

Assessments of Revenues and Expenses Associated with the City's COVID-19 Response – Report No. 2

Report # 2020/21-12 | January 2021



City of
SACRAMENTO

Office of the City Auditor

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Whistleblower Hotline

In the interest of public accountability and being responsible stewards of public funds, the City has established a whistleblower hotline. The hotline protects the anonymity of those leaving tips to the extent permitted by law. The service is available 24 hours a day, 7 days week, 365 days per year. Through this service, all phone calls and emails will be received anonymously by third party staff.

Report online at <https://www.reportlineweb.com/cityofsacramento> or call toll-free: 888-245-8859.

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AUDIT FACT SHEET

Assessments of Revenues and Expenses Associated with the City's COVID-19 Response – Report No. 2

January 2021 | Report No. 2020/21-12

Background

The City of Sacramento will be subject to future audits of State and Federal funds, such as the Coronavirus Relief Fund or FEMA Public Assistance. These audits would likely be conducted by an Inspector General's Office or the Government Accountability Office. The key to successfully withstanding any future audit will be the City's ability to provide sufficient and appropriate documentation supporting the use of these funds.

Office of the City Auditor COVID-19 Activities

- Continuously update the *City of Sacramento Regulatory and Internal Control Framework for the City's COVID-19 Response* as City Council priorities are passed.
- Participate in the City's review team to provide audit perspective on Coronavirus Relief Fund eligibility and risks in the event of future audit.
- Once proposals have been green-lighted by the City Council for Coronavirus Relief Funding, participate in the procurement process by reviewing and providing feedback on various procurement documents.
- Develop and execute pro-active auditing procedures for COVID-19 expenses and report findings to the City Manager's Office for resolution.
- Investigate reports of fraud, waste, and abuse related to the COVID-19 pandemic received through the City's Whistleblower Hotline.
- Conduct phase two COVID-19 Business and Resident Community Surveys, as requested by the City Council.
- Other activities, as requested.

Figure 1: Results of Compliance Testing with Pre-Award Single Audit Requirements

67 Sub-Recipients Tested	Federal Award Identification	Requirements	Indirect Cost Rate	Access to Records
In Compliance	29	84	72	85
Minor Issues	49	1	4	0
			\$402.40	
Non-Compliant	7	0	9	0
			\$57,670.30	
Total Number of Sub-Recipient Agreements Reviewed	85	85	85	85

Source: Auditor generated based on compliance testing with Single Audit requirements.

Note: Data as of December 9, 2020.

Objective, Scope, and Methodology

The objective of these assessments is to help the City prepare for State and Federal audits of the City's use of emergency funding. This includes pro-active and real-time assistance in complying with regulatory requirements, securing reimbursements, tracking disaster recovery costs, and evaluating whether funds are being used efficiently and effectively.

Introduction

In accordance with the City Auditor’s 2020-21 Audit Plan, we have completed the *Assessments of Revenues and Expenditures Associated with the City’s COVID-19 Response – Report No. 2*. This report is the second in a series that will be released as the Office of the City Auditor fulfills the objectives identified in the Objective, Scope, and Methodology section of this report. We believe this report meets our objectives in accordance with Generally Accepted Government Auditing Standards Section 8.128.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The City Auditor’s Office would like to thank the City Manager’s Office and the City Attorney’s Office for their cooperation during the audit process.

Objective, Scope, and Methodology

The City of Sacramento will be subject to future audits of State and Federal funds received by the City. These audits would likely be conducted by an Inspector General’s Office or the Government Accountability Office.

The objective of these assessments is to help the City prepare for State and Federal audits of the City’s use of emergency funding. The key to successfully withstanding any future audit will be the City’s ability to provide sufficient documentation regarding the appropriate use of State and Federal funds. The scope and methodology of these assessments includes pro-active and real-time assistance in complying with regulatory requirements, securing reimbursements, tracking disaster recovery costs, and evaluating whether funds are being used efficiently and effectively.

Background

On December 27, 2020, the Consolidated Appropriations Act, 2021 (CA 2021 Act) was signed into law; part of this act contained additional stimulus funds to support the City’s COVID-19 response. Based on a high-level analysis of the CA 2021 Act, we believe there are two key provisions relevant to the City of Sacramento: (1) The CA 2021 Act extended the deadline for use of Coronavirus Relief Funds (CRF) from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) from December 30, 2020 to December 31, 2021; and (2) The CA 2021 Act provided for \$25 billion in emergency rental assistance. The City anticipates receiving approximately \$15.3 million in Emergency Rental Assistance funds.

