DEPARTMENT OF THE TREASURY

ASSISTANCE LISTING 21.027 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

I. PROGRAM OBJECTIVES

The purpose of the Coronavirus State and Local Fiscal Recovery Funds ("the Fund") is to provide direct payments to States (defined to include the District of Columbia), U.S. Territories (defined to include Puerto Rico, U.S. Virgin Islands, Guam, Northern Mariana Islands, and American Samoa), Tribal governments, Metropolitan cities, Counties, and (through States) Nonentitlement units of local government (collectively the “eligible entities”), to:

1. Respond to the public health emergency, COVID-19 or its negative economic impacts, including providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of eligible employers that have eligible workers who are performing essential work, or by providing grants to eligible entities who perform essential work;
3. Provide government services, to the extent COVID-19 caused a reduction in revenues collected in the most recent full fiscal year of the State, Territory, Tribal government, Metropolitan city, County, or Non-entitlement units of local government; or
4. Make necessary investments in water, sewer, or broadband infrastructure.

II. PROGRAM PROCEDURES

A. Overview

Sections 602 and 603 of the Social Security Act (the “Act”), as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021) authorized the Coronavirus State Fiscal Recovery Fund (“CSFRF”) and Coronavirus Local Fiscal Recovery Fund (“CLFRF”) respectively (referred to collectively as the “Coronavirus State and Local Fiscal Recovery Funds” or “the Fund”). The Fund is administered by the U.S. Department of the Treasury (“Treasury”) and provides assistance in the form of direct payments for specified use. The Fund provides $350 billion for payments to eligible entities.

The total allocations to the eligible entities under the Fund are as follows:
(1) $195.3 billion reserved for making payments to the 50 States and the District of Columbia;
(2) $4.5 billion reserved for making payments to the U.S. Territories;
(3) $20 billion reserved for making payments to Tribal governments;
(4) $45.57 billion reserved for making payments to Metropolitan Cities;
(5) $65.1 billion reserved for making payments to Counties; and
(6) $19.53 billion reserved for making payments to Non-entitlement Units of Local Government (NEU).

Amounts paid to eligible States and Local governments were based on 2019 population data from the U.S. Census Bureau, as well as latest available data from the Bureau of Labor Statistics at the time of the issuance of Treasury’s Interim Final Rule. Treasury made a determination to allocate payments to Tribal governments based on enrollment and employment data, as well as consultation with Tribal leaders.

Prior to receipt of award funds, all eligible entities are required to execute a Financial Assistance Agreement, which includes the Award Terms and Conditions that recipients must comply with in carrying out the objectives of their award. As a condition of receiving payment from the Fund, States, the District of Columbia, and U.S. Territories executed a Financial Assistance Agreement that included the required section 602(d)(1) certification. Tribal and Local governments are not required to provide such certification as a condition of receiving payment under the Fund. Eligible entities are expected to use the direct payments to meet pandemic response needs and rebuild a strong, more equitable economy as the country recovers.

Please note that, as discussed in Part IV. Other Information, certain SLFRF recipients are provided with an option to have an alternative compliance examination engagement in lieu of a Single Audit or a Program-Specific Audit under 2 CFR Part 200, Subpart F.

Source of Governing Requirements


Auditors must audit recipients on award funds they expended for their fiscal year 2021 based on the requirements set forth in the Act and Treasury’s Interim Final Rule, and Frequently Asked Questions (FAQs) that were in effect at the time of those expenditures.
Auditors must audit recipients on award funds they expended after the Final Rule comes into effect based on the Act and Treasury’s Final Rule and FAQs that are in effect at the time of those expenditures. See the Other Information section below for auditor guidance relating to the criteria auditors should use for compliance testing purposes.

Availability of Other Program Information:


FAQs about the Fund are outlined on the program webpage on Treasury’s website at https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds. If there are specific questions regarding the Fund, the Office of Recovery Programs may be contacted via telephone at (202)-622-2000 or by e-mail at SLFRP@treasury.gov.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the Federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.
A. **Activities Allowed or Unallowed**


The following activities are not permitted under the Fund:

1) A recipient may not use funds for deposits into any pension fund.
2) A recipient may not use funds to contribute to rainy day funds, financial reserves, or similar funds.
3) A State or Territory shall not use funds to either directly or indirectly offset a reduction in the net tax revenue of the State or Territory resulting from a covered change during the covered period.

