Lance Schmidt (00:00:02):

Hello. Welcome to CLA's webinar regarding Managing Your ARPA Funds. Again, welcome to this webinar. We've got several folks that are going to be presenting today and many of attendees as well. So again, we look forward to interacting with you guys throughout this webinar. Before we get started, just a quick disclaimer, this webinar again, is provided for informational purposes. However, regarding any legal matters or specific accounting matters, always recommend that you reach out to your professional service providers and have a detailed conversation about your specific scenario or circumstance. So with that, let's go ahead and jump into it.

Lance Schmidt (00:00:46):

So what are some of our learning objectives today? We're going to talk about, again, some of the requirements of the American Rescue Plan Act and how that affects local governments and state governments. We also want to talk just a little bit about how do we design an efficient and compliant program and really use those ARPA funds in a way that really benefits our communities and our citizens and making sure at the same time that we're also still complying with the various rules and regulations. Again, we'll also talk just a little bit about one of the tools that CLA has been using to help out local governments as it relates to administering their ARPA funds.

Lance Schmidt (00:01:27):

So we've got some quick little demo we want to show you just of what we've built out for some of our clients and maybe give you some ideas on how you can maybe operate an efficient and a compliant program. I'll be joined today by two other folks as well. We've got Hannah York, a principal with CLA and we will also have Shawn McGoldrick that's also going to be joining us in our consulting and BizOps group who's also going to be doing our demo this afternoon.

Lance Schmidt (00:01:58):

So again, as we look forward just a quick agenda, we're going to really cover our internal control and compliance, we're going to talk about some operational best practices and considerations. We'll move right into maybe some financial best practices and considerations, and then we'll talk about the ARPA portal and give you just a quick demo of what that tool looks like and how you may be able to use it and then we'll wrap it up with some questions. So you should have the ability to ask those questions. As those questions come up, please go ahead and submit those. And we have saved a few minutes at the end of this presentation to try to take as many of those questions as possible.

Lance Schmidt (00:02:34):

All right. So at this point, I would imagine everyone on this call has had the chance to read about ARPA, knows what ARPA is all about, how much you're receiving in funds, and maybe a little bit about what you plan on doing or at least starting the process of talking amongst your communities as to how you plan on spending that money. Currently right now, we do have an interim final rule that's out there. We've got a link to that in the presentation there. I'm sure many of you have looked at that and also looked at some of the FAQs and the compliance and reporting guidance that's also out there. But again, this is really significant, this is a, we'll say a once in a lifetime, at least we hope, a once in a lifetime windfall for local governments. When I say windfall, I mean certainly we do have real needs and some real opportunities out there, and this money can be used really to address some of those needs.

Lance Schmidt (00:03:33):

So again, it's a great thing for local governments, but again, it does add a lot of administer burden in some cases and also a big demand and really taxing on our various state and local government officials that are trying to administer this in a way that benefits everyone. And in the sense, many of us on this call are either accounting or budget or other financial type folks. Thought it would be good just to look at ARPA by the numbers just to give you a context as to how broad ARPA is. There are roughly 31,000 cities and counties that are receiving funding related to ARPA. So again, a very large number. The state with the most recipients it Pennsylvania, over 2,600 recipients in the state of Pennsylvania will be receiving funds.

Lance Schmidt (00:04:25):

When we take a look at which state has the highest average allocation per recipient, it's Hawaii. And that's because they only have six recipients in the entire state which is why that's so high. Our lowest is actually North Dakota with an average allocation of $591,000. When we try to take all the various recipients of these funds and try to put them in the buckets, we have almost 2,000 governments that will be receiving over $10 million in ARPA funds. So again, a pretty significant amount of governments that have received more than $10 million. When we take a look at the average allocation just across all recipients, that average comes out to $4.1 million. Again, there are some very large cities in there, New York, LA, Chicago, and some others that have some very, very large allocations that are skewing that a little bit higher. I think the median's probably a little bit lower number than that. And when we take a look at the recipients receiving less than $1 million, that's almost 23,000 of the 31,000 recipients are in that less than $1 million range.