Emergency Rental Assistance

The following sections of this report include relevant information related to the emergency rental assistance funds provided for in the CA 2021 Act. It should be noted that in addition to the funds provided, the CA 2021 Act extended the eviction moratorium through January 31, 2021.

Eligible Uses of Funds

Funds provided through emergency rental assistance must be used to provide financial assistance to eligible households for the payment of rent, rental arrears, utilities and home energy costs, utilities and home energy costs arrears, and other expenses related to housing incurred due directly or indirectly to COVID-19. Up to ten percent of funds can be used for case management, other similar services, or administrative costs.

Reallocation of Funds

While these funds will generally be available until December 31, 2021, the Secretary of the Treasury will begin to reallocate unused funds on September 30, 2021. To be eligible to receive additional funding during the reallocation process, the City must have obligated at least 65 percent of the original funding and demonstrate need for additional funding within the jurisdiction.

Eligible Households

In general, up to 12 months of assistance can be provided to eligible households. An eligible household is generally defined as a household of one or more individuals who are obligated to pay rent on a residential dwelling and meets one of the following criteria: (1) one or more individuals within the household has qualified for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship due directly or indirectly to COVID-19; (2) one or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability which may include a past due utility notice, past due rent notice, eviction notice, unsafe or unhealthy living conditions, or any other evidence of such risk; (3) household income that is not more than 80 percent of the area median income for the household.

Applications of eligible households must be prioritized based on the following conditions: (1) the income of the household does not exceed 50 percent of the area median income for the household; or (2) one or more individuals within the household are unemployed as of the date of the application for assistance and have not been employed for the 90-day period preceding such date. Additionally, rental assistance provided through these funds should not be duplicative of any other Federally funded rental assistance provided to the household.

Data Requirements and Security

The City may be required to collect certain information from applicants for reporting purposes to the Federal Government. For example, the City may be required to report the following information by gender, race, and ethnicity of the primary applicant: the number of eligible households that receive

assistance; the acceptance rate of applicants, the type(s) of assistance provided to each eligible household; the average amount of funding provided per eligible household receiving assistance; household income level; and the average number of monthly rental or utility payments that were covered by the funds. Additionally, the City will be required to establish data privacy and security measures for applicant information to ensure that the privacy of individuals and households is protected.

Oversight Authority

To ensure states and units of local government use emergency rental assistance funds appropriately, the CA 2021 Act designated the Inspector General of the Department of the Treasury as the oversight authority. If the Inspector General of the Department of the Treasury determines that a state or unit of local government failed to comply with the use of funds requirements, the amount equal to the amount of funds used in violation would need to be paid back to the Federal Government; this is known as claw-back.

Prior Reports

To review background information related to the COVID-19 Emergency Declaration or the State and Federal funding that was issued prior to December 2020, please see our previous report *Assessments of Revenues and Expenditures Associated with the City's COVID-19 Response – Report No. 1*, which can be found on our website: www.cityofsacramento.org/Auditor/Reports/Audit-Reports.

COVID-19 Regulatory and Internal Control Framework

In April 2020, our office released the *City of Sacramento Regulatory and Internal Control Framework for the City's COVID-19 Response*; our office co-authored this document with the City Attorney's Office. The purpose of the framework is to describe the general regulatory and internal control environment the City of Sacramento will operate under for the City's COVID-19 response and all COVID-19 related activities. We continue to update this guidance as funding priorities are memorialized by the City Council. For the most recent version of this document, please visit our website: www.cityofsacramento.org/Auditor/Reports/IBA-Reports.

Identify Risks to Minimize Potential Claw-Back of COVID-19 Funds

The City of Sacramento received nearly \$90 million from the Federal government in Coronavirus Relief Funds. The City has received over 235 proposals identifying potential uses of these funds. The City's Office of Innovation and Economic Development has taken the lead on collecting, managing, and reviewing proposals for Coronavirus Relief Fund eligibility. Our office continues to participate in the City's review team by providing audit perspective on Coronavirus Relief Fund eligibility and identifying risks that could mitigate the impacts of future audits.

