



ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

Audit Alert

American Rescue Plan Act (ARPA)

As a continuation of our Audit Alert dated October 6, 2022, our office is providing the following information to help local officials understand how ARPA funding will be addressed during your audit and to remind officials of the upcoming **December 31, 2024 deadline**. On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law and established the Coronavirus State and Local Fiscal Recovery Fund (SLFRF). You may see those acronyms used interchangeably in your award documents and guidance. We will use the acronym ARPA in this document to discuss the funds.

Audit Scope

The scope of an audit typically includes a full fiscal year. As a result, any ARPA funds expended during the fiscal year are subject to audit. The extent of the audit procedures will depend on the amount of funds expended. The extent of the audit procedures will largely depend upon these factors: whether you have expended federal funds in an amount that reaches the threshold to require a Single Audit (\$750,000); whether you qualify for the new alternative compliance examination engagement for ARPA funds; or whether your federal expenditures are below the Single Audit threshold. You should always follow federal compliance requirements for any federal awards and grants you receive and expend. This includes ensuring there is an adequate audit trail to demonstrate your compliance with federal requirements — meaning, you have sufficient and appropriate documentation available for an auditor to examine when they are performing your audit.

Best Practices –

- Remember that the reporting of federal awards is based on the amount spent (expenditures), and the Single Audit determination is based on your fiscal year.
- Clearly track and document the expenditure of ARPA funds, including those used to replace lost revenues. Make sure that expenditures:
 - Were incurred on or after March 3, 2021 and on or before December 31, 2024;
 - Can be supported with sufficient documentation that shows the date of the expenditure as well as the use of the funds; and
 - Are not one of the **ineligible** use categories:
 - contributions into pension funds for the purpose of reducing an accrued, unfunded liability;
 - debt service payments or replenishing financial reserves (rainy day funds);
 - satisfaction of settlements and judgments;
 - other projects or services that conflict or contravene the purpose of ARPA.
- If you plan to transfer funds from your ARPA fund into other funds, make sure you can support the transfer amount with eligible expenditures incurred during the period of performance (March 3, 2021 through December 31, 2024)



Is there a deadline to spend the funds?

Funds may only be used to cover **costs incurred** during the period beginning March 3, 2021 and ending on **December 31, 2024**. Counties have until December 31, 2026 to expend ARPA funds for the eligible **obligations they incurred by December 31, 2024**. The December 31, 2024, deadline to obligate these funds is a federal requirement. See the National Association of Counties (NACO) Countdown link below to see a list of obligation examples and more information about the deadline.

What are the eligible uses for ARPA funds?

There are four categories of eligible uses. See the “Overview of the Final Rule” document linked below for a summary of major provisions of each category.

1. Replace lost public sector revenue, using this funding to provide government services up to the amount of revenue loss due to the pandemic. (pages 9-11 of the Overview)
2. Support the public health and economic needs of those impacted by the pandemic. (pages 12-34 of the Overview)
3. Provide premium pay for eligible workers performing essential work during the pandemic. (pages 35-36 of the Overview)
4. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, to support vital wastewater and stormwater infrastructure, and to expand affordable access to broadband internet. (pages 37-40 of the Overview)

Can ARPA funds be used to replace lost revenue and provide government services?

Yes, counties can use ARPA funds to provide government services to the extent of the reduction in revenue OR the standard allowance (see page 9 of the Overview). Once the amount of revenue loss is calculated or the standard allowance is elected, the county can spend up to this amount on allowable, general government services. The expenditure of lost revenue replacement funds must be documented like any other expenditure of governmental funds (invoices, contracts, checks, etc.) and should not be an unsupported lump sum transfer.

What is the standard allowance for lost revenue?

The standard allowance is available to all recipients and offers a simple, convenient way to determine revenue loss instead of using the full formula specified in the final rule. Recipients may elect a “standard allowance” of up to \$10 million (not to exceed the amount of ARPA funds the county received) to spend on government services through the period of performance (December 31, 2024).

What are “government services” uses of lost revenue?

Government services can include, but are not limited to, maintenance of infrastructure, modernization of cybersecurity, health services, school or educational services, and public safety services. Clarified by Treasury in the final rule, costs that can be considered as part of providing government services include: payroll for government employees, contracts, grants, supplies and equipment, rent, and many other costs that governments typically bear to provide services. See the Final Rule in the link below to review a list of common examples of government services. Also note, every use that is eligible under other eligible use categories is also eligible under revenue loss, because those uses are also services provided by governments.

Where can I find out more?

- [Treasury ARPA Resources:](#)
 - [Interim Final Rule](#)
 - [Overview of the Final Rule](#)
 - [Fact Sheet](#)
 - [FAQs](#) (as of March 29, 2024)
 - [Quick Reference Guide](#)
 - [Recipient Compliance and Reporting Responsibilities](#)
 - [Compliance and Reporting Guidance](#)

National Association of Counties (NACO) Resource:

<https://www.naco.org/resources/featured/naco-recovery-fund-faqs>

[Countdown to the ARPA SLFRF obligation deadline: What counties need to know before December 31, 2024](#)

[| National Association of Counties](#)