Recipients may use payments from the Fund to:

- **Support public health expenditures**, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- **Address negative economic impacts caused by the public health emergency**, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- **Replace lost public sector revenue** to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
- **Provide premium pay for essential workers**, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.
B. Allowable Cost/Cost Principles

Revenue loss in and of itself is not an eligible use. Instead, recipients calculate lost revenue based on the formula provided in the Interim Final Rule to determine the limit for the amount of CSLFRF funds that can be used for the “provision of government services.” See the Other Information section below for guidance on the related Schedule of Expenditures of Federal Award reporting.

The Fund is considered “other financial assistance” per 2 C.F.R. § 200.1 and is administered as direct payments for specified use. Refer to 2 C.F.R. Part 200, Subpart E regarding the Cost Principles that apply to the use of funds under this program.

H. Period of Performance

The period of performance for the award under the Fund begins on the date the awards are issued (i.e., the date funds are disbursed to recipients) and ends on December 31, 2026, pursuant to the Financial Assistance Agreement.

Recipients may only use funds to cover costs incurred during the period beginning on March 3, 2021 and ending on December 31, 2024 per section 602(g)(1) of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 and Treasury’s Interim Final Rule at 31 C.F.R. § 35.5(a). Recipients must liquidate all obligations incurred by December 31, 2024 under the award no later than December 31, 2026, which is the end of the period of performance. As such, auditors should test that recipients only used award funds to cover costs incurred from the period beginning on March 3, 2021 and ending on December 31, 2024. Auditors should also test that recipients did not incur and apply to their award any new costs during the period beginning December 31, 2024 and ending on December 31, 2026. During this two-year period, recipients are only permitted to liquidate all obligations they incurred by December 31, 2024.

I. Procurement, Suspension and Debarment

1. Procurement

Recipients may use award funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in sections 602(c) and 603(c) of the Act and Treasury’s Interim Final Rule. As such, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance. Specifically, a State must follow the same policies and procedures it uses for procurements from its non-Federal funds and comply with 2 CFR §§ 200.321, 200.322, and 200.323. States must also ensure that every contract includes the applicable contract clauses required by 2 CFR § 200.327. All other entities under the program, including subrecipients of a State, must follow the procurement standards in 2 CFR §§ 200.318 through 200.327, including ensuring that the procurement method used for the contracts are appropriate based on the dollar amount and conditions specified in 2 CFR § 200.320.
2. Suspension and Debarment

Prior to enter in subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded pursuant to 31 CFR § 19.300.

L. Reporting

1. Financial Reporting

   a. **SF-270, Request for Advance or Reimbursement** – Not Applicable

   b. **SF-271, Outlay Report and Request for Reimbursement for Construction Programs** – Not Applicable


2. Performance Reporting

   See Special Reporting below.

3. Special Reporting

   a. There are three types of reporting requirements for the SLFRF program:

      1. **Interim Report**: Provide initial overview of status and uses of funding. The interim report will include a recipient’s expenditures through July 31, 2021 by category and at the summary level. The reporting requirements vary by type of recipient, the total allocation amount, and the date which the recipient first received its allocation. This is a one-time report.

      2. **Project and Expenditure Report**: Report on financial data, projects funded, expenditures, and contracts and subawards over $50,000, and other information. Project and Expenditure Reports are due on a regular, recurring basis after the Interim Reports. The reporting frequency and deadlines vary by type of recipient and total allocation amount.

      3. **Recovery Plan Performance Report**: The Recovery Plan Performance Report (the “Recovery Plan”) will provide information on the projects that large recipients are undertaking with program funding and how they plan to ensure program outcomes are achieved in an effective, efficient, and equitable manner. It will include key performance indicators identified by the recipient and some mandatory indicators
identified by Treasury. The Recovery Plan will be posted on the website of the recipient as well as provided to Treasury.

The reporting threshold is based on the total allocation expected under the SLFRF program, not the funds received by the recipient as of the time of reporting. Treasury may extend reporting deadlines.