Additionally, once proposals have been green-lighted by the City Council for Coronavirus Relief Funding, we participate in the procurement process by reviewing and providing feedback on various procurement documents such as Request for Proposals and Grant Agreements. Specifically, we identify potential risks and provide recommendations for mitigating those risks. Our goal is to minimize the risk of funds being clawed-back in the event of future audit.

On-Going Monitoring of COVID-19 Revenues and Expenses

On-going monitoring enables an organization to continually review processes for adherence to and deviations from their intended levels of performance and effectiveness, assess the effectiveness of controls and detect associated risks, and execute timely quantitative and qualitative risk-related decisions. To complete our objectives, we will perform on-going monitoring of the City's COVID-19 revenues and expenses, as described in the sections below.

Pro-Active and Real-Time Auditing of COVID-19 Expenses

As stated previously, the City may be subject to future audits of COVID-19 funds received. To ensure the City is well prepared for future audits, we have developed pro-active auditing procedures for COVID-19 expenses. These procedures include reviews and analysis of general expense tracking, labor reporting, procurement practices, sub-grantee documentation, federal reporting requirements, and internal controls. Any issues identified as part of this pro-active auditing will be reported to management timely and we will work with management to identify appropriate solutions.

COVID-19 Payroll Compliance with City Guidance

In *Assessments of Revenues and Expenditures Associated with the City's COVID-19 Response – Report No. 1*, we reported on a review we performed of employee timesheets to determine whether employees were complying with guidance provided by the City in tracking COVID-19 hours and activities. Our initial review found that up to 14,500 hours of time entries did not have sufficient detail describing COVID-19 activities performed. Having sufficient detail describing employees' COVID-19 activities is important when claiming reimbursement through FEMA, Coronavirus Relief Fund, or other COVID-19 funding sources. In August 2020, we re-reviewed these same employee timesheets to determine whether entries had been corrected. We found that of the 14,500 hours originally identified, approximately 8,400 hours were corrected leaving approximately 6,100 hours of time entries with potentially insufficient detail.

We also reviewed more recent employee timesheets to determine whether employees were complying with guidance provided by the City in tracking COVID-19 hours and activities. Our review found that up to 6,000 hours of time entries did not have sufficient detail describing COVID-19 activities performed. We shared this information with the Office of the City Manager and the City's COVID-19 timekeeping group for resolution.

Compliance with Single Audit Act Requirements

We received a request from the Office of the City Manager and the Finance Department to assist with pro-active auditing of the sub-recipient monitoring procedures required by the Single Audit Act. According to the American Institute of Certified Public Accountants, “the Single Audit Act Amendments of 1996 (Single Audit Act) were enacted to streamline and improve the effectiveness of audits of federal awards expended by states, local governments, and not-for-profit entities (referred to as non-federal entities), as well as to reduce audit burden.” Amendments include uniform administrative requirements, cost principles, and audit requirements for federal awards. Single Audits are required when a non-federal entity expends \$750,000 or more in federal funds in one year. Single Audits are performed by independent auditors and encompass both financial and compliance components.

Chapter 2, Title 2, Part 200 of the Code of Federal Regulations sets out various requirements for pass-through entities of federal awards such as information that must be provided to sub-recipients and sub-recipient monitoring. We developed testing procedures to determine whether the City complied with these requirements for sub-recipients of federal funds passed through the City. We separated our testing into two phases: 1) compliance with pre-award Single Audit requirements and 2) compliance with post-award Single Audit requirements. In general, pre-award Single Audit requirements should be completed *prior* to awarding federal money to sub-recipients while post-award Single Audit requirements should be completed *after* awarding federal money to sub-recipients. As many sub-recipients were still providing services during our testing period, the post-award Single Audit requirements testing could not be completed during this period; we anticipate reporting the results of compliance testing with post-award Single Audit requirements in *Assessments of Revenues and Expenditures Associated with the City’s COVID-19 Response – Report No. 3*.

