

Are you ready

for the Coronavirus State and Local Fiscal Recovery Fund?

To date, Congress has enacted approximately \$5.2 trillion in COVID-19-related federal funding (Figure 1).

Building upon prior waves of federal assistance, the American Rescue Plan Act (ARPA) includes several new streams of funding. One of the significant ARPA funding streams is the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF).

Figure 1: Accenture analysis of COVID-19 funding streams

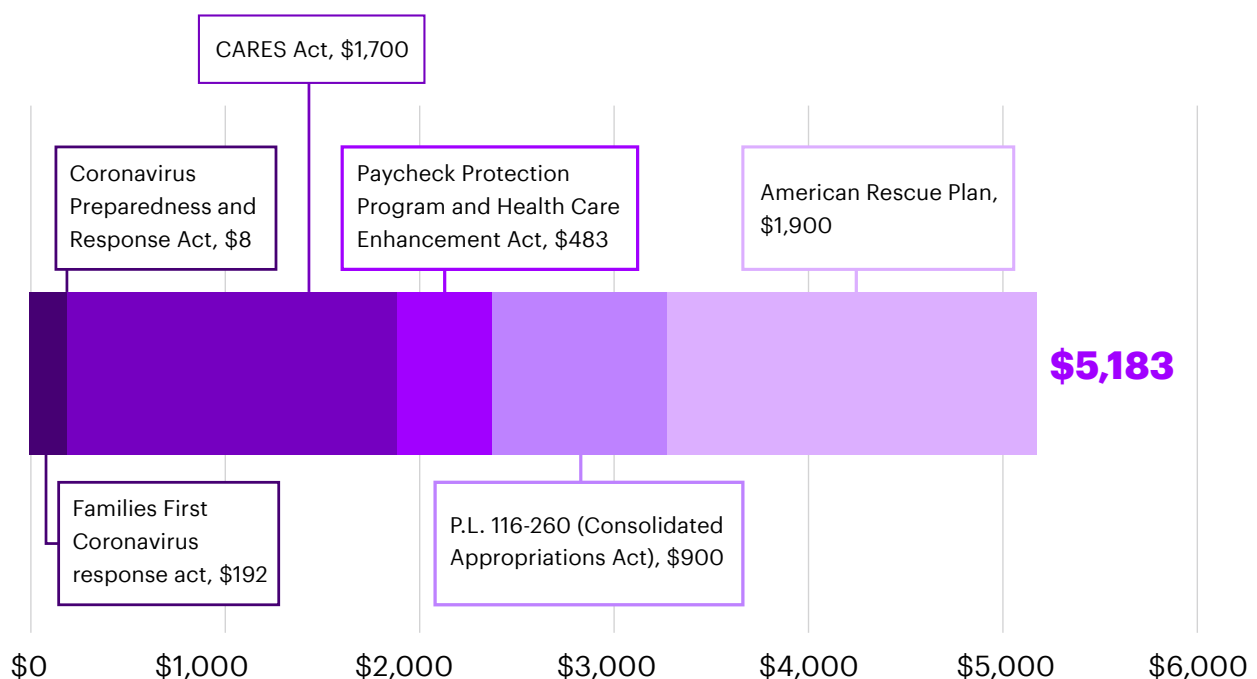
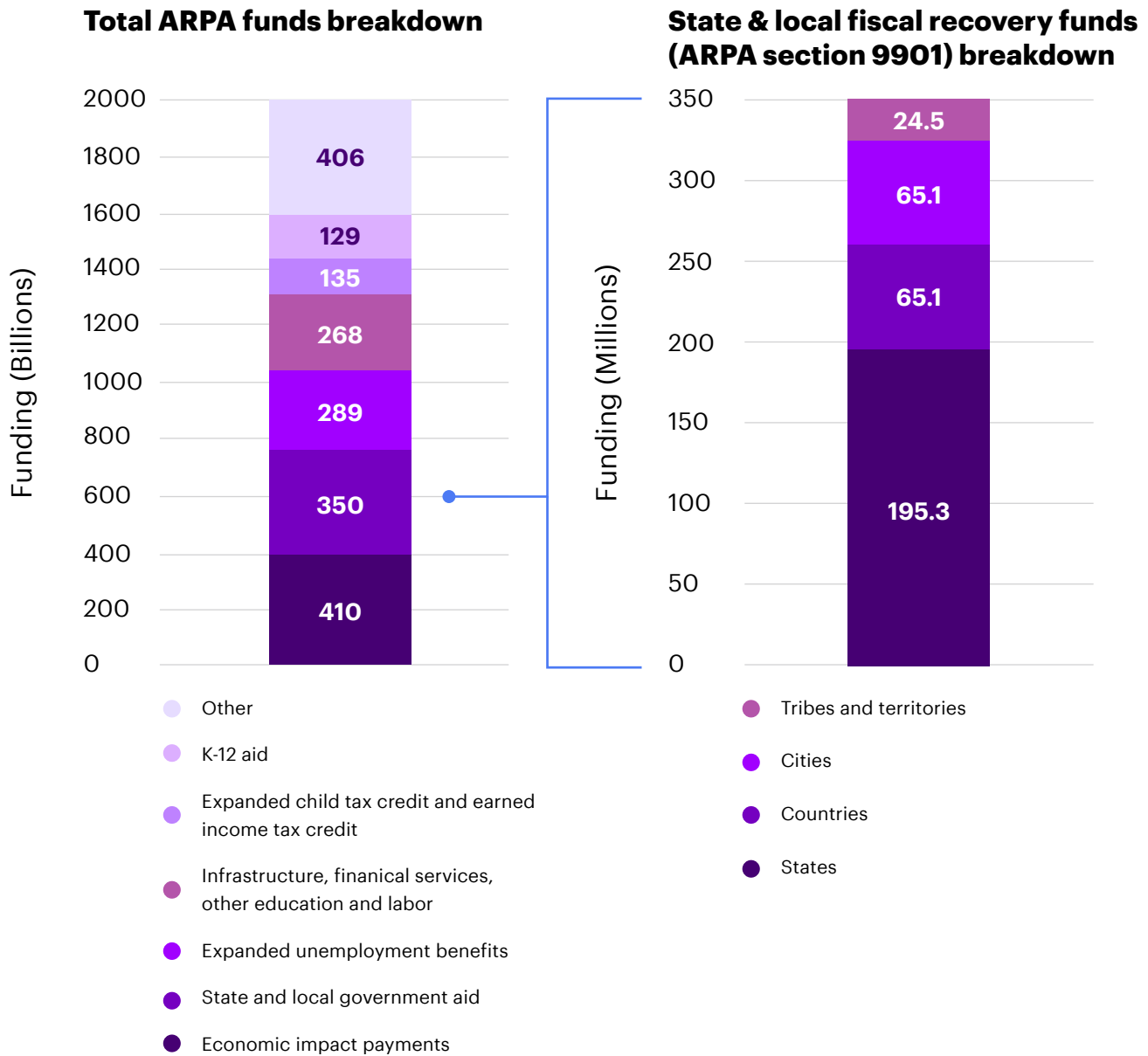


