THE AMERICAN RESCUE PLAN ACT
August 12, 2021

PRESENTERS

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AGENDA

What is ARPA?
Some FAQs – Separating Fact from Fiction
What About Reporting ARPA Funds?
How Eide Bailly Can Help You
Questions
CAUTION

- In May, US Treasury issued an Interim Final Rule seeking comment/feedback on regulatory aspects of ARPA.
- Comments were due to US Treasury on July 16, 2021.
- Some of the aspects of the Coronavirus State and Local Fiscal recovery Funds (CSFRF / CLFRF) may change as a result of adjudication of comments.

WHAT IS ARPA

YOU MAY HAVE HEARD (OR DEALT WITH) THESE ABBREVIATIONS

- American Recovery Plan Act
- Coronavirus State Fiscal Recovery Fund (CSFRF)
- Local Fiscal Recovery Fund (CLFRF)
- Non-entitlement Units of Local Government (NEUs)
KEY FOCUS POINTS IN ARPA

- Massive bill is over 500 pages long – lots of provisions in it:
  - Economic impact payments (federal stimulus checks)
  - Expanded child tax credits (refundable to low-income households)
  - State and Local Fiscal Recovery Fund (CSRF, LRF) (focus of today)
  - $10 billion capital projects fund addressing “shortcomings and inequalities in US infrastructure” (per US Treasury):
    - Focus is rural areas and low- and moderate-income communities covering projects like expanded broadband
  - homeowner assistance funds ($10 billion)
  - Emergency rental assistance (ERA) (nearly $22 billion)
  - Small business credit initiative through states ($10 billion)
  - Employee retention credits to small businesses through December 2021
  - Waived federal income taxes on first $10,200 of unemployment compensation

US Treasury

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ARPA – OF THE $1.9 TRILLION

[Diagram showing distribution of ARPA funds]

Additional $10 billion in infrastructure funds also in ARPA

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OF THE CSRF AND LRF $350B ‘SLICE’ IN ARPA...

[Diagram showing distribution of CSRF and LRF funds]

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There are additional elements in ARPA even though state and local gets most of the ‘ink’ that may impact governments.

### Federal Agency - ARPA Funds

- **Housing and Urban Development (HUD)**
  - Emergency Rental Assistance
  - Direct Homeowners Assistance (Mortgages, property taxes, property insurance, utilities and related housing costs)

- **Education (US ED)**
  - Education Stabilization Fund (includes Elementary and Secondary School Emergency Relief Fund and Higher Education Emergency Relief Fund)

- **Transportation (US DOT)**
  - $30.5 billion for Section 5307, 5310, 5311 programs (Urban, Enhanced Mobility of Seniors and Individuals with Disabilities, Rural Area, Tribal Nations, Bus Operator Programs)
  - $8 billion for airports (including $800 million for concessionaires)

- **FHA**
  - $30 billion Disaster relief funds, PPE
  - $3 billion in economic adjustments

- **HHS**
  - $5 billion low-income home energy assistance program, drinking water, wastewater expansion

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**US DOT Funds need to be spent sooner than other funds!!**

### WHAT ARE NON-ENTITLEMENT UNITS? (NEUS)?

**Smaller governments (<50,000 people) (Based on CDBG definition)**

- Funds get passed through State
  - State certifies that funds distributed are less than 75% of NEU’s most recent budget.
  - If NEU declines allocation, state redistributes to next NEU.

