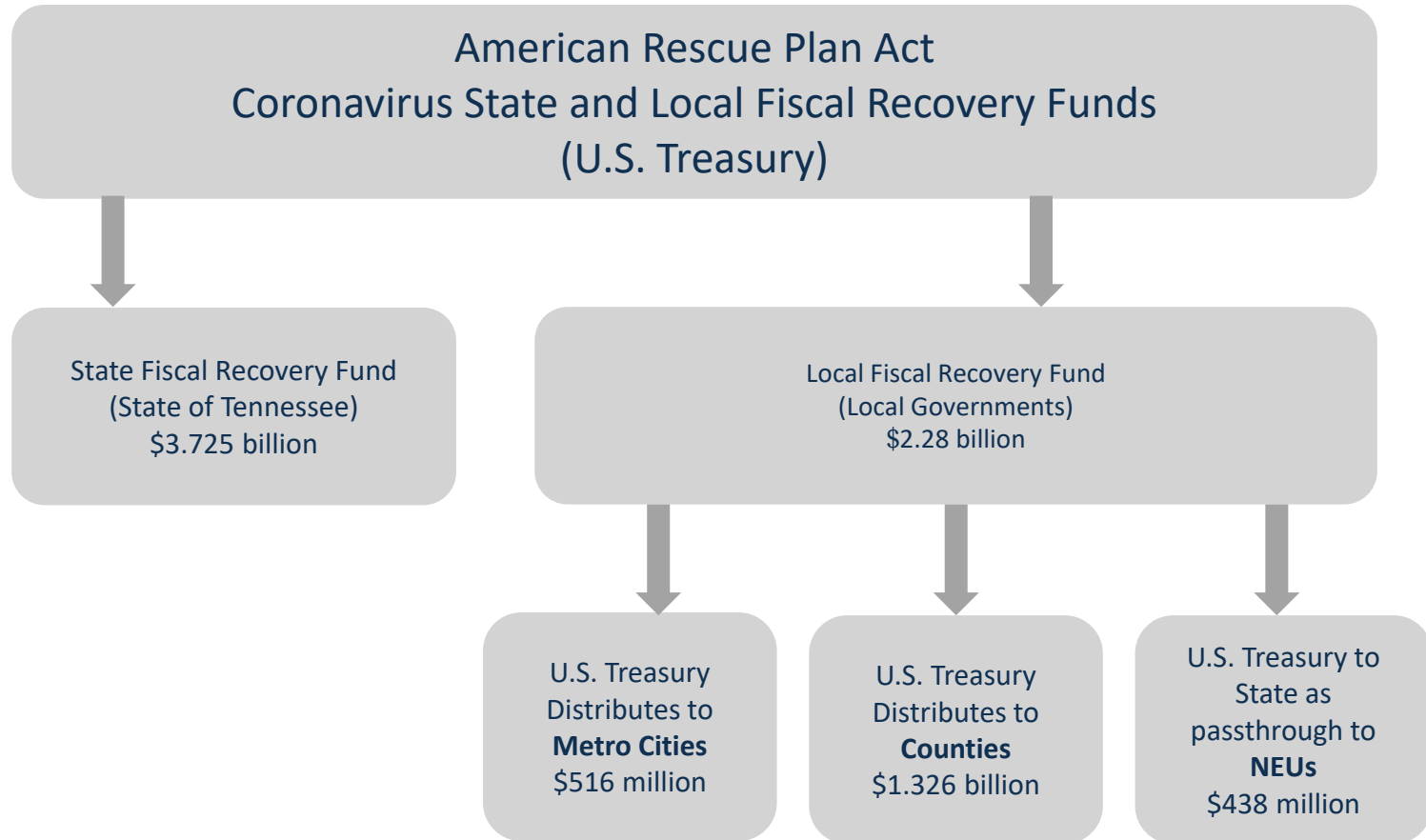
American Rescue Plan Act

State and Local Fiscal Recovery Funds

- Coronavirus State and Local Fiscal Recovery Funds (FRF) were established by the American Rescue Plan Act (ARPA) to aid state and local governments in making long-term investments that will reverse the negative public health and economic impacts caused by the pandemic.
- Once in a lifetime funding that should be used to make long-term generational impact changes in your community.
- Strong focus from U.S. Treasury on using these funds to render equitable outcomes/services to disproportionately impacted populations.

American Rescue Plan Act

State and Local Fiscal Recovery Funds



Requesting Funds

- Counties and metropolitan cities submit request for funding through the Treasury Submission Portal
- NEUs must submit request for payment through the State by September 30, 2021
 - Listing of NEUs may be found on [State's FRF website](#) (NEU FAQ #1)
 - [State of Tennessee's ARPA Program Management Portal](#)
 - Please contact TNARPA.support@hornellp.com if you need assistance logging into the portal or submitting a request.
- Funds will be disbursed in two tranches
 - First Tranche disbursed after funds are requested (and received by the State for NEUs)
 - Second Tranche disbursed approximately one year after First Tranche payment is received.