Figure 2: Accenture analysis of ARPA funding streams



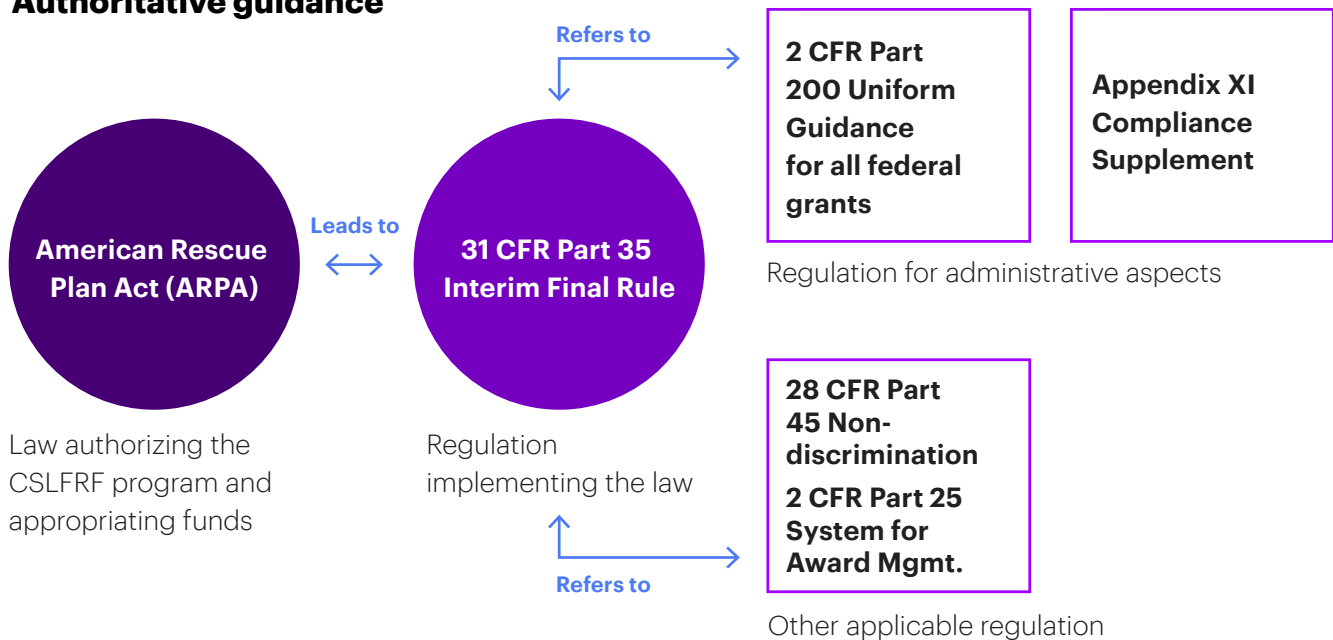
CSLFRF unlocks \$350 billion in federal funding for state and local entities. The CSLFRF program assumes pre-existing compliance policies, processes, people and systems will be used to manage this new federal money. Each recipient of the funding must assess whether their pre-existing policies, processes, people and systems are sufficient to manage the requirements. If not, they must make the appropriate adjustments and investments. CSLFRF money also can be used for new administrative costs, for example, adding more compliance staff or creating new systems to help manage the CSLFRF program.

Compliance requirements

The CSLFRF compliance requirements are extensive and complex. Furthermore, guidance on compliance requirements is spread across many documents, such as the ARPA, several regulations from the Code of Federal Regulations, Executive Orders, memos and forms from the Office of Management and Budget (OMB) and numerous publications from the U.S. Department of the Treasury. One source of guidance (such as a Treasury regulation) may reference other sources of guidance (such as a regulation from OMB), as demonstrated in Figure 3.

Figure 3: Relationship between law and regulations

Authoritative guidance



The ARPA is the law which authorizes all the ARPA programs, including the CSLFRF, and appropriates corresponding funding. The Act directs the Treasury Department to publish regulations to implement the CSLFRF.

The initial regulation implementing the law is 31 CFR Part 35 is often referred to as the Interim Final Rule. This regulation was issued by the Treasury Department and is currently "interim" since the Treasury is accepting comments and may issue an amended regulation in summer 2021. Meanwhile it should serve as the default "source of truth" describing the purpose of the CSLFRF, the eligible uses of funds, the allocation of funds to recipient governments, and the array of compliance and reporting requirements. More than 21 state entities published public comment requesting clarity on aspects of this interim rule.