Reporting requirements include which reports a recipient must file, the frequency at which the recipient must report, the covered period of reporting, and the report deadlines. Reporting requirements for each type and size of recipient can be found in Part 2, Section B of the Compliance and Reporting Guidance.

b. Non-entitlement units of local government (NEUs) are recipients under the Fund and are required to report their award expenditures on their SEFA and data collection form. The States that distributed award funds to the NEUs must not report the amounts provided to the NEUs on their SEFA.

c. **Key Line Items** – The following line items contain critical information for the Interim Report:

1. Obligations and Expenditures.
   - Current period obligation
   - Cumulative obligation
   - Current period expenditure
   - Cumulative expenditure


d. **Key Line Items** – The following line items contain critical information for the Project and Expenditure Report:

1. Obligations and Expenditures.
   - Current period obligation
   - Cumulative obligation
   - Current period expenditure
   - Cumulative expenditure

2. Subawards.

3. Detailed information on any loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient that are greater than $50,000. For amounts less than $50,000, the recipient must report in the aggregate for these same categories of loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient.
e. Key Line Items – The following line items contain critical information for the Recovery Plan Performance Report:

1. Public Disclosure Link:
   - The URL is publicly accessible.
   - The URL is prominently displayed on the main page or the main COVID response page of the recipient’s website


4. Special Reporting for Federal Funding Accountability and Transparency Act (FFATA)
   a. Treasury received approval from the Office of Management and Budget (OMB) to increase the subaward reporting threshold outlined in 2 CFR Part 170 from $30,000 to $50,000 for the Fund.
   b. Although FFATA reporting is applicable to CSLFRF, Treasury is making all required FFATA reporting on behalf of recipients. Thus, compliance with FFATA reporting requirements is not subject to audit.

M. Subrecipient Monitoring

Applicable.

Note that subrecipient monitoring is not required for entities deemed to be beneficiaries. Because non-entitlement units of local government are considered by Treasury to be direct recipients of CSLFRF (and not subrecipients or beneficiaries), States have no subrecipient monitoring responsibilities related to the funding States were required to distribute to non-entitlement units of local government.

The subrecipient or beneficiary designation is an important distinction as funding provided to beneficiaries is not subject to audit pursuant to the Single Audit Act and 2 C.F.R. Part 200, Subpart F, but funding provided to subrecipients is subject to those audit requirements. When recipients of the Fund provide award funds to entities to respond to the negative economic impacts of COVID-19 as end users, and not for purpose of carrying out program requirements, the entities receiving such funding are beneficiaries of the Fund. Alternatively, when recipients of the Fund provide award funds to an entity to carry out a program on behalf of the Fund recipient, the entities receiving such funding are subrecipients.

IV. OTHER INFORMATION
Auditors should rely on sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified as 42 U.S.C. § 802 and 42 U.S.C. § 803 respectively, Treasury’s implementing Interim Final Rule at 31 C.F.R. Part 35, Treasury’s guidance, and FAQs, as the criteria when performing audits on the recipients and subrecipients of the Coronavirus State and Local Fiscal Recovery Funds, as well as when reporting findings.

As noted in the Source of Governing Requirements section above, Treasury is still in the process of adjudicating comments received on Treasury’s Interim Final Rule and a Final Rule was not finalized at the time of the issuance of this program section of the 2021 Compliance Supplement. Recipients must comply with the regulations in effect at the time of the expenditure. Therefore, as it relates to the criteria used by auditors to determine compliance, auditors should test compliance with the requirements that existed at the time of the expenditure.

Note that revenue replacement calculations for expenditures covered under Treasury’s Interim Final Rule are not subject to audit for FY 2021.

Schedule of Expenditures of Federal Awards (SEFA)

As noted above in Activities Allowed or Unallowed, the dollar amount of the revenue loss calculation determines the limit for the amount of CSLFRF funds that can be used to “provide government services” (which is one of four eligible uses of CSLFRF funds). For SEFA reporting purposes, the aggregate expenditures for all four eligible use categories are reported on the SEFA and not the result of the revenue loss calculation.

Additionally, because NEUs are considered direct recipients under the Fund, NEUs are required to report their award expenditures on the SEFA and data collection form as direct awards. Further, States must not report award funds that were required to be distributed to the NEUs on State SEFAs or data collection forms.

Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving SLFRF Awards

A. OVERVIEW

The U.S. Department of the Treasury (“Treasury”) recognizes that many recipients of Coronavirus State and Local Fiscal Recovery Funds (“SLFRF”) may newly be required to complete a Single Audit or a Program-Specific Audit pursuant to the Single Audit Act and its implementing regulations, 2 CFR Part 200, Subpart F, due to their receipt of an SLFRF award which may lead to them expending $750,000 or more during their fiscal year in Federal awards. This may be because the recipient has not received federal financial assistance before, or the other federal financial assistance they expended did not exceed the $750,000 audit threshold set forth 2 CFR 200.501(a). This section describes an alternative approach for SLFRF recipients that would otherwise not be required to undergo an audit pursuant to 2 CFR
Part 200, Subpart F, if it was not for the expenditures of SLFRF funds directly awarded by Treasury. This alternative approach is permitted by OMB as further described in the 2021 OMB Compliance Supplement, PART 8, Appendix VII – Other Audit Advisories and as detailed below. However, an SLFRF recipient may still elect to undergo a Single Audit or a Program-Specific Audit under 2 CFR Part 200, Subpart F.

**Recipient Eligibility**

Recipient eligibility to use this alternative approach is as follows:

SLFRF recipients that expend $750,000 or more during the recipient’s fiscal year in Federal awards and which meet both criteria listed below have the option to follow the alternative SLFRF compliance examination engagement:

1. The recipient’s total SLFRF award received directly from Treasury or received (through states) as a non-entitlement unit of local government is at or below $10 million; and
2. Other Federal award funds the recipient expended (not including their SLFRF award funds) are less than $750,000 during the recipient’s fiscal year.

**Alternative Compliance Examination Engagement**

The alternative approach to a Single Audit or Program-Specific Audit under 2 CFR Part 200, Subpart F, permits eligible recipients to engage a practitioner to perform a compliance examination engagement in accordance with the Government Accountability Office (GAO) Government Auditing Standards. The GAO Government Auditing Standards direct practitioners to conduct these engagements in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements. The AICPA attestation standards are codified in the AT-C section of the AICPA’s Professional Standards and AT-C section 315, Compliance Attestation, which is the standard to be followed. This engagement, which results in an opinion on compliance, is to be directed at the compliance requirements described below in D. Compliance Requirements.

This alternative is intended to reduce the burden of a full Single Audit or Program-Specific Audit on eligible recipients and practitioners, as well as uphold Treasury’s responsibility to be good stewards of federal funds. This balance of burden reduction and Treasury responsibility to be good stewards is achieved in several ways as follows:

- A financial statement audit is not required for those eligible recipients that expend award funds from other Federal programs.
- A compliance examination engagement simplifies the engagement for both recipients and practitioners.
- A schedule of expenditures of federal awards is not required as the practitioner opines directly on compliance for a single program.
- The requirements for internal control in 2 CFR 200.514(c) are not relevant to the engagement, although AT-C 315, paragraph .15, still requires the practitioner to obtain an understanding of relevant portions of internal control over compliance sufficient to plan the engagement and to assess control risk for compliance with specified requirements.
- The engagement still involves testing of the compliance requirements described below and results in a related examination opinion which is similar to the compliance opinion provided under 2 CFR Part 200, Subpart F.
- The engagement reporting is simplified as compared to audit report required by 2 CFR Part 200, Subpart F. One compliance examination opinion is issued (versus up to 3 reports for a Single Audit or Program-Specific Audit) and the reporting allows for reporting findings that are noted in a similar manner to how they are reported for audits under 2 CFR Part 200, Subpart F.

The following subsections of this section align with normal OMB Compliance Supplement presentation for a Federal program; however, practitioners performing the alternative compliance examination engagement should use this “Other Information” section as a standalone document. Practitioners should not use Part 3 of the OMB Compliance Supplement or the full Part 4 section of the SLFRF Program Compliance Supplement (designated for audits of the program performed under 2 CFR Part 200, Subpart F) when testing compliance. Instead, the examination objectives and suggested examination procedures below should be used on their own.

