

Local Fiscal Recovery Fund Compliance—A Current Issues Update

Georgia Municipal Association

February 23, 2022

“Municipal Policy” Support for Eligible Allowable FRF Costs

- The applicable federal “cost principles”
 - 2 CFR 200, Subpart E
 - The rules for determining:
 - Which costs are allowable
 - Which costs are not allowable
 - How costs are to be documented

Which Subjects Need a Municipal Policy?

- Personnel
- Travel
- Procurement (Purchasing)
- Property Management
- Subawarding (Subgranting)
- Records Access and Retention

The Importance of State and Local Law and Practice

- The federal cost principles provide that a recipient cannot do with federal funds anything that it is prohibited from doing under state and local law and regulations
- The federal cost principles also state that the concept of reasonable cost encompasses situations required for compliance with state and local law and regulations.
- Federal cost “philosophy”
 - Recipient organizational diversity and autonomy

Personnel Administration

- 2 CFR 200.430; 2 CFR 200.431; 2 CFR 200.437; 2 CFR 200.464, 2 CFR 200.475
- Worker classification (employee vs, independent contractor)
- Job descriptions
- Compensation policy
 - Salaries, wages, fringe benefits
 - Tax withholding compliance
 - FLSA compliance
- Employee health and welfare policy
- Recruitment and relocation

Travel

- 2 CFR 200.474
- Policy coverage (Who is a traveler?)
- What is travel (Inside/outside of the city)
- Air travel (Separation of duties)
- Surface travel
- Lodging
- Meals and incidental expenses
- Earning of premiums
- Reimbursement of expenses
- Use of credit cards

Procurement

- 2 CFR 200.318-327
- Code of conduct
- Acquisition planning
- Acceptable methods
- Solicitation and competition
- Source evaluation
- Source selection
- Contract/purchase order award
- Required federal clauses
- Contract administration
- Procurement records

Property Management

- 2 CFR 200.310-316
- Types of property
 - Real
 - Equipment
 - Supplies
- Property records
- Periodic inventory
- Maintenance procedures
- Controls to prevent loss, damage, or theft
- Competitive disposition procedures

Subawarding

- 2 CFR 200.331-333
- Determination of a subaward relationship
- Subrecipient selection procedures
- Documented risk assessment
- Subaward agreement template
- Flow-through of primary award
- Subrecipient monitoring
- Mandatory steps
- Discretionary steps

Records Retention and Access

- Read together
 - ARPA
 - 2 CFR 200.334-338
 - Georgia law
- What records are covered?
- Who keeps them?
- In what form?
- How long are they kept?
- What triggers retention?
- Who has access to them?

Use of FRF Funds Recovered through Revenue Loss Calculation

- One time election (Standard allowance or formula)
- Result = FR funds that may be spent on government services
- Ineligible uses under the ARPA statute
 - Pension fund deposits (31 CFR 35.7)
 - Tax reductions (31 CFR 35.8)
- Applicability of 2 CFR 200
 - Assistance Listing Number 21.027
 - Limited exceptions (Federal pre-award procedures; post-award prior approvals; interest accountability)
 - *OMB Compliance Supplement Addendum No.1*
 - Specific audit testing

Getting Ready to Report to the U.S. Treasury Department

- Resources

- Treasury Department *Compliance and Reporting Guidance (Version 2.1)*, November 15, 2021

- Treasury Department *Project and Expenditure Report Users Guide*

- Report due date (for NEU's): April 30, 2022

- Annually thereafter

Best Practices: FRF Accounting

- Schedule of Expenditures of Federal Awards (2 CFR 200.510(b))
- Fund Account for the FRF Program (21.027)
- Project Accounts (Based on Treasury Expenditure Categories)
- Budget Template (Example: SF 424A)
- Obligations (Commitments)
- Expenditures (Disbursements)

Appendix 1: Expenditure Categories

The Expenditure Categories (EC) listed below must be used to categorize each project as noted in Part 2 above. The term "Expenditure Category" refers to the detailed level (e.g., 1.1 COVID-10 Vaccination). When referred to as a category (e.g., EC 1) it includes all Expenditure Categories within that level.