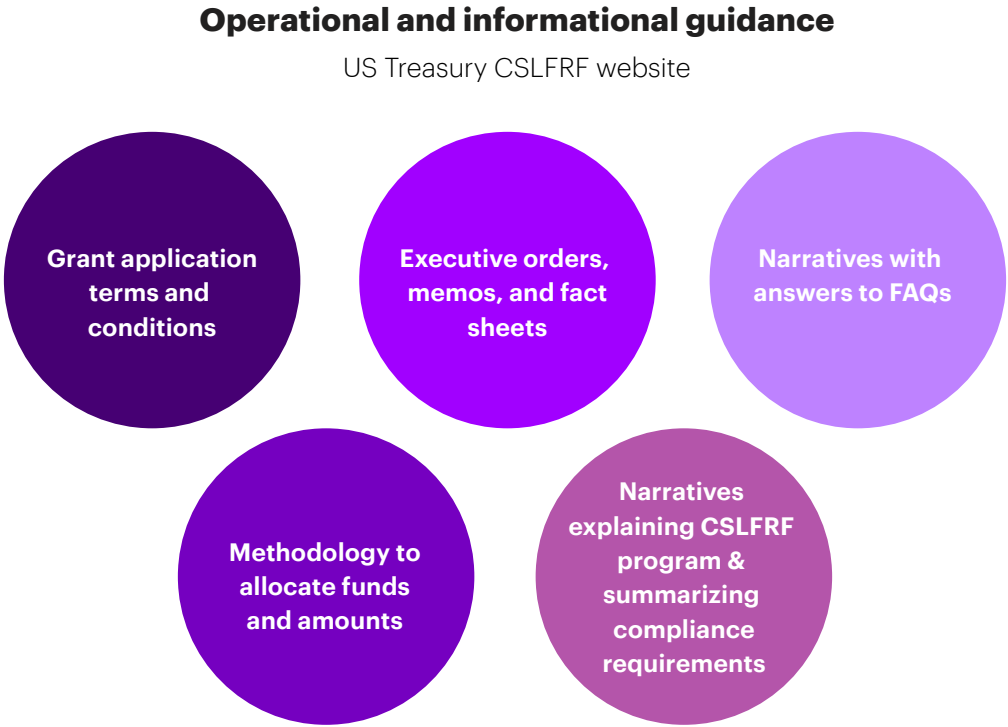
The Interim Final Rule references a separate regulation that provides additional guidance to all programs of federal assistance, which is 2 CFR part 200 entitled Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, often referred to as “Uniform Guidance”. The OMB issued this regulation prior to ARPA, and it is a key source of guidance for all recipient governments.

Of particular interest is Appendix XI, often referred to as the Compliance Supplement. This document includes detailed guidance and suggestions to auditors to help them plan and execute audits. It is useful for a recipient government, the auditee, to have awareness of the approach auditors will use when auditing the CSLFRF.

In addition to the Interim Final Rule and Uniform Guidance, there are other federal regulations that should be addressed in the overall compliance approach. 28 CFR Part 42 is the regulation published by the U.S. Department of Justice with guidance related to non-discrimination. 2 CFR Part 25 is a regulation published by the OMB with guidance related to the System for Award Management and certain disclosure requirements, including those related to compensation of executives over \$50,000.

There is also a plethora of operational and informational guidance which also should be understood and addressed in one’s compliance approach. Figure 4 provides a high-level visualization of this additional guidance.

Figure 4: Operational and Informational guidance from U.S. Treasury and other federal authorities



These sources of guidance provide detailed instructions of an operational nature. For example, how to register at Sam.gov and how to draw down funds for non-entitlement units (NEUs) of local government. These sources also elaborate on federal policies to be promoted with CSLFRF. For example, memos from OMB on promoting public trust, memos from OMB on evidence-based program evaluation and the Executive Order on promoting racial equity. Also, the Compliance and Reporting Guidance document published by Treasury describes in practical terms how the universe of compliance and reporting requirements are applied to the CSLFRF. Other helpful sources of guidance are the Treasury’s FAQs and fact sheets.

Reporting requirements

In addition to the compliance framework outlined above, the CSLFRF reporting requirements are extensive and complex. The Act requires three types of reports:

01

All recipient governments, except local units of government (NEUs), must submit an Interim Report. This is a one-time-only report covering the period of the initial award to July 31, 2021. The report must include a summary of obligations and expenditures (if any) during this period. These numbers should be presented by the seven expenditure categories (with 66 subordinate expenditure categories).