Lance Schmidt (00:05:30):

So again, as we go through this presentation today, we're going to try to provide everyone some information that might benefit you, whether you're in the less than a million or more than $10 million or somewhere in the middle. So as we move forward again, we've got a context of how big ARPA is and again, how significant it is to local governments. Let's take a look on how we can make sure that we're developing a strong internal control environment as it relates to administering these funds. Again, it probably goes without saying at this point that if you haven't taken a look at some of the FAQs that are out there and the various guidance that treasury has issued, I strongly recommend that you go out there and take a look at that. There's some really good information, there's also some good tools that are available from some of our industry associations in term of total lost revenue calculations and really how to spend those funds and some other guidance, and we'll highlight some of those today.

Lance Schmidt (00:06:26):

But again, I think it goes without saying, fraud prevention's number one thing. Our local communities and governments are receiving a lot of tension over just this sheer volume of funds that are being received. We know the public's looking at this and we want to make sure we steward that in a way that citizens are proud of how our local municipalities are spending that money. It all really starts with documenting processes and procedures as you receive those funds. As we take a look at what is ARPA doing administratively to our organizations, it's creating new systems for us, it's creating new processes and procedures, in many ways we're dealing with maybe even new payment methods that are coming up. Many of us are cities and counties are also partnering with either nonprofits or other local governments to provide this funding to those organizations for them to administer it to the citizens of our community.

Lance Schmidt (00:07:20):

So as we take a look at that, if you're a government that maybe hasn't done subrecipient monitoring in the past, that might be a whole new venture, a whole new thing that you need to take a look at and really make sure that you've got a good plan in place and know all the requirements that you're going to have to follow up with. We always recommend a good program risk assessment not just related to the subrecipient monitoring, but just overall. What can go wrong and how do we put in procedures and controls in place to ensure those things don't go wrong. Always recommend but we're also going to have external oversight, whether that be from our external auditors or other regulators.

Lance Schmidt (00:08:00):

And if you haven't considered leveraging an internal audit function, whether that be something you have in-house or an outside internal auditor, that's also another way to make sure that these funds are being properly administered. And making sure that that's part of the overall program delivery and guidance, is making sure that we've got a structure in place so that it's not an afterthought, but something that's built in from day one.

Lance Schmidt (00:08:24):

And as we take a look at compliance, there's probably two sets of folks on this webinar today, there's maybe the folks that have never had a single audit or maybe haven't had a single audit in several years, and then there's those that have a single audit every year. And I think we have to talk about what are the nuances or challenges, whether you're in one bucket or the other. If you've not been a recipient of more than $750,000 of single audit or federal awards in the past and you received more than 750,000, you may be subject to a single audit again, depending on when that's recognized on your SEFA and when that gets reported.

Lance Schmidt (00:09:06):

If this is your first time ever going through a single audit or first time in a long time, just know that there are a lot of compliance requirements that you really need to be on top of. procurement's probably one of the biggest ones. Making sure your procurement policy complies with uniform guidance and making sure that again you're doting the Is and crossing the Ts there. You'll definitely want to let your auditors know, "Hey, we received X number of millions of dollars and we're going to have us single audit this year." So they can get ahead of that and then be prepared and plan for that. You're going to have a schedule of federal awards, a schedule of expenditures of federal awards commonly referred to as a SEFA that you're going to need to prepare and also have those footnotes also ready. So again, some new things there.

Lance Schmidt (00:09:53):

This next, point's probably not a huge concern for many, but you will have a nine month deadline for filing. And I think most states are nine months or less anyway. But if you're one of those that maybe it takes a little longer to file, you will be considered a high risk audit if it's not filed within nine months. And then lastly, the treasury reporting. And I have this listed on both because I'm sure we're going to talk about that a lot today. What treasury is wanting reported back is pretty significant, there's a lot to that. So we want to make sure that we're preparing from that early on.

Lance Schmidt (00:10:24):

If you've had a single audit in the past, there's going to be some pretty significant considerations as to when the report those expenditures on the SEFA specifically related to loss revenue calculation. The Government audit quality center has a non authoritative guide out there. If you've not checked that out, I recommend you go check that out. Not going to have time to go into that in great detail, but it's about nine pages long and really provides some really good scenarios as to when you should report on your SEFA certain expenditures. So again, every organization's probably going to be in a case by case basis. If I could give you a very easy summary I would, that would apply to most, but that's simply not the case. Again, communicate with your auditors. Let them know what your plan is. When are these expenditures going to show up on a SEFA? That's going to determine what programs an auditor has to look at and could significantly impact the timing and overall effort of the single audit.