1: Public Health	
1.1	COVID-19 Vaccination [^]
1.2	COVID-19 Testing [^]
1.3	COVID-19 Contact Tracing
1.4	Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.) [*]
1.5	Personal Protective Equipment
1.6	Medical Expenses (including Alternative Care Facilities)
1.7	Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency
1.8	Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)
1.9	Payroll Costs for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19
1.10	Mental Health Services [*]
1.11	Substance Use Services [*]
1.12	Other Public Health Services
2: Negative Economic Impacts	
2.1	Household Assistance: Food Programs ^{* ^}
2.2	Household Assistance: Rent, Mortgage, and Utility Aid ^{* ^}
2.3	Household Assistance: Cash Transfers ^{* ^}
2.4	Household Assistance: Internet Access Programs ^{* ^}
2.5	Household Assistance: Eviction Prevention ^{* ^}
2.6	Unemployment Benefits or Cash Assistance to Unemployed Workers [*]
2.7	Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives) ^{* ^}
2.8	Contributions to UI Trust Funds
2.9	Small Business Economic Assistance (General) ^{* ^}
2.10	Aid to Nonprofit Organizations [*]
2.11	Aid to Tourism, Travel, or Hospitality
2.12	Aid to Other Impacted Industries
2.13	Other Economic Support ^{* ^}
2.14	Rehiring Public Sector Staff
3: Services to Disproportionately Impacted Communities	
3.1	Education Assistance: Early Learning ^{* ^}
3.2	Education Assistance: Aid to High-Poverty Districts [^]
3.3	Education Assistance: Academic Services ^{* ^}
3.4	Education Assistance: Social, Emotional, and Mental Health Services ^{* ^}
3.5	Education Assistance: Other ^{* ^}
3.6	Healthy Childhood Environments: Child Care ^{* ^}
3.7	Healthy Childhood Environments: Home Visiting ^{* ^}
3.8	Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System ^{* ^}

CHECK: Expenditure Categories in Appendix 1 of Treasury's [Compliance and Reporting Guidance](#)

NOTE: The Project and Expenditure Report requires recipients to identify the Expenditure Categories that apply to their projects.

3.9	Healthy Childhood Environments: Other ^{* ^}
3.10	Housing Support: Affordable Housing ^{* ^}
3.11	Housing Support: Services for Unhoused Persons ^{* ^}
3.12	Housing Support: Other Housing Assistance ^{* ^}
3.13	Social Determinants of Health: Other ^{* ^}
3.14	Social Determinants of Health: Community Health Workers or Benefits Navigators ^{* ^}
3.15	Social Determinants of Health: Lead Remediation [^]
3.16	Social Determinants of Health: Community Violence Interventions ^{* ^}
4: Premium Pay	
4.1	Public Sector Employees
4.2	Private Sector: Grants to Other Employers
5: Infrastructure ²⁴	
5.1	Clean Water: Centralized Wastewater Treatment
5.2	Clean Water: Centralized Wastewater Collection and Conveyance
5.3	Clean Water: Decentralized Wastewater
5.4	Clean Water: Combined Sewer Overflows
5.5	Clean Water: Other Sewer Infrastructure
5.6	Clean Water: Stormwater
5.7	Clean Water: Energy Conservation
5.8	Clean Water: Water Conservation
5.9	Clean Water: Nonpoint Source
5.10	Drinking water: Treatment
5.11	Drinking water: Transmission & Distribution
5.12	Drinking water: Transmission & Distribution: Lead Remediation
5.13	Drinking water: Source
5.14	Drinking water: Storage
5.15	Drinking water: Other water infrastructure
5.16	Broadband: "Last Mile" projects
5.17	Broadband: Other projects
6: Revenue Replacement	
6.1	Provision of Government Services
7: Administrative	
7.1	Administrative Expenses
7.2	Evaluation and Data Analysis
7.3	Transfers to Other Units of Government
7.4	Transfers to Non-entitlement Units (States and territories only)