02

All recipient governments must submit a Project and Expenditure Report. When designing one’s data collection and reporting systems, it is essential to capture and organize the data before money is spent, thereby creating the data elements and data structure necessary to subsequently include in the reports. The requirements include the following:

Project and expenditure report requirements

- A description of all projects aligned by the same expenditure categories as the Interim Report.
- Obligations and expenditures for each project, both cumulative and for the current reporting period.
- Project status.
- Project demographic distribution.
- Detailed obligation, expenditure and other information for all payments or transfers (to sub-recipients) over \$50,000.
- A narrative on civil rights compliance.
- Detailed programmatic data for all projects in expenditure categories other than infrastructure.
- Detailed programmatic data for all projects in the infrastructure expenditure category.
- A report on distribution of funding to NEUs.
- Documentation by each NEU to include a signed copy of the grant award agreement, assurances on compliance with civil rights and supporting documentation as evidence of the 75% cap provision.

Based on the criteria, the amount of money and size of population, certain recipient governments must submit a Recovery Plan Performance Report. These reporting requirements include data from programmatic systems not typically found in administrative and financial systems. In other words, a mixture of data from programmatic systems and administrative systems is highly likely. Again, when designing one's data collection and

reporting systems, it is essential to capture and organize the data before money is spent, thereby creating the data elements and data structure necessary to subsequently include in the reports.

This report includes a host of requirements that include:

Recovery plan performance report requirements

- An executive summary narrative.
- A description of how programs were designed to promote equitable outcomes. This must include efforts to date and intended outcomes.
- A description of workforce practices on infrastructure projects.
- A table of expenditures by expenditure category, both cumulative and in the current reporting period.
- A report of key performance indicators determined by the recipient government for each major project. This should include both output and outcome measures.
- A report proving that the CSLFRF funds were not used for the ineligible purpose of reducing taxes.
- A description of the strategies and uses of funds in each of the expenditure categories.
- A description of community engagement activities.
- A description of evidence-based program evaluation techniques. Significant description of the program evaluation methodology is required.
- A project inventory and status of each project.
- A report on performance indicators specified by the Treasury. This includes several detailed metrics, for example, number of households served and workers assisted.

Summary of compliance and reporting guidance

Figure 5: Compendium of Guidance

<p><u>American Rescue Plan Act</u>, specifically section 9901 is the enabling statute for the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF).</p> <p>31 CFR Part 35 is the <u>Interim Final Rule</u> from the U.S. Department of the Treasury for the CSLFRF.</p> <p><u>2 CFR Part 200</u>, Subparts B, C, D, E, F is the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (often referred to as the Uniform Guidance).</p> <p><u>2 CFR Part 200 Appendix XI</u> is the Compliance Supplement to the Uniform Guidance above that provides detail guidance for auditors and audits.</p> <p><u>28 CFR Part 42</u> is the rule from the Department of Justice on Coordination of Non-discrimination in Federally Assisted Programs... this is compliance and reporting requirements specific to non-discrimination.</p> <p><u>CSLFRF Fact Sheet</u> from the U.S. Treasury is a relatively short description of the features and provisions of the CSLFRF.</p>	<p><u>Non-entitlement Unit of Local Government Checklist for Requesting Initial Payment</u> is information to help the state manage the initial draw of CSLFRF funding that is subsequently passed thru to the NEUs.</p> <p><u>CSLFRF Frequently Asked Questions</u> from the U.S. Treasury offers clarifications for questions after practitioners read the Interim Final Rule.</p> <p>Memorandum <u>M-20-21</u> with the subject Implementation Guidance for Supplemental Funding Provided in response to COVID-19 from the Office of Management and Budget provides instructions to federal agencies on how they manage federal grants to states.</p> <p>Memorandum <u>M-21-20</u> with the subject Promoting Public Trust in the Federal Government Trough Effective Implementation of ARPA from the Office of Management and Budget offers instructions to federal agencies on how they manage ARPA federal grants to states.</p>
--	--

2 CFR Part 170 is information on requirements for reporting subaward and executive compensation information (note: most SLFRF Recipients are governmental entities with executive salaries that are already disclosed, so no additional information must be reported).

Compliance and Reporting Guidance for the CSLFRF from the U.S. Treasury summarizes compliance and reporting requirements and includes links to other sources of information.