Lance Schmidt (00:11:21):

And then lastly, subrecipient monitoring, we talked about that on the previous slide. But again, that's something that if you've not done that before and you plan on partnering with other organizations, can be rather significant. And just to touch on this quickly, as it relates to some of our financial statement consideration, a couple of things to keep in mind. Had a lot of good conversations with clients starting with 2020 and 2021 talking about, "Where do we report CARES money? Where do we report ARPA money?" Several different considerations. We have some clients that are putting it in the general funds. And I should say, as I talk about this, I'm talking financial reporting not what you may be doing in your accounting system. Hannah's going to touch on that in a bit. We always recommend having a separate fund or child fund within your accounting system.

Lance Schmidt (00:12:09):

But as it relates to financial reporting, you can choose either to report that general fund, possibly grants fund, or maybe a separate COVID-19 relief fund that has several different COVID relief related funds all in there that may span several years. Ultimately it's going to affect your major fund calculation as you prepare your financial statements. And again, that will affect the work that your auditors will need to do on your financial statements. Of course, we talked about the SEFA.

Lance Schmidt (00:12:38):

I just want to spend just one minute talking about revenue recognition and considerations. There's been a lot of discussion both with the GASB and the Government audit quality center and just really in the industries talking about, when do we recognize revenue related to the loss revenue calculation? GASB 33 is really our guidance today on this, it really focused around eligibility requirements. When do we meet all the eligibility requirements related to recognizing revenue related to loss revenue? Is it the date we do the calculation? Is it the date we incur the expenditures?

Lance Schmidt (00:13:15):

There's a lot of different ideas as to what that looks like. In short summary, there is no consensus among the industry as to how that should be reported. Many of you are coming up on year end, whether it's 1230 or 930 and are saying, "Hey, what does this look like for us?" All I can tell you at this point in time is to consult, consult, consult and make sure you document any decisions that you make. That way as you move forward, if something changes, you know exactly what date you made the decision and ultimately when that was made in comparison to maybe when subsequent guidance may come out.

Lance Schmidt (00:13:49):

So with that just look at some operational best practices and considerations. Again, we always recommend that you develop your ARPA team. Should include a member from governance as well as other stakeholders internally, members of accounting, finance, and then also any type of grant administrators or facilitators should be involved in that. As it relates to developing that team, we always say begin with the end in mind, a Stephen Covey quote. Making sure that hey, what are we trying to accomplish here? Who are our stakeholders? And who are trying to serve with these funds? And obviously that could be anything from directly to the citizens, local nonprofits, businesses, governance. There's obviously going to be certain considerations there from our elected officials. What's going on with the external auditors? What are they going to be looking for? What types of internal control changes do we need to be aware of, should we be on the look out for? Other external regulators and we can't forget the media.

Lance Schmidt (00:14:49):

I've had a lot of really good conversations with clients to say, "This is what we want to do with the money." And I always say, "Well, how is that going to be perceived? And is that really what we want to do with the money, is to spend it all on premium pay or some of these other options?" Again you have to know your community, you have to hear your community and really making sure that you're taking care of all those key stakeholders, again, as you develop that team and design a program.

Lance Schmidt (00:15:18):

Again, we always want to have a healthy balance of both efficiency and internal controls. When it comes to designing a good program, there's a lot to look at. Does your government want to be in the business of well, what I call direct to citizens or do we want to do a subrecipient model where we're partnering with other nonprofits? That's largely going to dictate how much time and effort the government is going to have to put into ultimately serving the citizens. So again, infrastructure versus loss revenue versus other various sources that it can be used on. Each one of those is going to have various and different levels of involvement required from the government.

Lance Schmidt (00:16:01):

Then lastly, consider the use of other funds that may be available out there. Consider your IT systems and solutions that you're using and really look at maybe how can you leverage electronic as you are looking to serve your citizens. I touched on documentation, but I think it's really key. I have on here on this slide considered the treasury reporting. If you have not looked at it, Hannah's going to show you a little bit later some of the reporting and then some of the things they're requesting. If you've not taken a look at this, please do, it may dictate what types of allowable costs you want to use for your ARPA program.