FRF Eligible Expenses

- Support the Public Health Response
- Address Negative Economic Impacts
- Infrastructure (Only Water, Sewer, Broadband)
- Premium Pay for Essential Workers
- Replace Public Sector Revenue Loss
- Provide Equity-Based Services for Disproportionately Impacted Populations

FRF Ineligible Expenses

- Net reduction in tax revenue
- Deposits into pension funds
- Funding debt service, legal settlements, or judgments
- Deposits to rainy day funds or financial reserves

Period of Performance

- Funds must be expended between March 3, 2021, and December 31, 2026, with all funds obligated by December 31, 2024.



Overview of Recipient Responsibilities

Overview of Recipient Responsibilities

- Local governments who receive funds under the FRF are considered direct recipients of U.S. Treasury.
- Local governments hold ultimate responsibility for complying with U.S. Treasury guidance and statutes including determining the eligibility of expenditures.
- Local governments must comply with all reporting requirements as outlined by U.S. Treasury.
- Local governments are financially liable to U.S. Treasury for any expenses deemed unallowable by U.S. Treasury.



**Recipient Responsibilities:
BEFORE Funds are Obligated/Spent**

Overview of Recipient Responsibilities- BEFORE Funds are obligated/spent

Prior to obligating or spending funds, local governments should:

- Assess your communities' needs as they relate to the pandemic and FRF and identify potential use of funds.
- Ensure internal controls are in place.
- Establish processes for determination of allowability and approval of use of funds.
- Allocate funds to approved projects.

Identification of Potential Use of Funds

- Familiarize yourself with U.S. Treasury Guidance and other FRF resources
 - [U.S. Treasury Interim Rule](#)
 - [U.S. Treasury FAQs](#)
 - [U.S. Treasury Compliance and Reporting Guidance](#)
 - [2 CFR 200 \(Uniform Guidance\)](#)
 - [State of Tennessee FRF webpage](#)
 - [Tennessee Comptroller of the Treasury resources](#)
 - [TDEC ARPA Water Infrastructure Site](#)

Identification of Potential Use of Funds

- Conduct an assessment to identify immediate and future needs arising from or exacerbated by the COVID-19 pandemic.
- Identify individuals or communities disproportionately impacted by the pandemic.
- Calculate revenue reduction in accordance with FRF guidance to determine if funds may be spent on government services otherwise unallowable under FRF.
- Work with local stakeholders and engage constituents.

Implementation of Internal Controls

- FRF awards are subject to requirements set forth in CFR Part 200 (the “Uniform Guidance”)
- CRF 200 requires recipients to establish and maintain effective internal controls over the Federal awards to ensure:
 - Effectiveness and efficiency of operations;
 - Reliability of reporting for internal and external use; and
 - Compliance with applicable laws and regulations.
- Goal is to provide reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award

Implementation of Internal Controls

- Documentation of internal controls is key!
- Best practices from Treasury Reporting and Compliance Guide:

Best Practice	Description	Example
Written policies and procedures	Formal documentation of recipient policies and procedures	Documented procedure for determining worker eligibility for premium pay
Written standards of conduct	Formal statement of mission, values, principles, and professional standards	Documented code of conduct / ethics for subcontractors
Risk-based due diligence	Pre-payment validations conducted according to an assessed level of risk	Enhanced eligibility review of subrecipient with imperfect performance history
Risk-based compliance monitoring	Ongoing validations conducted according to an assessed level of risk	Higher degree of monitoring for projects that have a higher risk of fraud, given program characteristics
Record maintenance and retention	Creation and storage of financial and non-financial records.	Storage of all subrecipient payment information.

Allowability Determination

- Use of funds must comply with requirements and guidelines for eligible uses within Treasury guidance.
- Costs must be necessary and reasonable for the performance of the Federal award and be clearly allocable to an eligible activity:
 - A cost is considered reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
 - A cost is allocable to a particular Federal award if the goods or services involved are chargeable or assignable to that Federal award in accordance with relative benefits received.

Processes and Procedures

- Establish and document processes and procedures around determination of allowability of use of funds.
- Allowability of costs should be evaluated on a project-by-project basis.
- Documentation of allowability determination should include:
 - description of project and it's connection to the pandemic,
 - references to FRF guidance supporting the eligibility of the cost,
 - details regarding the expected date funds will be obligated and expended,
 - information on the necessity and reasonableness of the cost.
- Local government should retain documentation of allowability determination.

Approval of Use of Funds

- Before approving funds, local governments should consider other factors in addition to the allowability determination:
 - Which parties will be responsible for administering and monitoring the funds?
 - If a subrecipient will be created, has the local government performed a risk assessment to determine if there is known risk of non-compliance?
 - Does funding the project with FRF dollars create financial sustainability concerns?
 - Does project align with local goals and budgetary concerns around pandemic response efforts?
 - Does allocating FRF dollars to this project create a duplication of benefits?

