

From: [Tammy Steele](#)
To: [Tammy Steele](#)
Cc: [Jean Suh](#)
Subject: FW: American Rescue Plan Act Audits
Date: Wednesday, June 30, 2021 1:17:45 PM
Attachments: [image001.png](#)
[Jason Mumpower - American Rescue Plan - COT.pptx](#)
[Act - Rescue America.pdf](#)
[ARPA June 2021.pdf](#)

Dear Colleague,

IMPORTANT: Please read the attached **Memorandum** related to the American Rescue Plan Act. I have also attached selected information that you may find useful.

P.S. Please forward this message and the attachments to all applicable staff in your firm.

Thank you for your efforts to make government work better in Tennessee. Best wishes, Jerry

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Mission: To Make Government Work Better



JASON E. MUMPOWER
Comptroller

June 30, 2021

Memorandum

To: All Contract CPA Firms

From: Jerry E. Durham, CPA, CGFM, CFE, Assistant Director
Division of Local Government Audit

Subject: American Rescue Plan Act and State Appropriations

Dear Colleagues,

The American Rescue Plan Act (ARPA) will create important challenges for all auditors across the state. The following non-inclusive list should be adequate to stress this point.

1. More small governments will be subject to a Single Audit. Governments that have not required a Single Audit for many years, if ever, may now need to be audited under Single Audit requirements. Firms should begin now to determine whether their government audit clients have received or will receive more than \$750,000 of federal assistance. The ARPA funding is also described as Coronavirus State and Local Fiscal Recovery Funds (SLFRF).
2. You may need to consider whether your audit contracts are adequately priced to include these additional services which could be significant.
3. The new CFDA or Federal Assistance Listing number for ARPA is 21.027 and can be located at SAM.gov <https://sam.gov/fal/7cecfdef62dc42729a3fdcd449bd62b8/view>.
4. There are several documents and websites you should be monitoring on a current basis. Learning all the intricate factors involving allowable costs will be difficult, so it is imperative that you begin now to read and ask questions. We are getting numerous questions here at the Comptroller's Office, Division of Local Government Audit. We are getting better at answering the questions, but this has only come from much effort and the additional guidance provided by the U.S. Department of Treasury. Some of the websites and documents you need to monitor are listed below.

Here is the bottom line. CPA firms will be deciding factor when it comes to **determining allowable costs** for their local government audit clients. After I attempt to answer an ARPA question for a local government, my final word to the local government is, consult **with their auditors**. Ultimately, you will be making many judgment calls about allowable costs.

In light of this difficult situation, you must become familiar with the following websites and the information provided or else you will not be able to audit ARPA assistance for June 30, 2021, and 2022, but more importantly, you will not be able to advise your clients how to legally spend the ARPA assistance. Thankfully, most of the ARPA money will be **revenue for 2021-22**, but most of the questions about how to spend the money will come during the budget process for 2021-22 or early in the 2021-22 fiscal year. In other words, **NOW**. Most small governments, especially cities, will receive their ARPA revenue through the State of Tennessee, Department of Finance and Administration (F&A). As of today, F&A has not disbursed any ARPA money to Nonentitlement Units of Government (NEUs).

I have attached Comptroller Mumpower's memo to all local governments with the email.

FEDERAL PROGRAMS

You must become familiar with the information within the following documents at a minimum.

1. The American Rescue Plan Act of 2021 at <https://www.congress.gov/bill/117th-congress/house-bill/1319> , Specifically Subtitle M, Section 9901, Section 603. I have attached a copy for your convenience.

Each of the documents listed below can be located at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds> .

2. ARPA Allocations (Most of the small city governments will be considered Non-entitlement Units of Government or NEUs)
3. **Compliance and Reporting Guidance**, State and Local Recovery Funds
4. Department of Treasury, **Interim Final Rule**
5. Coronavirus State and Local Fiscal Recovery Funds, **Frequently Asked Questions** (latest version is 6/23/21). (Note: the last page of the document gives a flow chart for calculating revenue loss for purposes of utilizing ARPA funds.)
6. **Quick Reference Guide or Fact Sheet to give your audit clients.**
7. If you are auditing schools, most schools will receive Elementary and Secondary School Emergency Relief Fund (ESSER) assistance. U.S. Department of Education has prepared a Fact Sheet that can be located at https://oese.ed.gov/files/2021/03/FINAL_ARP-ESSER-FACT-SHEET.pdf . Additional information for the ESSER programs can be found at the Tennessee Department of Education website: <https://eplan.tn.gov/DocumentLibrary/Default.aspx?ccipSessionKey=637605073058344965>

The key to compliance for both you and your clients is DOCUMENTATION. There are reports that must be provided to Treasury. The required information will be detailed (See No. 3. above). For example, the first annual report is due by October 31st for most small governments. The time to document the expenditures under the program is now, that is, beginning after July 1, rather than waiting until October and trying to reconstruct expenditure and program information for reporting purposes.

STATE PROGRAMS

The State of Tennessee is also offering \$100 million in appropriations to local governments under the 2021-22 state budget. This money should not be considered revenue of local government as of June 30, 2021.