Lance Schmidt (00:16:41):

But I will tell you the three things you need to keep in mind as you're looking at documentation for a program, identify the key players, business process owners. Who's going to own it? Who's going to be responsible for compliance? Take a look at your processes. Like if you're leveraging technology, who's reviewing and ensuring you have good internal controls? And then lastly, the last P is your product, your program guides, your user manuals. Do we know exactly what we're trying to accomplish? Is that clearly documented for the users or your citizens I should say of your community. And so if you focus on those three things, you should capture most of the things that need to be documented related to your ARPA program. But again, just gives you a few key points there to really focus in on. So with that, I'm going to transition it over to Hannah. And she's going to talk a little bit about some financial best practices.

Hannah York (00:17:36):

Thank you, Lance. So I'm going to actually go a little bit out of order on this slide, I'm going to skip the general ledger implications and move on to the budget sustainability. One of the things that you need to look at when you're designing a program, for instance if we get into where your community is going to hire a social worker to assist with running some of the programs, an important thing to think about with that is, is that budget sustainable? So if you're adding a $75,000 a year employee to your budget at the end of the ARPA program, is that position going to go away or is that position then going to get moved into your operating fund for the future? And then in addition, even if it's not for employees, if you have other costs, if there's going to be ongoing annual maintenance costs, utilities, anything like that, you just want to make sure that when you're going out and spending these funds that you can provide for the ongoing budgets for the future.

Hannah York (00:18:36):

And then I think Lance may have touched on it a little bit before with what other funds are available, but in essence, if the state or local government or another local government or the federal government is offering additional resources for a different programs, for instance, if your particular state is doing a rent assistance or mortgage assistance program, then it's probably better to let them manage that program and then you can allocate your funds towards other programs that are more specific to your locality. So those are just some considerations to have with how you're picking the projects and for your ongoing maintenance of them.

Hannah York (00:19:15):

So the really important piece on the financial best practices, I think, to talk about is the general ledger implications of the very vast treasury reporting requirements. So that's why I reordered how I wanted to talk about these. You can see on the last bullet where I talk about there are 66 currently different subcategories of reporting for the ARPA funds. Each of those has a different unique group of requirements for it. So with the general ledger, implication of that is depending on what kind of financial system you're using, it is highly recommended that you would set up, at the bare minimum, a separate fund for your ARPA funds, separate accounts for each of these subcategories and projects that you're going to be managing. Because either whether you're doing quarterly or annual reporting, you will have to break it down by those 66 different subcategories, and you will have to report on how much has been obligated, how much has been spent by each of those categories. So setting up the accounting structure up front is going to be very important for doing your reporting in the long run.

Hannah York (00:20:29):

So that being said, we actually pulled this out of the reporting guidance that came out a few months ago. But as we all know, everything's changing on a daily basis. Actually, the treasury just issued an updated version of the reporting guidance on, I believe it was Friday evening. So this is actually already outdated now even though it just came out a few months ago. What they did, the main change on this schedule is that they moved the project and expenditure report, which is the column in the middle that currently the states, metropolitan cities, and tribal governments that are greater than, I believe it was $25 million in funds are now going to be doing their first reporting, will be due as of January 31st and then every quarter thereafter.

Hannah York (00:21:18):

For any use in metropolitan cities and towns with less than $250,000 and less than $5 million in funding, your first reporting has now been pushed back to April 30th, 2020. And that report will be for costs through March 31st of 2022. So you'll have 30 days after the end of that period and then it'll be annually thereafter. So that actually just came out, we did provide at the end of this a set of links to different websites where the treasury website is on there and it has all of these. I highly recommend that you check that website on a very frequent basis because new information is coming out at all times.

Hannah York (00:22:01):

So we wanted to run through a few of these categories. Obviously with 66 different subcategories, we can't talk about all of them. But they are broken up into six categories and then within, that subcategories. So the first one we're going to talk about is public health. For public health, I've been referring to this one as basically CARES like, it's very similar to the CARES program. Many of the categories are the same, your PP&E, your testing. But there are a few new key categories that weren't in the CARES program or were called out a little more specifically in the ARPA fund. One of them is being that in the ARPA, you are allowed to spend these funds on major capital expenditures, especially for improving of public buildings pandemic related reasons. Great examples of this is doing major capital investments in HVAC improvements for schools or building modifications that will improve the social distancing in various congregate settings.