### CORE ELIGIBLE USES – STATE AND LOCAL

- Respond to public health emergency and its negative economic impacts.
- Premium pay for employees that provide essential work during the pandemic.
- Pay for government services to the extent of reduced revenues due to COVID-19.
- Specific uses for water, sewer, broadband.
RESPOND TO PUBLIC HEALTH EMERGENCY AND ITS NEGATIVE ECONOMIC IMPACTS – ALLOWABLE COSTS MAY INCLUDE

<table>
<thead>
<tr>
<th>COVID Testing, contact tracing</th>
<th>Funds for public health staff</th>
<th>Rerhire / hire state and local employees back to pre-COVID levels</th>
<th>Job training for unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding for unemployment Insurance Funds for systems updating</td>
<td>Small business / nonprofit assistance</td>
<td>Assistance for rent / mortgages for targeted households</td>
<td>Aid for travel / tourism / hospitality industries</td>
</tr>
<tr>
<td>Public health / economic relief efficacy programs</td>
<td>Survivor’s benefits</td>
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</tbody>
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QUESTION

My County received ARPA funds. We incurred costs responding the public health emergency and its negative economic impact. May costs incurred prior to when ARPA came out be reimbursed?

a. Yes, all the way back to when the emergency was declared in by the State.
b. Yes, but only if the costs occurred on or after March 3, 2021.
c. No, as other COVID acts have paid those costs.

PREMIUM PAY FOR EMPLOYEES THAT PROVIDE ESSENTIAL WORK DURING THE PANDEMIC

• Potentially eligible workers:
  • Nursing home, hospital, homecare staff
  • Workers at farms, food production, grocery stores, restaurants
  • Janitors and sanitation workers
  • Truck drivers, transit staff, warehouse workers
  • Public health and safety
  • Childcare
  • Social service staff
• Maximum subsidy $13 / hour up to $25,000.
• Can be directly paid or through private employers.
• Low-income eligible workers prioritized.
• May use resources to rehire police officers and other public servants to restore law enforcement and courts to their pre-pandemic levels. Additionally, funds can be used for expenses to address COVID-related court backlogs, including hiring above pre-pandemic levels, as a response to the public health emergency.

QUESTION

Our County Commissioners have seen that state and local governments are trying to provide incentives for citizens to get vaccinated. May ARPA funds be used to give away gift cards to local restaurants to incentivize our constituents to get vaccinated?

a. I’m not sure.
b. No. It is a form of gambling and federal funds cannot be used for gambling.
c. No as gift cards are often connected to fraud, waste and abuse.
d. Yes. It might be a way to get citizens vaccinated.
The small gray areas is what can be used for revenue replacement.

From the Interim Final Rule (p. 59):

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<thead>
<tr>
<th></th>
<th>NOT INCLUDED</th>
<th>INCLUDED</th>
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</thead>
<tbody>
<tr>
<td>Federal transfers (direct or pass-throughs)</td>
<td>IFR Page 50</td>
<td></td>
</tr>
<tr>
<td>Intergovernmental transfers (from or to government)</td>
<td>US Census Bureau guidance</td>
<td></td>
</tr>
<tr>
<td>Utilities and Mass Transit Revenues</td>
<td>US Census Bureau Guidance</td>
<td></td>
</tr>
<tr>
<td>Refunds and error corrections</td>
<td>IFR Page 49</td>
<td></td>
</tr>
<tr>
<td>Debt Issuance proceeds</td>
<td>IFR Page 49</td>
<td></td>
</tr>
<tr>
<td>Liquor Store Revenues</td>
<td>US Census Bureau Guidance</td>
<td></td>
</tr>
<tr>
<td>All other general revenues (taxes, program revenues etc., if they support public services)</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Fees charged</td>
<td>YES</td>
<td></td>
</tr>
</tbody>
</table>

Use government-wide revenues, including component units!
REVENUE REPLACEMENT CALCULATION

Needs:
- Annual revenues from 2016-2019 calculated as of December 31 in allowable categories.
- Calculation of growth from year to year.
- Comparison to allowable growth of 4.1%.
- If actual growth in revenues is more than 4.1%, revenue replacement is zero!
- DO NOT USE FISCAL YEAR!

