



# ARPA and Single Audit Update

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# Learning Objectives

- After participating in this session, attendees should be able to:
  - Describe new single audit procedures
  - Describe the categories of SLFRF eligible expenditures
  - Identify how to apply revenue recognition criteria for proper year-end reporting
  - Review the schedule of expenditures of federal awards for recent changes
  - Identify compliance requirements subject to audit





# Public Sector Revenue Loss

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# Revenue Loss – Use of funds

- MAJOR Revenue Loss change: The Final Rule allows recipients to elect a standard allowance of \$10 million revenue loss instead of using the calculation.
  - Allowance covers entire period of performance
  - Allowance is not dependent on the “size” of the entitlement.
- The Interim Final Rule gave recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue.
- These expenditures do *not* have to qualify under one of the other ARPA categories, but do have the same time frame for when the costs must be obligated or expended
- More resource: <https://www.claconnect.com/events/2022/demystifying-revenue-loss-and-arpa-funds>



# Spending on Government Services

- ✓ Construction of schools and hospitals
- ✓ Road building and maintenance, and other infrastructure
- ✓ Health services
- ✓ General government administration, staff, and administrative facilities
- ✓ Environmental remediation
- ✓ Provision of police, fire, and other public safety services (including purchase of fire trucks and police vehicles)

Government services generally include any service traditionally provided by a government, unless Treasury has stated otherwise.



# Restriction on Uses

## (A) statutory restrictions under the ARPA

- 1) offsetting a reduction in net tax revenue
- 2) deposits into pension funds

## (B) other restrictions on use

- 1) debt service and replenishing reserves
- 2) settlements and judgments
- 3) general restrictions:
  - a) Terms and Conditions
  - b) Violations of Conflict of Interest (TC and OMB)
  - c) Other Federal, State and Local rules and regulations





# Responding to Negative Economic Impacts

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# Negative Economic Impact

- Helping small businesses address financial challenges caused by the pandemic
- Helping small businesses make investments in COVID-19 prevention and mitigation tactics
- Provide aid to support safe reopening of businesses in the tourism, travel, and hospitality industries closed during pandemic
- Aid a planned expansion or upgrade of tourism, travel, and hospitality facilities delayed due to pandemic
- Rehiring public sector staff (up to pre-pandemic levels)
- Build internal capacity to implement economic relief programs, with investments in data analytics, targeted outreach, technology infrastructure, and impact evaluations





# Responding to households and communities that were negatively impacted by the pandemic:

Food assistance & food banks

Emergency housing assistance

Health insurance coverage expansion

Benefits for surviving family members of individuals who have died from COVID-19

Assistance to individuals who want and are available for work

Financial services for the unbanked and underbanked

Burials, home repair & home weatherization

Programs, devices & equipment for internet access and digital literacy

Cash assistance

Paid sick, medical, and family leave programs

Assistance in accessing and applying for public benefits or services

Childcare and early learning services, home visiting programs, services for child welfare-involved families and foster youth & childcare facilities

Assistance to address the impact of learning loss for K-12

Programs or services to support long-term housing security: including development of affordable housing and permanent supportive housing

Certain contributions to an Unemployment Insurance Trust Fund



## Responses to disproportionate impacts of the pandemic on households and communities:

Pay for community health workers to help households access health & social services

Remediation of lead paint or other lead hazards

Primary care clinics, hospitals, integration of health services into other settings, and other investments in medical equipment & facilities

Housing vouchers & assistance relocating to neighborhoods with higher economic opportunity

Investments in neighborhoods to promote improved health outcomes

Improvements to vacant and abandoned properties

Services to address educational disparities

Schools and other educational equipment & facilities



# Public Health

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# Public Health Final Rule Overview

- COVID-19 mitigation and prevention
- Medical Expenses
- Behavioral health care, such as mental health treatment, substance use treatment, and other behavioral health services
- Preventing and responding to violence





# Premium Pay for Essential Workers

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# Premium Pay Overview

- ARPA funds may be used to provide premium pay to eligible workers (see subsequent slides) performing essential work during the pandemic. Premium pay may be awarded to eligible workers up to \$13 per hour. Premium pay must be in addition to wages or compensation the eligible worker otherwise receives.
  - Premium pay may not exceed \$25,000 for any single worker during the program.
- Premium pay may be awarded in installments or lump sums and may be awarded to hourly, part-time, or salaried or non-hourly workers.
- Premium pay may be paid retrospectively.
- ARPA funds cannot be used to reimburse itself for premium pay or hazard pay already received by the workers
- Premium pay may not be paid to volunteers.