Hannah York (00:23:04):

Another area that was in addition or specifically called out was really in the were 1.10 and 1.11, which is for mental health and substance abuse. So ARPA program recognized that the impact of this long pandemic that no one thought was going to go on this long has had a substantial impact on mental health and substance abuse. So they wanted to make sure and call that out separately, that that is allowable use of these funds. The next category that they go into is the negative economic impact. This is where they're looking at food programs, rent assistance, eviction prevention, job training, assistance to various nonprofits, tourism, and then any other economic support that is very specific to your area. Within that that's closely related is the services to disproportionately impacted communities. That topic has basically talked about throughout the entire interim final rule, is that they really want you to focus on those communities have been the most impacted by the pandemic.

Hannah York (00:24:17):

So within those, this is probably the area where you're going to most likely find some of the sub-awards and subrecipient monitoring issues. Many of the communities that I've worked with and talked to, they're looking at doing some program with a not for profit or another entity that is able to administer some of these grants because if there is a lot of administrative burden to them. Once again, as I said, the focus is to be on both the industries and communities that were most impacted by it.

Hannah York (00:24:49):

One other thing to notate is you'll see that many of these categories, if I go back one slide, you'll see a lot of these categories have an asterisk or a little care after it. And those, note that you're going to have additional reporting requirements. They're going to be the asterisk for wanting to see if you're using evidence based interventions, and then the care is for making sure that you're focusing these projects on those disadvantaged communities. So just be aware of those if you're looking at starting those programs. You want to make sure that you have all your information upfront, the documentation upfront of how you're going to maintain those programs and how you're going to report them to the treasury.

Hannah York (00:25:31):

So the next category that we're going to talk about is premium pay. For premium pay, one of the other things, and you'll probably hear us mention a lot throughout the program is the intent. The intent of the ARPA funds is to really help those who were most affected by the pandemic. So the intent of the premium pay option is really to assist those workers who are out there working with the general public, not working remotely from home, but actually interacting with the public, putting their health at risk throughout the pandemic, but also fall on the low income side of the scale. So those to really intended towards the grocery store workers, gas station attendants, sanitation workers, janitors, childcare workers, nursing staff, different staff like that that are going to be in that under 150% of the average annual pay.

Hannah York (00:26:24):

So it doesn't mean that you cannot give premium pay to those who are above that threshold, but there is additional justification needed if you are going to use it. So the threshold that ARPA put, the interim final rule put for ARPA is that if they're over 150% of your state's average annual pay, that's making an allowance for fact that different states have different rates of pay, that you're going to provide additional justification. In addition, no individual employee may be paid more than $13 an hour for hours worked in addition to their base salary. So if they made $15 an hour before, you can pay them up to another $13 an hour with a maximum of $25,000 per worker.

Hannah York (00:27:13):

The next category that was on the list was for water and sewer infrastructure. So the interim final rule really, because there's so many different variations of the types of the water and sewer infrastructure that could be done, the interim final rule points us towards two other programs that have already been out there. One of them is the Clean Water State Revolving Fund and the other is the Drinking Water State Revolving Fund. I've actually included on here the links with the entire, in case you don't actually have this to click on the link. It has the written out website for where you can find pretty in depth programmatic data of what types of grants and funds can be used for the clean water and the drinking water acts.

Hannah York (00:27:58):

One other thing to note with the water sewer infrastructure is that these particular programs do have quite a few additional metrics and requirements for the reporting. So you want make sure and review the reporting documentation that the treasury's posted to their site. I know Lance had a link to it earlier in the program and we also have a link to the treasury site at the end of the slide.

Hannah York (00:28:23):

So then the next one after that is going to be your broadband infrastructure. So the broadband infrastructure is, you're expected to design any programs in here to provide at least the minimum upload and download speeds of 100 megabits per second. And it's also once again intended to be for the unserved or underserved households and businesses. We've all seen the news videos of a child having to sit outside of a public library that's been shut down so they can do their homework because there are many communities that they don't have current access to reliable internet. So that's really the intent of the broadband infrastructure program.

Hannah York (00:29:02):

Once again because it is an infrastructure and those typically aren't through federal funding, there are a lot of additional metrics you do have to show the upload download speeds, how many households, businesses, speeds, pricing tiers, a lot of different information that you're going to have to provide for your reporting to show that you really are using this as it's intended.