Based on our compliance testing of pre-award Single Audit requirements, we found the majority of agreements were either in compliance with or had only minor issues with pre-award Single Audit requirements. However, we did find seven agreements were non-compliant with Federal Award Identification requirements and ten agreements were non-compliant with Indirect Cost Rate requirements. Figure 1 below illustrates the results of our compliance testing for pre-award Single Audit Requirements as of December 9, 2020. These results were reported to the City Manager’s Office for resolution. According to the City Manager’s Office, various steps will be taken to bring these agreements into compliance. For example, one agreement we initially found as non-compliant with the indirect cost rate requirement, totaling \$6,200 in non-compliant indirect costs, was corrected prior to December 9, 2020; this agreement is listed as In Compliance in figure 1 below.

Figure 1: Results of Compliance Testing with Pre-Award Single Audit Requirements

67 Sub-Recipients Tested	Federal Award Identification	Requirements	Indirect Cost Rate	Access to Records
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Source: Auditor generated based on compliance testing with Single Audit requirements.

Note: Data as of December 9, 2020.

Compliance with Procurement Policies and Regulations

An important aspect of avoiding potential claw-back of federal funds is to comply with the organization’s own procurement policies and applicable federal procurement regulations. For example, the City has various procurement policies depending on the type of expenditure: professional services, non-professional services, goods and supplies, and public projects. Within these policies are various procurement requirements depending on the amount of the expenditure; for example, expenditures over \$250,000 generally require approval by the City Council while expenditures below this amount can be approved by the City Manager. Examples of Federal procurement regulations that should be followed when using federal funds include ensuring vendors are in good standing with the federal government, complying with nondiscrimination provisions, and certifications of drug-free workplaces.

To minimize the risk of potential claw-back, we developed audit testing procedures to determine compliance with the City’s applicable procurement policies and regulations. However, we were unable to complete testing due to lack of documentation in the City’s central COVID-19 document repository or in the City’s records management system. While the City Manager’s Office initially provided departments with a deadline of March 2021 for uploading documents, we were hopeful that procurement documents would be uploaded early as many were required to be filled out prior to awarding contracts or agreements. Failure to upload documents timely increases various risks such as losing required documentation, key person risk, and lack of time to fix issues that could be identified by our audit testing procedures. For example, we reviewed a sample of contracts and agreements and

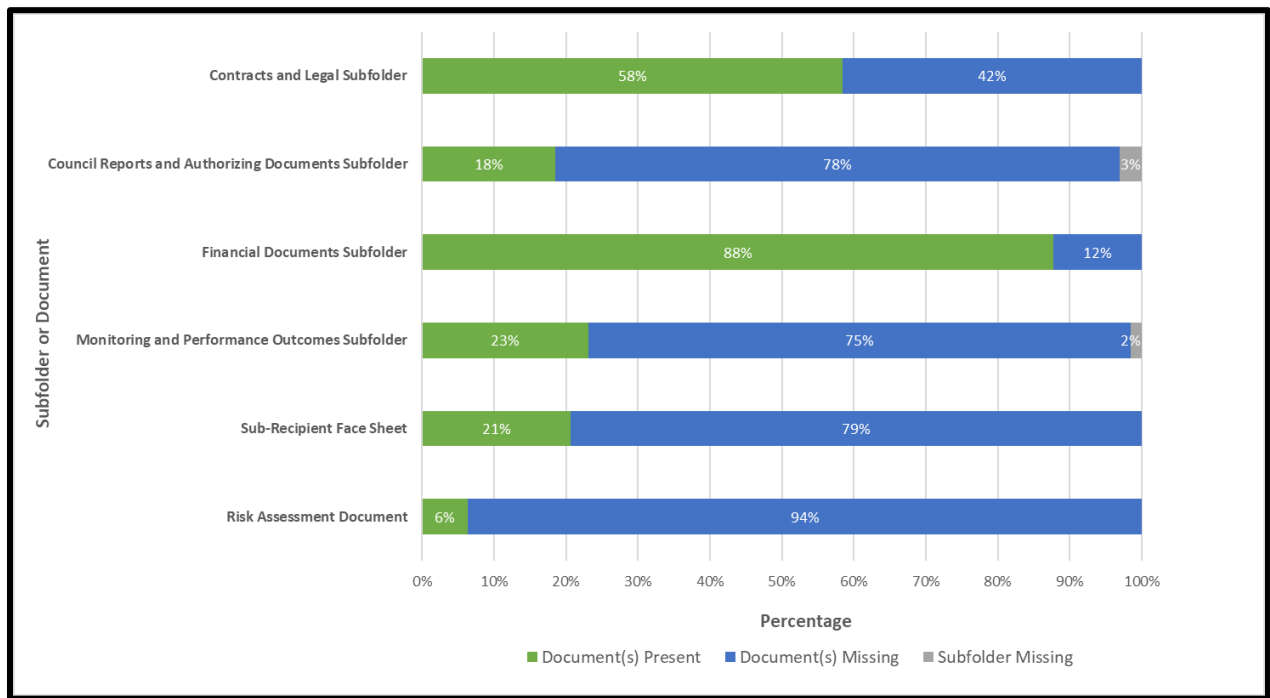
found 52, totaling nearly \$2.1 million, that may be invalid due to an unauthorized individual signing on behalf of the City.