# Water, Sewer and Broadband Infrastructure

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# Water and Sewer Infrastructure

## Projects Eligible under existing programs

- Clean Water State Revolving
- Drinking Water State Revolving Fund

## The final rule also enumerated “necessary” projects

- Culvert Repair, Resizing, and Removal
- Replacement of Storm Sewers
- Other Stormwater Infrastructure
- Access to Safe Drinking Water
- Dam and Reservoir Rehabilitation
- Lead remediation projects eligible under EPA grant programs authorized by the Water Infrastructure Improvements for the Nation (WIIN) Act



# Broadband Infrastructure

## Broadband Requirements – Final Rule specifies

- Eligible Area
- Meet high-speed technical standards
- Low-income subsidy program

## Cybersecurity

- Eligible use for cybersecurity for existing and new broadband infrastructure
- Includes modernization of hardware and software



# Resources

- CLA Resources:
  - [Update on Coronavirus State and Local Fiscal Recovery Funds \(CSLFRF\) Funded by ARPA : 2022 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
  - [Demystifying Revenue Loss and ARPA Funds : 2022 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
  - [Managing Your ARPA Funds : 2021 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
  - [ARPA Basics for Governments and Potential Impact on Communities : 2021 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
  - [Governments: Review This Checklist Before Spending COVID-19 Relief Funds : 2021 : Articles : Resources : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
  - [Overcoming Workforce Challenges : 2022 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
- ARPA Treasury:
  - [Coronavirus State and Local Fiscal Recovery Funds | U.S. Department of the Treasury](#)
  - [WEBINAR: State & Local Fiscal Recovery Funds: An Introduction to the Final Rule - YouTube](#)
- Revenue Loss Calculation classification:
  - [U.S. Bureau of the Census - Government Finance and Employment](#)
- ARPA FAQs:
  - [American Rescue Plan Act: Coronavirus State & Local Fiscal Recovery Fund FAQs \(naco.org\)](#)





# Revenue Recognition

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# Revenue Recognition

- Recognize revenue equal to expenditures – unspent balance will be reported as unearned revenue
- If expenditures exceed first distribution a receivable should be recognized (not to exceed total award), offset by a deferred inflow (unavailable revenue) if second distribution is not received within 60 days of year end.





# Schedule of Expenditures of Federal Awards

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# Schedule of Expenditures of Federal Awards (SEFA)

- Aggregate of expenditures in all four eligible use categories are reported on the SEFA as total program spending.
- NEUs are deemed direct recipients and should report the expenditures as direct awards
- COVID-19
- Assistance Listing Number replaces CFDA number
- AL # 21.027







# Auditing the CSLFR Funds

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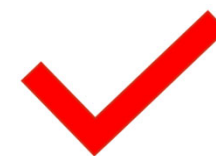
# Auditing the CSLFR Funds – No Surprises!

- Compliance Supplement – AL #21.027

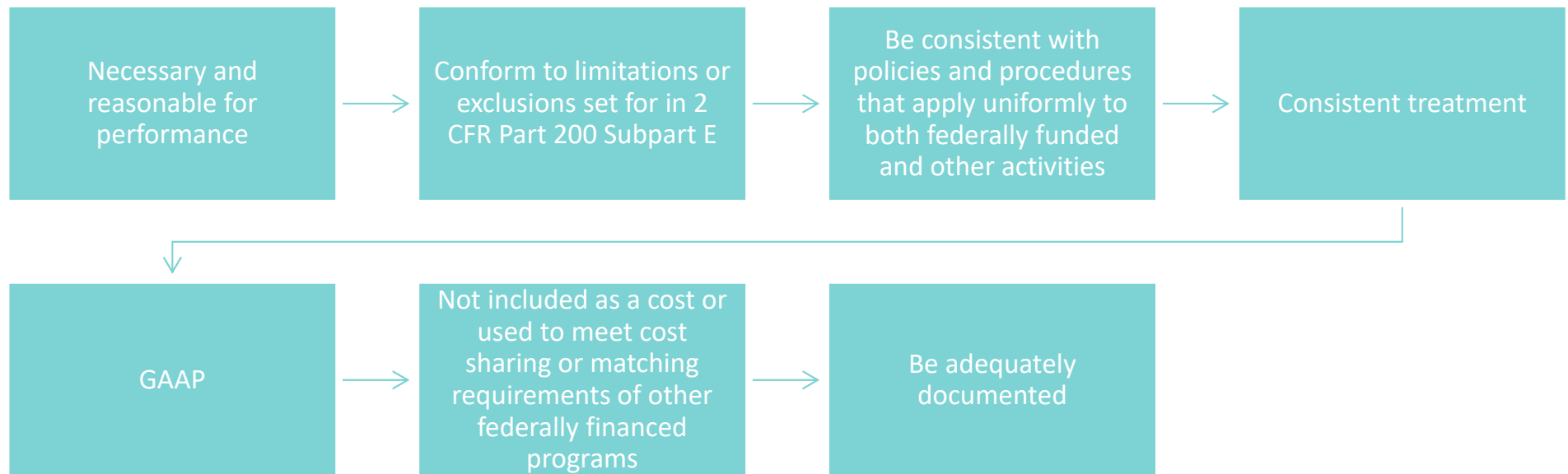
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	N	Y	Y	N	Y	Y	N

## A. Activities Allowed or Unallowed

- Unique to each program, found in federal statutes, regulations and terms and conditions of the federal award
- Complete listing of expenditures
- Specific identification of government services under revenue loss
- Sampling to test internal controls and compliance