^{*}Denotes areas where recipients must identify the amount of the total funds that are allocated to evidence-based interventions (see Use of Evidence section above for details)

[^]Denotes areas where recipients must report on whether projects are primarily serving disadvantaged communities (see Project Demographic Distribution section above for details)

²⁴ Definitions for water and sewer Expenditure Categories can be found in the EPA's handbooks. For "clean water" expenditure category definitions, please see: <https://www.epa.gov/sites/production/files/2018-03/documents/cwdefinitions.pdf>. For "drinking water" expenditure category definitions, please see: <https://www.epa.gov/dwsrfd/drinking-water-state-revolving-fund-national-information-management-system-reports>.

Project and Expenditure Report

- Report by “Expenditure Category”
 - Public Health (12 Categories)
 - Negative Economic Impacts (14 Categories)
 - Services to Disproportionately Underserved Communities (16 Categories)
 - Premium Pay (2 Categories)
 - Infrastructure (17 Categories)
 - Revenue Replacement (Government Services)
 - Administrative (4 Categories)

Report Data Elements

- Project name
- Identification number
- Expenditure category
- Narrative description (50-250 words)
- Status of completion
- Obligations (current period and cumulative)
- Expenditures (current period and cumulative)
- Subawards
- Required specific programmatic data

Project Overview

Project Name: Avoid layoffs

Project Identification Number	Op1
Project Expenditure Category	6-Revenue Replacement
Project Expenditure Subcategory	6.1-Provision of Government Services
Total Obligations	\$25,626,772.00
Total Expenditures	\$25,626,772.00
Project Description	In response to the impact of COVID-19 on revenue, the original 2021 Operating Budget included an anticipated workforce reduction line across all departments, effective 7/1/2021, totaling \$113 million over four years. These projects funds will be spent each eligible fiscal year to avoid layoffs that would otherwise have been necessary. (The City expects to shift this project to the Avoid Layoffs expenditure category when the selection is created.)

For your reports, you will need to

- 1. create a unique project identification number for each project;*
- 2. identify the project expenditure category and subcategory;*
- 3. provide total obligations;*
- 4. provide total expenditures; and*
- 5. provide a brief project description.*

These screenshots provide examples:

Project Name: Compliance assistance

Project Identification Number	ARPTF1
Project Expenditure Category	7-Administrative and Other
Project Expenditure Subcategory	7.1-Administrative Expenses
Total Obligations	\$200,000.00
Total Expenditures	\$38,331.40
Project Description	Funding will be used to contract with accountants and legal counsel for assistance with compliance.

Project Name: Guaranteed Income project

Project Identification Number	OnePGH1
Project Expenditure Category	6-Revenue Replacement
Project Expenditure Subcategory	6.1-Provision of Government Services
Total Obligations	\$0.00
Total Expenditures	\$0.00
Project Description	The City will partner with the non-profit OnePGH to support a new guaranteed income program.

Managing Programs to Help Beneficiaries

- Individuals
- Families
- Small businesses
- Public and private nonprofit organizations

Program Design Features

- Most other federal public assistance programs establish beneficiary eligibility based on statute
 - Potential use of procedures employed in other programs (Examples: TANF, SNAP, UI, FEMA Individual and Public Assistance, SBA Loans)
- Best practices
 - Setting criteria (e.g., residency, condition of need, period of eligibility)
 - Establishing benefit levels
 - Obtaining eligibility documentation
 - Verifying eligibility documentation
 - Creating and managing database(s) of beneficiaries
 - **Required** safeguarding of personally identifiable information (PII)

Protection of Personally Identifiable Information (PII)

- 2 CFR 200.303(e)
- Take reasonable measures to safeguard [PII] and other information designated or considered to be sensitive.
- Reasonable measures
 - Protection policy and procedure
 - Awareness training
 - Incident response plan