B. **PROGRAM OBJECTIVES**

The SLFRF (“the Fund”) provides direct payments to states (defined to include the District of Columbia), U.S. territories (defined to include Puerto Rico, U.S. Virgin Islands, Guam, Northern Mariana Islands, and American Samoa), Tribal governments, metropolitan cities, counties, and (through states) non-entitlement units of local government (collectively the “eligible entities”), to:

1. Respond to the COVID-19 public health emergency or its negative economic impacts, including by providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the recipient that perform essential work or by providing grants to eligible employers that have eligible workers who are performing essential work;
3. Provide government services, to the extent the COVID-19 public health emergency caused a reduction in revenues relative to the revenues collected in the most recent full fiscal year of the eligible entities; and,

4. Make necessary investments in water, sewer, or broadband infrastructure.

C. PROGRAM PROCEDURES

1. Overview

Sections 602 and 603 of the Social Security Act (the “Act”), as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021) authorized the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, respectively (referred to collectively as the “Coronavirus State and Local Fiscal Recovery Funds” or “the Fund” or “SLFRF”). The Fund is administered by the Treasury and provides assistance in the form of direct payments for specified uses. The Fund provides $350 billion for payments to eligible entities.

The total allocations to the eligible entities under the Fund are as follows:

1. $195.3 billion reserved for making payments to the 50 states and the District of Columbia;

2. $4.5 billion reserved for making payments to the U.S. territories;

3. $20 billion reserved for making payments to Tribal governments;

4. $45.57 billion reserved for making payments to metropolitan cities;

5. $65.1 billion reserved for making payments to counties; and

6. $19.53 billion reserved for making payments to states for distribution to Non-entitlement Units of Local Government (NEU).

Prior to receipt of award funds, all eligible entities are required to execute a Financial Assistance Agreement, which includes the Award Terms and Conditions that recipients must comply with in carrying out the objectives of their award. As a condition of receiving payment from the Fund, states, the District of Columbia, and U.S. territories executed a Financial Assistance Agreement that included the certification required by section 602(d)(1) of the Act. Tribal and local governments are not required to provide such certification as a condition of receiving payment under the Fund. Eligible entities are required to use their award funds as set forth in sections 602(c)(1) and 603(c)(1) of the
Act and Treasury’s Final Rule, 31 CFR Part 35 to meet pandemic response needs and rebuild a strong, more equitable economy as the country recovers.

2. Source of Governing Requirements


On January 6, 2022, Treasury adopted a Final Rule to implement the requirements of the SLFRF program. The Final Rule responded to comments Treasury received on the Interim Final Rule and is effective as of April 1, 2022. Until that time, the Interim Final Rule remains in effect.

Along with the Final Rule, Treasury published a Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule (the “Statement”) that clarifies the transition from compliance with the Interim Final Rule to compliance with the Final Rule. Recipients should also review the Final Rule for additional information. Recipients must comply with the Final Rule beginning on April 1, 2022, when the Final Rule takes effect. Prior to April 1, 2022, recipients may take actions and use funds in a manner consistent with the Final Rule, and Treasury will not take action to enforce the Interim Final Rule if a use of funds is consistent with the terms of the Final Rule, regardless of when the SLFRF funds were used. This means that Treasury will not take action to enforce against uses of the Interim Final Rule to the extent that the recipient wishes to change its planned uses of SLFRF funds in a manner consistent with the Final Rule.

3. Availability of Other Program Information

Additional information on the requirements for the Fund is available through the program webpage on Treasury’s website at Coronavirus State and Local Fiscal Recovery Funds | U.S. Department of the Treasury.

The Fund’s Compliance and Reporting Guidance can be found at Recipient Compliance and Reporting Responsibilities | U.S. Department of the Treasury.

If there are specific questions regarding the Fund, the Office of Recovery Programs may be contacted by e-mail at SLFRP@treasury.gov.

D. COMPLIANCE REQUIREMENTS

Preconditions for the Compliance Examination Engagement

Consistent with, and in addition to the preconditions for an attestation engagement are outlined in the AICPA’s attestation standards in AT-C 105, Concepts Common to All Attestation Engagements, AT-C 205, Examination Engagements, and AT-C 315, Compliance Attestation. As a precondition to this compliance examination engagement, the practitioner should determine that:

a. management can provide evidence to the practitioner that it meets the recipient eligibility criteria for the alternative compliance examination engagement as outlined in Section A, “Recipient Eligibility;”
b. management accepts responsibility for the entity’s compliance with the compliance requirements below and the entity’s internal control over compliance; and
c. management evaluates the entity's compliance with the compliance requirements in this section.