REVENUE REPLACEMENT-INTERIM

• Funds cannot be used for:
  - Direct pension contributions
    • Exception: if employee grant eligible, employer’s share of ongoing, normal contributions OK
  - Tax reductions
  - Debt service
  - “Rainy Day” / Stabilization funds

• Funds can be used for:
  - Government services including directly providing aid to Citizens
  - Pay as you go capital projects / maintenance
  - Cybersecurity, health, K-12, Police, Fire, Public Safety

Based on IFR pp. 53-54

WATER, SEWER, BROADBAND INFRASTRUCTURE AND REPORTING

Water / Sewer - aligns with States’ Revolving Funds (Clean water / drinking water SRFs – CFDA 66.458, 66.468)

- Others may be named in future FAQs.
- If state has SRF – use it to potentially leverage funds.

Broadband - $7.17 billion

- Enhancing service to 100Mbps download / upload, unless impracticable due to terrain, geography, cost.
- Can be used to support internet access and literacy.
- Can be used for eligible costs from March 2020 to June 30, 2021, with second window from July 1, 2021, to June 30, 2022.
SOME FREQUENTLY ASKED QUESTIONS — SEPARATING FACT FROM FICTION

ELIGIBILITY AND ALLOWABLE USES OF ARPA FUNDS

<table>
<thead>
<tr>
<th>FICTION</th>
<th>FACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>My County is small (below 50,000 people). It will not receive ARPA Funds.</td>
<td>Wrong. All counties will receive funds directly from US Treasury if they apply through UST’s Portal. (FAQ 1.5)</td>
</tr>
<tr>
<td>The IFR doesn’t list my government’s potential use of funds relating to COVID-19 or negative economic impacts. I guess we can’t use ARPA funds.</td>
<td>Not necessarily. Remember, it’s just an IFR. Some flexibility may be available if relating to COVID-19 or negative economic impacts. (FAQ 2.3)</td>
</tr>
<tr>
<td>My County cannot claim costs for COVID-19 and the economic impacts prior to ARPA.</td>
<td>Wrong. The IFR allows eligible costs relating to COVID-19 back to March 3, 2021 (FAQ 2.7)</td>
</tr>
<tr>
<td>My County wants to start up a back to work incentive program for childcare workers who stay a certain period on the job. I can’t use ARPA funds for such bonuses.</td>
<td>Wrong. The IFR allows assistance for unemployed workers. It also includes job training, transportation, childcare and other incentives (FAQ 2.13)</td>
</tr>
</tbody>
</table>

REVENUE LOSS CALCULATION — ARPA FUNDS

<table>
<thead>
<tr>
<th>FICTION</th>
<th>FACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>My County identified a reduction in revenue. It’s free money from ARPA!</td>
<td>Not quite. There is broad latitude, but cannot use funds on debt service, rainy day funds (or other reserves), settlements and judgments and direct pension deposits (FAQ 3.8)</td>
</tr>
<tr>
<td>The revenue calculation is required to be audited.</td>
<td>Wrong. There’s no requirement for the calculation to be audited (FAQ 3.10)</td>
</tr>
<tr>
<td>The revenue calculation needs to be done on a full accrual basis of accounting.</td>
<td>Wrong. It may be on the cash, accrual or modified accrual basis as long as it is consistent. (FAQ 3.12)</td>
</tr>
</tbody>
</table>
### OTHER ELIGIBLE USES – ARPA FUNDS