Approval of Use of Funds

- Local government should follow local policies when determining who is authorized to approve and obligate funds under FRF.
- Documentation of approval and obligation of use of funds should be retained.
- Funds are considered obligated when orders are placed for property and services, contracts and subawards are made, and similar transactions that require payment take place.



**Recipient Responsibilities:
AFTER Funds are Allocated**

Overview of Recipient Responsibilities: AFTER Funds are Allocated

Once use of funds are allocated, local governments should:

- Administer funds in compliance with FRF, Award Terms and Conditions, and the Uniform Guidance.
- Monitor progress and outcomes of projects.
- Ensure record retention policies are in compliance with FRF requirements.
- Comply with Single Audit Requirements.
- Provide required reporting to U.S. Treasury.

Subrecipient Monitoring

- Local governments must first determine if funds create a subrecipient relationship.
- Local governments who create subrecipient relationships are required to clearly identify to the subrecipient:
 - that the award is a subaward of FRF funds;
 - any and all compliance requirements for use of FRF funds;
 - and any and all reporting requirements for expenditures of FRF funds.
- Identification to subrecipient accomplished through executed subrecipient agreements.
- Subrecipient agreement documents should be retained.

Procurement

- Procurement is the act of obtaining goods or services from an external source.
- Local government must have documented policies and procedures related procurement contracts that are consistent with standards set forth in Uniform Guidance as well as local and State laws and regulations.
- Procurement transactions for property or services must be conducted in a manner providing full and open competition, except in instances when non-competitive procurement is allowed.
- Contracts or other purchasing documents should be retained.

Equipment and Real Property Management

- Equipment and real property purchased using FRF dollars must be used for the originally authorized purpose for the length of the program.
- Local governments may retain assets purchased with FRF dollars after program expires.
- If assets are disposed of prior to December 31, 2024, local government must use proceeds for allowable expenses.
- Acquisition and maintenance of equipment or real property must be in compliance with relevant laws and regulations.

Conflict of Interest Policy

- Local government must have documented conflict of interest policy in accordance with Uniform Guidance which governs the actions of its employees engaged in the selection, award and administration of contracts and awards.

Duplication of Benefits

- Assistance is duplicative when two sources exceed need for the same activity
- Assistance NOT duplicative when two sources contribute to the same need and total assistance did not exceed the total need
- Different funding streams can be combined to meet needs

Monitoring of Progress and Outcomes

- Local government is responsible for ensuring allocated funds are used for intended purposes and are obligated and expended within the period of performance.
- Local governments must report to Treasury on progress and completion of projects funded under FRF and must report on the outcomes of those projects.

Records Retention

- Local government must maintain records and financial documents for five years after all funds have been expended.
- Documents maintained should include but are not limited to:
 - Accounting and banking records
 - Agreements signed to draw down funds
 - Documentation of policies and procedures
 - Documentation of allowability determination
 - Documentation of approval of use of funds
 - Contracts, subrecipient agreements, awards to beneficiaries
 - Documentation of costs including proof of purchase (invoices, receipts, etc.), proof of payment, & documentation tying cost to authorized use

Single Audit Requirement

- Recipients and subrecipients that expend more than \$750,000 in Federal awards, from FRF and other sources, during their fiscal year will be subject to an audit under the Single Audit Act

U.S. Treasury Reporting Requirements

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	Not required
Metropolitan cities and counties with a population below 250,000 residents which received less than \$5 million in SLFRF funding	Not required		
NEUs			



Next Steps for Local Governments

Next Steps

- Exercise caution when expending funds.
- Identify parties responsible for administering funding.
- Evaluate existing written processes and procedures and update or create new processes and procedures as needed.
- Work with local government stakeholders to identify potential eligible use of funds.
- Request funding.
- Participate in Local Government Technical Assistance Program.

Local Government Technical Assistance Program

- Webinar Series
- Eligibility Review
- Ongoing communications

Webinar Dates and Topics

- 9/22/2021 – Treasury Reporting Requirements
- 9/29/2021 – Eligibility: Water & Sewer Infrastructure with TDEC
- 10/6/2021 – Eligibility: Broadband Infrastructure with ECD
- 10/13/2021 – Eligibility: Revenue Loss
- 10/20/2021 – Eligibility: Public Health Response
- 10/27/2021 – Eligibility: Economic Response
- 11/2/2021* – Eligibility: Equity-Based Services
- 11/10/2021 – Eligibility: Premium Pay
- 11/17/2021 – Spend Plan Development (Eligibility Review)

*NOTE: This webinar will take place on a Tuesday instead of Wednesday.

Questions?

Please contact TNARPA.Support@hornellp.com.