In December 2020, we expressed concerns to the City Manager’s Office regarding the lack of documents uploaded to date. In response, the City Manager’s Office created an updated timeline for program managers to upload documents. For example, the new deadline for uploading procurement documents generated through November 2020 was set as December 23, 2020. In early January 2021, we reviewed 12 of the 34 project folders, approximately 35 percent, in the City’s central COVID-19 document repository to determine if program managers had met the updated deadline. Each project folder contains a subfolder for each vendor associated with that project. Within each vendor folder are four subfolders: Contracts and Legal, Council Reports and Authorizing Documents, Financial Documents, and Monitoring and Performance. Based on this folder structure, our sampling of 12 project folders contained 65 entities¹ with 260 subfolders.

Based on our review, we found that seven of the 34 existing project folders did not contain any vendor folders. Additionally, approximately 52 percent of subfolders in our sample were missing documentation. We also found that most vendor folders did not contain the Sub-Recipient Face Sheet, a key document for program managers to fill out that contains various vendor, financial, and other information such as whether a risk assessment is required. Additionally, we found that most vendor folders did not contain the Risk Assessment Document, a document required for some entities to comply with Federal regulations; while the Risk Assessment Document is not required for all vendors, with 79 percent of Sub-Recipient Face Sheets missing, we could not determine the extent of this impact on compliance with federal regulations. For the purposes of this testing, we only reviewed the folders for the presence of documentation and did not review whether any documentation contained in the folders was sufficient to comply with federal requirements. The results of our review are summarized in the figure below.

¹ Some entities had agreements under more than one project. As such, entities may be counted more than once as they will have a vendor subfolder under each project folder.

Figure 2: Results of Testing for Documentation



Source: Auditor generated based on folder documentation testing.

Note: Sixty-five vendors were reviewed for each subfolder and 63 vendors were reviewed for the Sub-Recipient Face Sheet and Risk Assessment Document; this is because two of the 65 vendors are City departments, which are not required to upload these documents.

To ensure that all projects funded by the CRF had folders in the City’s central COVID-19 document repository, we compared the list of projects in the document repository with two other partial lists of projects funded through CRF. Based on our review, there are 12 CRF-funded projects without project folders in the City’s central COVID-19 document repository. We also tested whether there were missing vendors from the existing project folders in the City’s central COVID-19 document repository. We found at least 47 vendors without folders in the existing project folders.

As more documentation is uploaded, we anticipate reporting the results of compliance testing with procurement policies and regulations in *Assessments of Revenues and Expenditures Associated with the City’s COVID-19 Response – Report No. 3*.

COVID-19 and the City’s Whistleblower Hotline

In addition to conducting continuous monitoring, our office investigates reports of fraud, waste, and abuse related to the COVID-19 pandemic received through the City’s Whistleblower Hotline. The *Assessments of Revenues and Expenditures Associated with the City’s COVID-19 Response – Report No. 1* reported 24 complaints related to COVID-19 as of August 15, 2020. The City’s Whistleblower Hotline has received an additional 11 complaints related to COVID-19 for a cumulative total of 35 COVID-19

complaints received as of December 31, 2020. For complaints that are related to employee health and safety, we refer the information to the City’s Risk Management Division. For complaints related to the public’s health and safety, we refer the information to Sacramento County. Any information referred to another department or agency is referred in compliance with California whistleblower regulations, which require our office protect the identity of the whistleblower.