<table>
<thead>
<tr>
<th>FICTION</th>
<th>FACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>My County has ‘forever chemicals’ in our water system, but ARPA doesn’t address funding for that.</td>
<td>Wrong. Eligible uses of funds align to eligible projects listed in your State’s drinking water revolving fund or clean water revolving fund (FAQ 6.1)</td>
</tr>
<tr>
<td>There’s no way my water, sewer or broadband project will be complete by December 31, 2024 – I guess we can’t go forward.</td>
<td>Wrong. US Treasury only requires recipients to obligate funds by that date. The projects can last another two years (to 12/31/26) (FAQ 6.2)</td>
</tr>
<tr>
<td>There’s no funds in ARPA for cybersecurity.</td>
<td>Wrong. Cybersecurity is an allowable cost for ARPA, along with expanding broadband and digital literacy (FAQ 6.6)</td>
</tr>
<tr>
<td>Since I can’t use ARPA funds for pension deposits, no other pension or OPEB funds can be funded by ARPA.</td>
<td>Wrong. Only a direct deposit into the fund to reduce an unfunded liability is prohibited. However, normal pension contributions from eligible employees ARE permitted. Further, it appears OPEB contributions appear to be eligible (FAQs 8.1 and 8.2)</td>
</tr>
<tr>
<td>My County is constructing an asset from ARPA funds. It needs to be deeded over to the federal government on December 31, 2024</td>
<td>Wrong. Like other federal programs, if the use was allowable, the asset may be retained. If disposed, program provisions apply (FAQ 10.1)</td>
</tr>
<tr>
<td>Since my County is receiving ARPA funds in advance, interest on the funds is owed to the federal treasury.</td>
<td>Wrong. The funds are exempt from the Cash Management Improvement Act (FAQ 10.3)</td>
</tr>
</tbody>
</table>

### WHAT ABOUT REPORTING OF ARPA FUNDS?

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### REPORTING

<table>
<thead>
<tr>
<th>DUE DATE</th>
<th>WHO REPORT IS DUE FROM</th>
<th>WHAT IS REPORTED</th>
</tr>
</thead>
</table>
| January 31st      | States, territories, metro cities, counties, tribal nations | • Previous quarter financial Data  
• Information on contracts / subawards more than $50,000  
• Use of award funds |
| April 30th        | States, territories, metro cities, counties, tribal nations | • Previous quarter financial Data  
• Information on contracts / subawards more than $50,000  
• Use of award funds |
| July 31st         | States, territories, metro cities, counties, tribal nations | • Previous quarter financial Data  
• Information on contracts / subawards more than $50,000  
• Use of award funds |
| July 31st         | States, territories, metro cities, counties, tribal nations | Annual recovery plan performance report – July 1 – June 30th |
| August 31st ONLY  | States, territories, metro cities, counties, tribal nations | Recipient’s expenditures by category from date of award to July 31, 2021  
Distributions to NEUs from states / territories |
| August 31st ONLY  | States, territories, metro cities, counties, tribal nations | Annual recovery plan performance report – date of award through July 31st |
| October 31st      | States, territories, metro cities, counties, tribal nations | Recipient’s expenditures by category from date of award to July 31, 2021  
Distributions to NEUs from states / territories |
| October 31st      | States, territories, metro cities, counties, tribal nations | • Previous quarter financial data  
• Information on contracts / subawards more than $50,000  
• Use of award funds  
• Recipient’s expenditures by category from date of award to July 31, 2021  
Distributions to NEUs from states / territories  
Annual recovery plan performance report – date of award through July 31st |

**Table 2: Reporting requirements by recipient type**

- **Recipient**
  - States, territories, metro cities and counties with a population that exceeds 250,000 residents
  - Metropolitan cities and counties with a population below 250,000 residents which received more than $5 million in SFPF funding
  - Tribal Governments
  - Metropolitan cities and counties with a population below 250,000 residents which received less than $5 million in SFPF funding
  - NEUs

<table>
<thead>
<tr>
<th>Recipient Type</th>
<th>Interior Report</th>
<th>Project and Expenditure Reports</th>
<th>Recovery Plan Performance Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>States, territories, metro cities and counties with a population that exceeds 250,000 residents</td>
<td>In Interior Report, with expenditure summary by category</td>
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<td>In Interior Report, with expenditure summary by category</td>
</tr>
<tr>
<td>Metropolitan cities and counties with a population below 250,000 residents which received more than $5 million in SFPF funding</td>
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</tr>
<tr>
<td>Tribal Governments</td>
<td>Not Required</td>
<td>Not Required</td>
<td>Not Required</td>
</tr>
<tr>
<td>Metropolitan cities and counties with a population below 250,000 residents which received less than $5 million in SFPF funding</td>
<td>Not Required</td>
<td>Not Required</td>
<td>Not Required</td>
</tr>
<tr>
<td>NEUs</td>
<td>Not Required</td>
<td>Not Required</td>
<td>Not Required</td>
</tr>
</tbody>
</table>

The remainder of this document describes these reporting requirements. A useful guide will be provided with additional information on how and when to submit reports.