Guidance on Distribution of Funds to Non-Entitlement Units of Local Government includes information to help the state manage distribution of CSLFRF funding that goes thru them to the NEUs.

Definition for Non-entitlement Units of Local Government explains the difference between a metro city and NEU.

Financial Assistance Agreement (referred to as Grant Award Terms and Conditions) for Non-entitlement Units of Local Government provides information such as assurances of compliance with Title VI of the Civil Rights Act of 1964 that the state must collect from non-entitlement units of local government before distributing funds.

Executive Order 13985 available on the White House website provides guidance on racial equity to be factored into use and management of CSLFRF funding.

Financial Assistance Agreement (often referred to as the Grant Award Terms and Conditions) offers operational details and additional compliance requirements necessary to draw down the federal allocation.

Assistance Listing for the CSLFRF available from the System for Award Management at SAM.gov provides the CSLFRF Catalog of Federal Domestic Assistance (CFDA) number 21.027 which has guidance on requirements and accounting.

U.S. Department of Treasury-Policy Issues-Coronavirus State Local Fiscal Recovery Funds website is the primary **website** for CSLFRF with links to many of the documents listed above.

19: OMB memorandum **M-20-12** and **M-19-23** and documents available from various federal websites (such as Department of Education and Department of Labor) share best practices on how to design evidence-based program evaluations.

Key takeaways

Be sure to remember these important pieces of information regarding CSLFRF:

01

Each recipient of CSLFRF money faces compliance and reporting obligations. Therefore, each recipient should create a compliance and reporting framework for their unit of government. It is essential to design an approach before the recipient starts spending CSLFRF money.

02

Many recipients will rely on pre-existing infrastructure, including processes, systems, policies and people, to handle compliance requirements. This puts an incredibly large strain on the recipient government's pre-existing processes, systems, policies and staff responsible for compliance. Each recipient government (and its staff) needs to assess whether the pre-existing infrastructure is sufficient to manage the compliance requirements, and if not, make the appropriate adjustments and investments.

03

It is critical to design all programs and/or projects to align with eligible use categories articulated in the Act. Compliance and reporting requirements should be embedded into program/project designs. Compliance staff should be engaged in program/project design activities.

04

It is important to understand that when transfers of CSLFRF funds are made, the compliance obligations of the recipient government flow down to the sub-recipient. The recipient government retains the obligation to monitor sub-recipients to assure such sub-recipients follow all compliance requirements.

05

Procurement of goods and services must follow written procedures which include a code of conduct to avoid conflict of interest, open and competitive bidding, contract awards to responsible vendors, and promotion of small and disadvantaged suppliers.

06

The recipient's authorized person must certify that all costs are true and accurate. Direct and indirect costs must be reasonable to accomplish the purpose of the federal award. For example, the cost for alcoholic beverages is not allowed.

07

Recipient governments getting more than \$750,000 will require a single audit.

08

When designing one's data collection and reporting systems, it is essential to capture and organize the data before money is spent, thereby creating the data elements and data structure necessary to subsequently produce the reports. It is likely investments will be needed for data collection and reporting.

09

The consequences of non-compliance can be significant, including, but not limited to, return of funds determined to be used in a non-compliant manner from the recipient unit of government back to the federal government.

Successfully managing the billions of dollars from the CSLFRF is a daunting task. Accenture has field tested capabilities and stands ready to assist with analysis and redesign of business processes, policies and systems to accommodate the requirements.

To learn more, reach out to kelly.j.rogers@accenture.com.

About the Authors



Kelly Rogers

Kelly Rogers is a senior manager at Accenture and former Rhode Island Deputy State Treasurer. Kelly leads Accenture's federal stimulus PMO for a large northeastern state and teaches public budgeting and finance at Brown University.

Senior Manager
Health & Public Service
Accenture



Bill Kilmartin

Bill Kilmartin is a member of Accenture's Government Senior Advisor Program and former Massachusetts State Comptroller. In 2020, Bill was inducted into the Hall of Fame by the National Association of State Auditors, Comptrollers, and Treasurers.

Senior Advisor
Public Service
Accenture



About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 569,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at www.accenture.com.