Hannah York (00:29:26):

So I have the most information, and I think this tends to be the biggest area of confusion, is the revenue loss. I think a lot of people were really excited about the aspect of the government helping to fund some of the revenue loss, but there's also a lot of confusion there. So I break it down into two pieces for the revenue loss, first is the calculation of how much you actually lost in revenue. The way that it outlines it is it's pointing you to look at the Census Bureaus definition of general revenues from own sources. I believe at the end in the closing links we also provided a link for that. But basically it's most all entity wide revenues. So you start with all your revenues and then back out the ones that are excluded.

Hannah York (00:30:14):

So most of the common exclusions that we've seen is the federal revenues. So if you have any other federal grants, you don't include those. That goes back to the double dipping standard that the feds have. Utility receipts, they don't consider those to be general revenues from own source because those are provided for very specific reasons. And then debt proceeds and internal transfers, correcting transactions. Private purpose trust or agency, money that you're holding for someone else, that's obviously non general revenue for your own source. And then any GASB related adjustments that might be posted to revenue. Those would all be excluded. Most all other revenues are going to be include in your calculation. And if you're on... And that includes multiple funds. So if you have your general operating budget and then you have of various different special revenue funds, all of those revenues would be included with the exception of these exclusions. And this is not necessarily an exhaustive list, but this is the most common ones of it.

Hannah York (00:31:17):

Then once you've figured out what revenues are included, what you're going to do is compare a base here, which they define as being the last full fiscal year that was completed prior to the start of the pandemic. So if you have a June 30th year end date, that's going to be June 30th of 2019. And then from there, you take that comparative data and compare it to the calendar year. There's four different calendar years that you can make this calculation off. So for calendar year 2020, you're going to go by January 1st, 2020 through December 31st, 2020. It doesn't matter what your year end is for financial purposes, but the comparative data is going to be based on the calendar year. So if, for instance, the example of the June 30th, those are basically, you're going to have a growth factor for 18 months because to get to the the end of the next period, it would be in 18 months.

Hannah York (00:32:16):

The interim final rule allows you to use either a growth factor of 4.1% or if you feel that your entity has a higher growth factor, you can go back and recalculate the last three years prior to the pandemic to come up with your own average. If it's higher than the 4.1%, then you can use that as well. So once you've figured out how much of loss that you have, now what? What you can't do with that is put it into a reserve fund or set it aside for future purposes or funding a trust fund. You can use it for any operating costs but they want you to actually spend it. So it's not, it's going to get set aside for rainy day later, it's you're going to actually allocate it to expenditures that you have going on.

Hannah York (00:33:09):

They give you a pretty wide birth on it to do what's necessary for your local community, but they did give several specifics of what you cannot use it on. As I said before, you cannot put it to a reserve fund, you can't transfer it to stabilization fund or replenish some other reserve that you had, you cannot use it for debt service payments, and you cannot use it for settlements of judgements or other payments of the such. So outside of that, it has a really wide use of what you can use it for. You can use it for normal operating costs, you can use it for capital expenses up to the maximum amount of the amount that you had calculated as your loss. So I know that was very, very fast. We have a lot of information to go through. We could probably honestly spend an hour on each of these categories talking about that. But I wanted to turn it over to Shawn McGoldrick who's going to walk us through the ARPA portal demonstration that PLA had put together.

Shawn McGoldrick (00:34:08):

Thank you, Hannah. We now, as Hannah mentioned, wanted to share a prerecorded video of a demonstration of Norfolk County ARPA portal. Currently Plymouth County ARPA and Norfolk County ARPA are the two live portals we have for clients in order to submit their ARPA applications for eligibility. It's about a 15 minute video and at the end, we'll take questions. I know there's a bunch of questions in the chat. We'll try to hit as many as we can. So Sada, without further ado, please launch the video.

Shawn McGoldrick (00:34:33):

*See separate transcript file*

Shawn McGoldrick (00:49:47):

All righty. Welcome back everyone and thank you for sitting through the video. We're going to do a little Q&A session now too. So I know there's been a lot of questions asked throughout this presentation, so I'm going to try to hit on as many as possible with the group here. So Hannah, Lance, feel free to jump in whatever you want on this. When when will the final final rule become available? Right now we all know it's the interim final rule.