## B. Allowable Cost/Cost Principles



## H. Period of Performance

- A non-federal entity may only charge allowable costs incurred during the approved budget period of a federal award's period of performance.
- Funds must be used for costs incurred on or after March 3, 2021
- Must be obligated by December 31, 2024 and expended by December 31, 2026
- Internal controls required to be documented
- Auditor will sample transactions in first and last month



# I. Procurement, Suspension and Debarment

- Must follow procurement standards set out at 2 CFR Sections 200.318 through 200.326
- Written federal procurement and conflict of interest policies
- History of procurement needs to be documented
- Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred (retain search)



# Allowed Procurement Methods

Methodology	Dollar Threshold	Requirements
Micro-purchase	Not to exceed micro-purchase threshold \$0-\$10,000	<ul style="list-style-type: none"> <li>• No bid or quote required if price is considered reasonable. Reasonableness could be determined by comparing the price to past purchases or other published prices and/or requesting prices from more than one vendor</li> <li>• Distributed equitably among a range of qualified vendors when practical</li> </ul>
Small Purchase Procedure	Greater than micro-purchase, not to exceed the simplified acquisition threshold \$10,001 - \$250,000	<ul style="list-style-type: none"> <li>• Price or rate quotes must be obtained from adequate number of sources (at least two)</li> <li>• Can be informal, e.g. phone calls or web search</li> <li>• All quotes, including phone calls and web searches must be documented and kept on file</li> <li>• Price does not need to be a deciding factor, but all quotes need to be kept in procurement records</li> </ul>





# Allowed Procurement Methods

Methodology	Dollar Threshold	Requirements
Sealed Bid	Greater than the simplified acquisition threshold: \$250,001 and greater	<ul style="list-style-type: none"> <li>• Used when selection of successful bidder can be made principally on the basis of price</li> <li>• Bids must be solicited from an adequate number of known suppliers, providing sufficient response time</li> <li>• Local and tribal governments must publicly advertise bids</li> <li>• Invitation for bids must define the items or services in order for bidders to properly respond</li> <li>• All bids must be opened at time and place prescribed in invitation. Local and tribal governments must be opened publicly</li> <li>• Firm fixed price contract made in writing to the lowest responsive and responsible bidder</li> <li>• Any or all bids may be rejected if there is a sound documented reason</li> </ul>



# Allowed Procurement Methods

Methodology	Dollar Threshold	Requirements
Competitive Proposal	Greater than the simplified threshold: \$250,001 and greater	<ul style="list-style-type: none"> <li>• Must be publicized and identify all evaluation factors and their relative importance</li> <li>• Must be solicited from an adequate number of qualified sources</li> <li>• Must have a written method for conducting technical evaluations of the proposals and selecting recipients</li> <li>• Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered</li> </ul>
Noncompetitive proposal (sole source)	Greater than micro-purchase threshold	<ul style="list-style-type: none"> <li>• May be used only when the item is available only from a single source, the public exigency or emergency will not permit a delay resolution from competitive solicitation, federal awarding agency or pass-through entity expressly authorizes its use in response to a written request, or after solicitation of a number of sources competition is determined inadequate</li> <li>• Justification and research must be documented</li> <li>• Federal authorization must be retained</li> </ul>



# L. Reporting

- Types of reports – Special Reporting
  - Interim report, expenditures through 7/31/2021
  - Project and expenditures report
  - Recovery plan performance report
- Audit Procedures
  - Trace to accounting records/verifiable data
  - Documentation of review and approval



# M. Subrecipient Monitoring



Determine if nonfederal entity is a subrecipient or a contractor as defined by Uniform Guidance



Document factors considered and final determination

# Subrecipient

- *Subrecipients.* A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient.
- Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:
  - Determines who is eligible to receive what Federal assistance;
  - Has its performance measured in relation to whether objectives of a Federal program were met;
  - Has responsibility for programmatic decision-making;
  - Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
  - In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.



# Contractors

- *Contractors.* A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor.
- Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:
  - Provides the goods and services within normal business operations;
  - Provides similar goods or services to many different purchasers;
  - Normally operates in a competitive environment;
  - Provides goods or services that are ancillary to the operation of the Federal program; and
  - Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons



# M. Subrecipient Monitoring

- Subrecipient Award
- Monitoring – Risk
- Subrecipients are subject to audit



# M. Subrecipient Monitoring

## Subrecipient Award

- Federal award identification.
- (i) Subrecipient name (which must match the name associated with its unique entity identifier);
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see the definition of *Federal award date* in §200.1 of this part) of award to the recipient by the Federal agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Subaward Budget Period Start and End Date;
- (vii) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (viii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
- (ix) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- (x) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (xi) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- (xii) Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;
- (xiii) Identification of whether the award is R&D; and
- (xiv) Indirect cost rate for the Federal award (including if the de minimis rate is charged) per §200.414.





# M. Subrecipient Monitoring

- Evaluate Risk
  - Subrecipients prior experience with same or similar subawards
  - Results of previous audits
  - New personnel or substantially changed systems
  - Results of federal awarding agency monitoring
- Monitor
  - Review financial and performance reports
  - Obtain audit reports and follow up on corrective action plan





# Questions and Answers

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# Thank you for your participation!

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