Guidance and allocations for the state appropriations can be accessed at the following website: <https://www.tn.gov/content/tn/finance/looking-for/2021-22-local-government-grants-.html>

The only requirements for expending the money are:

1. Governments will enter into a letter of agreement with the state, and
2. Funds are to be used for **one-time** expenditures.

Other general guidance related to the American Rescue Plan can also be obtained at the following website: <http://tncot.cc/covid>

As I stated at the outset, becoming, and staying informed is the key to auditing ARPA. I will provide updates to major new guidance as the information becomes available. However, you should not depend on me for your research materials. The Comptroller's general question email address for ARPA is ARP@cot.tn.gov . If I can help you in any way, feel free to contact me at Jerry.Durham@cot.tn.gov . However, my answers will come from the same guidance I have referenced above. There are others in the Division of Local Government Audit that are also answering questions. You may contact them as well. Bryan.Burklin@cot.tn.gov and Jessica.Cox@cot.tn.gov .

Thank you for your constant efforts. Best wishes as we go through this stressful audit season together.

American Rescue Plan Funding

Jason E. Mumpower
Comptroller of the Treasury

Spring 2021

TENNESSEE COMPTROLLER OF THE TREASURY



American Rescue Plan

- Signed into law on March 11, 2021
- Sixth COVID-19 relief bill enacted by Congress
- \$1.9 trillion package



TENNESSEE COMPTROLLER OF THE TREASURY



State and Local Governments

- Includes a total of \$350 billion for “Coronavirus State and Local Fiscal Recovery Funds”

- Tennessee cities and counties estimated to receive more than \$2.2 billion
- Tennessee local education agencies (LEAs) will also receive more than \$2.2 billion

How the Money will Flow

- Some of the money will be sent to directly to city and county governments from the U.S. Treasury
- Other cities will receive funding through the State
- Education funds will flow through the TN Department of Education (reimbursement basis)



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Cites Receiving Direct Funding

Bristol

Chattanooga

Clarksville

Cleveland

Franklin

Hendersonville

Jackson

Johnson City

Kingsport

Knoxville

Memphis

Morristown

Murfreesboro

Nashville-Davidson

Oak Ridge

TENNESSEE COMPTROLLER OF THE TREASURY



How the Money will Flow

- City and county money will arrive in two tranches:
 - First wave arrives on or before May 11
 - Second wave will arrive a year after the initial allotment
- City and counties will have until **December 31, 2024** to spend the funds
- LEAs will have funds available to use through **September 30, 2024**

A Word of Caution

No expenditures should be made before you are certain that the use of the funds comply with the provisions of the American Rescue Plan.

Unused funds or funds deemed to have been used inappropriately must be returned to the U.S. Treasury.

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City and County Spending Eligibility

- Respond to COVID-19 or its negative economic impacts.
- Provide premium pay to essential workers or grants to eligible employers.
- Provide replacement revenue to the extent that local revenues were reduced as a direct result of COVID-19. Replacement amounts should be based upon the most recent fiscal year prior to the emergency (FY 19).
- Make investments in water, sewer, or broadband infrastructure.

Water and Sewer Spending

- Many utility systems have aging infrastructure.
- If money is spent on capital improvements, these assets will need to be depreciated over time.
- Utility systems must be certain rates are adequate to fund depreciation and all other utility-related costs.

Education Spending Eligibility

- 20% of the funds must be used to address learning loss.
- The use of the remaining 80% appears to be somewhat flexible and can be used for a number of purposes.
- Governor Lee has outlined a number of priority focus areas.

Requirements

- Maintain adequate internal controls over the spending of the Act funds.
- Ensure your government is meeting any periodic reporting requirements.
- All funds will be subject to audit.



TENNESSEE COMPTROLLER OF THE TREASURY



Best Practices

- American Rescue Plan funds should be maintained separately from other funds received by your government entity.
- Expenditures related to the use of these funds should also be separated from other expenditures.
- Detailed documentation should be maintained.
- Be transparent with the public.

Best Practices

- The Tennessee Comptroller's Office strongly recommends that these funds should only be used for one-time expenses.
- Consider full costs of all projects including staffing requirements, maintenance, and future replacement.
- Use the money to do the greatest amount of good for the greatest amount of citizens/students.

Our Advice

- Use this money to stabilize your communities.
- Think strategically before you spend.
- Consider creating a group of government officials, business leaders, nonprofits, and other stakeholders to strategize spending plans and track results.



TENNESSEE COMPTROLLER OF THE TREASURY



The Unknowns

- The federal government will continue to issue guidance related to these funds.
- At this time, we don't know specific details about spending eligibility and reporting requirements.
- The Tennessee Comptroller's Office will continue to provide information as it becomes available.

TENNESSEE COMPTROLLER OF THE TREASURY



For More Information

Please visit:

tncot.cc/covid



TENNESSEE COMPTROLLER OF THE TREASURY



Contact Information

Email questions to:

ARP@cot.tn.gov

Phone: 615.401.7841



TENNESSEE COMPTROLLER OF THE TREASURY



American Rescue Plan Funding

Jason E. Mumpower
Comptroller of the Treasury

Spring 2021

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