Hannah York (00:50:09):

So that's the $10 million question, Sean. I actually think that ties into the next question, but the answer is we don't know. Any day now is what people tell you. They're still working on it. We had initially thought when the interim final rule came out they had said they were going to do I think it's 60 day response period, review those, and then come out with the finals. Everyone was guessing it was going to be September, but obviously we're well past that. So at this point we really don't know. My best guess is maybe by the end of the year. But I believe the reason that... The next question that's on the list that someone submitted was, why did treasury push back the project finisher report? I believe the answer to that is related to the fact that they don't have a final rule out yet. I also think that they're in the process of building out their portal for the reporting requirements, so that probably had a hand in it as well.

Shawn McGoldrick (00:51:05):

Great, thank you, Hannah. I believe these next two questions may have been already responded to with a link in the chat, but I'll ask them anyways. And Lance, I think this is part of your presentation. Where can individuals go to get the SEFA information and where can they find the non-authoritative guidance on when to report?

Lance Schmidt (00:51:21):

Yeah, that's a good question, Sean. I believe that link is in the chat for you guys to take a look at. But that is on the Government Audit Quality Center website. There's a link out there for COVID related resources. It's really a pretty easy to understand tool. There's about seven criteria that you need to take a look at when trying to determine when to recognize those federal expenditures on your SEFA. It's important to note that as we talk about the SEFA and when to recognize those expenditures, that is completely independent of the revenue recognition question. So the two don't go hand in hand. And the timing of cash and when it's received is also not a consideration. So again, there is no easy answer. You really have to look at your specific circumstances and scenarios and go through the guide that's been put out there to really determine when those should be reported.

Shawn McGoldrick (00:52:18):

Excellent. Thank you, Lance. Next one up, are environmental reviews and impact statements required for all ARPA funded projects similar to other federal grant programs? And I would imagine this is with the water sewer infrastructure component of ARPA.

Hannah York (00:52:40):

So that is a good question. It's not specifically listed out in the current reporting requirements documentation. So at this point, I know they're still developing some of the reporting. Like I said, they just submitted a new one that went out on Friday and they do even talk in there that they will be rolling out as the program goes along additional requirements. But so far, what they've referred to is that if you're doing things as they're currently being told to do them, that there are different opportunities for being grant for. Because then if the final rule changes some of those rules. So currently, I haven't seen anything requiring that yet. That doesn't mean they may not change it going forward in the future.

Shawn McGoldrick (00:53:26):

Thank you, Hannah. Next one up is, can premium pay be used with revenue replacement funds? So can you pay premium pay with revenue replacement funds? So we're taking one bucket in pushing it through another it seems like is the question.

Hannah York (00:53:43):

So that's an interesting way to go about doing it. What my recommendation for clients would be is that you use the revenue replacement bucket of money for things that aren't required in any other category. So when you're using your revenue replacement funds, you do not have the requirements that all the other categories do. So if it fits into another category, then go ahead and pay it for it out of that category. And then that reserves your revenue loss for those items that aren't otherwise allowable. But I guess in theory, you could do it that way, that's more of a business decision.

Hannah York (00:54:21):

Just to touch on this, since this is a little bit related, I did see later in the chat there was a question regarding administrative costs. And I apologize that I didn't put that into the presentation. I was meaning to touch on it, I think we were running out of time. Administrative costs are actually a completely separate category. So all of your administrative costs are going to be, it was like 7.1 I believe is the subcategory that it belongs in. So all of those costs, they won't be allocated to each individual project, they'll all be gathered and put into one category for administrative. They don't have the same level of reporting requirements. You basically write up the 50 to 250 word description of what types of costs are in there for administrative and they would all be grouped in there. So that was a great question too.

Shawn McGoldrick (00:55:08):

Excellent. Regarding the portal demonstration, is the portal only for providing funds to subrecipients or can it be used for funding expenditures within your own government?

Lance Schmidt (00:55:19):

Very good question. Currently it's being used more so as a subrecipient tool to basically be an application and data collecting and gathering and also be used for subrecipient monitoring as well. However, one of the nice features about it is the aggregation of all of the reporting and the fact that that'll tie directly into what's going to be reported into the treasury's ultimate portal. So the short answer is it can be used just for reporting. And is a great question and one of the benefits of that. Because again, the reporting requirements are voluminous. And going back to the other question, Sean, about using the lost revenue for premium pay, while not specifically stated, I do think that the treasury, if you're spending money on premium pay they're going to want to see that separately identified again, with the reporting requirements tied into premium pay. That could be a possible. I want to say I get your area but wanting to make sure that if you're spending it on a specific category that treasury is getting the data that they're looking for back on that.