AUDITING AND REPORTING

What we know so far...

- IFR Page 97 – “As provided for in the award terms, payments from the Fiscal Recovery Funds as a general matter will be subject to the provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) (the Uniform Guidance), including the cost principles and restrictions on general provisions for selected items of cost.”

Would be subject to Yellow Book per GAO

Period of Performance through December 31, 2026

CFDA # 21.027

WHAT COULD THIS MEAN TO YOUR COUNTY?

Uniform Guidance requires an audit of the federal expenditures (single audit) if total expenditures from all federal programs exceed $750,000.

- Even if no individual program exceeds $750,000
- “Expenditures” does include lost revenue
- Single audit means you will be audited for compliance with program requirements AND your controls over compliance will be audited
- Noncompliance or deficiencies in your control over compliance could result in a material noncompliance and/or a material weakness or significant deficiency in internal control over compliance
- Findings will be reported on the Schedule of Findings and Questioned Costs
- Findings will be reported to the federal agencies through the Data Collection Form which is required to be submitted 9 months after year-end but no later than 30 days after your report is issued.

HOW TO PREPARE FOR A SINGLE AUDIT

- Consider viewing the archived GAQC Webcast: Preparing for your First Single Audit: An Auditee Perspective
- Meet with your auditor before your fiscal year-end to establish expectations regarding information requests and related timing
- Identify and address problem areas in advance and communicate with your auditor in the early stages on any known issues.
- Consider working with a consultant to identify potential compliance issues prior to the start of the audit process.
- Prepare a Schedule of Expenditures of Federal Awards (SEFA) that is complete and accurate; be able to reconcile between SEFA amounts and the financial statements and other supporting documentation
**HOW TO PREPARE FOR A SINGLE AUDIT**

- Have readily accessible written policies and procedures and verify that they align with federal guidelines.
- Ensure there is adequate segregation of duties over compliance areas. Preparation and approval responsibilities should generally be assigned to different personnel.
- Part 6 of the Office of Management and Budget Compliance Supplement is a very useful tool for identifying illustrative controls.
- Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed.

**HOW TO PREPARE FOR A SINGLE AUDIT**

Make sure your auditor is qualified to perform a single audit; factors to consider include:

- Demonstration of qualifications and experience with single audit
- Availability of staff with appropriate technical abilities
- Results of the external peer review
- Participation in quality improvement programs like the GAQC
- And has proper CPE?

**EIDE BAILLY RESOURCES**

Article: What Is a Single Audit and Why Does It Matter?

Recorded webinar: Common Single Audit Deficiencies and How to Avoid Them
https://youtu.be/LYiTLLrxxOw

Recorded webinar: COVID 19 and Relief Funding
https://youtu.be/0ayIDNVJk78
HOW EIDE BAILLY CAN HELP YOU

ADVISORY SERVICES

• ARPA presents an opportunity to reshape governments (within boundaries of allowable costs).
• Cyber-resiliency and Cybersecurity.
• Citizen engagement for uses of ARPA funds:
  • Surveys
  • Community outreach
• Strategic thinking/planning:
  • Review of entire federal grant lifecycle at government;
  • Enhancing internal controls
  • Reporting
• Establishing regional roundtables for sharing of services (encouraged by ARPA)

• Eide Bailly can advise on:
  • Strategic thinking and planning:
    • Review of entire federal grant lifecycle at government:
      • Enhancing internal controls
      • Reporting
    • Establishing regional roundtables for sharing of services (encouraged by ARPA)
  • Investment advice on unused funds:
    • Cash flow / spending plan development
  • Preparing of revenue loss calculation
  • Report preparation
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