Compliance Requirements Relevant to the Compliance Examination Engagement

The requirements noted with a “Y” in the “Matrix of Compliance Requirements” below are subject to the compliance examination engagement.

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A. Activities Allowed or Unallowed

Compliance Requirement: Recipients have considerable flexibility to use SLFRF funds on activities to address the diverse needs of their communities. However, the SLFRF Final Rule identifies specific restrictions. In-depth description of the unallowed activities (referred to in the SLFRF Final Rule as ineligible uses) can be found in the “Restrictions on Use” section of the Coronavirus State and Local Fiscal Recovery Funds: Overview of the Final Rule. The ineligible uses are listed below:

- Offset a reduction in net tax revenue (applicable to states and territories)
- Deposits into pension funds (applicable to all recipients except Tribes)
- Debt service or replenishing financial reserves (e.g., “rainy day funds”) (applicable to all recipients)
- Satisfaction of settlements and judgements (applicable to all recipients)
- Programs, services, or capital expenditures that include a term or condition that undermines efforts to stop the spread of COVID-19 (applicable to all recipients)

Examination Objective: Determine whether the recipients used SLFRF funds for ineligible uses.

Suggested Examination Procedures

- Obtain an understanding of the design of relevant portions of internal control over compliance regarding unallowable activities by performing some or all of the following:
  a. Inquiries of appropriate management, supervisory, and staff personnel
  b. Inspection of the entity's relevant documents
  c. Observation of the entity's activities and operations

- Review a sample of SLFRF expenditures to determine if recipients used SLFRF funds for ineligible uses

B. Allowable Cost/Cost Principles

Compliance Requirement: Recipients that are eligible for the alternative compliance examination engagement may elect the standard allowance for revenue loss, pursuant to which they could use the entirety of their allocation for the provision of government services. Recipients are required to comply with 2 CFR 200.404(e) regarding reasonable costs, and, as such, are required to not deviate from their established practices and policies regarding the incurrence of costs.
Examination Objective: Determine whether the recipient significantly deviated from its established practices and policies regarding the incurrence of costs.

Suggested Examination Procedures

- Obtain an understanding of the design of relevant portions of internal control over compliance and established practices and policies regarding the incurrence of costs by performing some or all of the following:
  
  a. Inquiries of appropriate management, supervisory, and staff personnel
  b. Inspection of the entity's relevant documents
  c. Observation of the entity's activities and operations

- Test a sample of SLFRF expenditures to determine that the recipient treated costs consistently with its established practices and policies.

E. REPORTING

As described in the GAO Government Auditing Standards, and elaborated upon in AICPA standards, the practitioner issues the following reporting in the alternative compliance examination engagement:

- Practitioner’s Examination Report prepared in accordance with AT-C 315 and Government Auditing Standards.
- Schedule of Findings and Responses (if applicable) that includes findings required to be reported under GAGAS and the related finding elements required by GAGAS.

F. COMPLIANCE EXAMINATION ENGAGEMENT SUBMISSION INSTRUCTIONS

The submission deadlines for the alternative compliance examination engagement are the same as those for Single Audits and Program Specific audits due in accordance with 2 CFR Part 200, Subpart F. Therefore, the results of the alternative compliance examination engagement must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Per OMB Memorandum M-21-20, Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer
Resources, recipients that have not yet filed their Single Audits with the Federal Audit Clearinghouse as of the date of OMB Memorandum M-21-20 (i.e., March 19, 2021) that have fiscal year-ends through June 30, 2021, may delay the completion and submission of the Single Audit reporting package, as required under 2 CFR 200.501, to six months beyond the normal due date. This extension can also be applied to the completion and submission of the alternative compliance examination engagement for the same periods as described in OMB Memorandum M-21-20 for Single Audits.

Additional instructions for where and how to submit the results of the alternative compliance examination engagement will be forthcoming and posted to the Coronavirus State and Local Fiscal Recovery Funds’ website.