Shawn McGoldrick (00:56:32):

Great point, Lance.

Hannah York (00:56:33):

And I see a couple of other questions that are somewhat related to that. So just to let the audience know, we are in the process of doing customization for various other clients as well, and that is on the docket for making a version that's more for use for internal purposes. So it wouldn't have that additional compliance subrecipient monitoring, but we can also utilize the workflows, the approvals and the gathering of data.

Shawn McGoldrick (00:56:59):

And if there is interest out there too, if a county, city, or town wants to use the portal or something similar to that, contact Hannah, Lance, or I. Our contact inform is at the end of this presentation, so more than willing to have a conversation with you. Lance, this one might be up your alley here. For risk assessment procedures, if the community has never performed a risk assessment procedure perhaps, maybe they haven't had federal funds that require audits, maybe what are some of the examples of what that might look like or what they may need to do for risk assessment?

Lance Schmidt (00:57:30):

That's a good question. So there's really two areas you should probably do a risk assessment. One is more from an enterprise risk management perspective to say, for this particular ARPA program or however you're going to spend the funds is that have you just considered maybe where the landmines are at or where the pitfalls may be, where things can go wrong. Independent of that is the subrecipient monitoring. As it relates to the subrecipient monitoring, that's going to be very specific to the subrecipient. They're going to be looking at how many other federal award programs are they administering? What types of internal controls do they have in place? What does their governance look like? Are they set up to administer these funds? Have they had findings in the past? Are there other issues, other risk factors?

Lance Schmidt (00:58:14):

Again actually on our CLA website, we actually have a subrecipient monitoring or checklist that can actually be used by clients. But again, it's if you have not done that before, it is a new territory and a little bit different. Again, I always say plan on day one all the things that you're going to need to do related to the life of that particular subrecipient or sub grant so that you know exactly what to expect and what you need to follow up on over the course of that subcontract lifespan. So good question.

Shawn McGoldrick (00:58:51):

Excellent. So I know it's four o'clock but let's see if we can squeeze one more question out there. I believe this is with revenue replacement, Hannah, wouldn't all grants state and federal be removed since they are project direct from the calculation?

Hannah York (00:59:08):

That's a great question. But if you look at the current guidance, and they're pointing to the definition of general revenue, state grants, state aid they're basically the state assisting you in paying for things that otherwise you would be paying for it yourself. So that is actually state and other local private grants are included in the definition for general revenue. I do expect that when the final rule does come out, that there's probably going to be a lot more discussion and I hope a lot more discussion on what's included and what's not included in the revenue calculation. However, that being said, they did say if you went ahead and made decisions and allocated funds and started spending it with the current calculation and they changed, something you are grant further claused in, they're not going to claw it back. But any future calculations would have to use any modifications they may make.

Lance Schmidt (01:00:08):

And I think the other thing too, Hannah, that recently you and I actually just had a conversation on was, when it comes to which accounts should be included or excluded, that conversation is not one about what's conservative or what's not conservative in terms of what to include in that calculation. We had one particular client, the calculation swung by $20 million based on whether or not an account should be included. And actually when we included the account, which you would have thought would have driven the number up or vice versa, driven the number down, actually drove the number up. So really the question has to be, what should be included specifically by looking at the guidelines that are out there.

Shawn McGoldrick (01:00:46):

I would also imagine too, once the final final rule is set, I could see us having another webinar strictly on revenue replacement. Because it is certainly a hot button topic with every community that we go to, asking questions how to use it, what it includes, how to calculate it, et cetera. So another great question.

Hannah York (01:01:05):
So I did put on the last slide some resources. There's email addresses for all three of us on here as well as various web links to articles, the treasury site. I did notice that somebody said they were having trouble finding some of the information. So that ARPA treasury website really is the best location. They have all gathered there and they are constantly updating it with new information as it comes out.

Lance Schmidt (01:01:36):
All right. Well, again, thank you guys for joining. It's been a pleasure.

Hannah York (01:01:39):
Thank you.

Shawn McGoldrick (01:01:40):
Thank you all.