COVID-19 Business and Resident Community Surveys

On May 12, 2020, the City Council requested the Office of the City Auditor conduct business and resident community surveys to determine the impact of the COVID-19 pandemic on the community. The Office of the City Auditor developed a two-phase approach to surveying the community. Results from the phase one surveys were presented to the City Council on June 16, 2020 and were included in the City Auditor’s *Assessments of Revenues and Expenditures Associated with the City’s COVID-19 Response – Report No. 1*. Phase two survey results were presented to the City Council on September 22, 2020 and are summarized below.

Phase Two COVID-19 Business Community Survey Results

A total of 127 responses were received during the City’s phase two COVID-19 business community survey. The survey was hosted on the City’s Polco online civic engagement platform and was open from July 28, 2020 through August 13, 2020. Figure 3 illustrates key findings from the phase two business community survey. See www.cityofsacramento.org/Auditor/Reports/IBA-Reports for full survey results.

Figure 3: Key Findings From the Phase Two COVID-19 Business Community Survey

Many Sacramento businesses do not feel prepared for the changes to the economy as a result of the pandemic and express uncertainty regarding their future operations.

- About half of surveyed businesses said they were very or somewhat unprepared to meet the needs of the changing economy as a result of COVID-19.
- One-third of businesses thought they could sustain their business less than three months in the partial shutdown, and only 4 in 10 thought they could survive longer than six months.
- About 40% of businesses anticipate that once social-distancing measures are lifted it would take more than 6 months for business to return to pre-COVID levels.

The impacts of COVID-19 on the business community have been immense.

- About 1 in 3 businesses completing the survey were shut down at the time of the survey.
- Declining sales were a concern for most businesses completing the survey and 6 in 10 companies have experienced reductions of greater than 50% in sales.
- Eight in 10 businesses or business owners and operators expect 2020 actual revenues will be at least 25% below projections.
- When asked how much of a problem a variety of potential issues were for their business, the biggest concerns of business owners or managers were financial, with 8 in 10 saying declines in business or sales was a very or extremely serious problem, and 7 in 10 citing difficulties paying the rent, mortgage, or lines of credit for their business.

Sacramento businesses need short-term capital.

- Businesses have pursued federal relief programs more than state or local programs, although 37% of companies reported applying for a City of Sacramento Economic Relief Loan. However, they still have significant financial need given their decreased revenues.
- The strongest interest in assistance was funding to assist with commercial rental or mortgage payments (considered extremely or very important by 76% of respondents) and funding to assist with normal operational expenses, including payroll (74%).
- However, many businesses were also interested in help navigating and applying for various COVID-19 assistance programs (71% said this was extremely or very important).

The decline in business revenues has and will continue to impact Sacramento's workforce.

- Four in 10 businesses reported that they had made significant reductions in their staffing levels. Nearly half (45%) have laid off or anticipate laying off more than 20% of their staff by the end of the next six months.
- Many employers have also made other adjustments that impact employees, such as cutting back hours (69%), reducing wages or salaries (25%), or suspending bonuses or other non-regular pay (29%).

Source: Auditor generated based on phase two COVID-19 Business Survey results.

Phase Two COVID-19 Resident Community Survey Results

A total of 1,208 responses were received for the City's phase two COVID-19 resident community survey. The survey was hosted on the City's Polco online civic engagement platform and was open from July 28, 2020 through August 13, 2020. Figure 4 illustrates key findings from the phase two resident community survey. See www.cityofsacramento.org/Auditor/Reports/IBA-Reports for full survey results.

Figure 4: Key Findings From the Phase Two COVID-19 Resident Community Survey

The coronavirus pandemic has been very disruptive to most residents.

- Seven in 10 respondents said their life has been disrupted a great deal or a lot, and another 2 in 10 had experienced a moderate amount of disruption.
- The impact on household income has been severe for some residents; 15% of respondents said their household income has been more than halved during the stay-at-home order. About one-quarter of respondents had experienced decreases in income of 11% to 40%.
- About 4 in 10 respondents reported having lost their job or had their work hours reduced because of the pandemic.
- About 7 in 10 respondents were optimistic that they could maintain their arrangements for dealing with the stay-at-home order for three or more months. However, about 1 in 10 said the situation was already not sustainable for them, and another 1 in 10 thought they could sustain for only one month or less.

While the financial impacts are severe for some households, many residents are struggling with mental and emotional health during the pandemic.

- About 7 in 10 survey participants consider not knowing when the pandemic will end an extremely serious or very serious problem.
- Feeling nervous, anxious or on edge; not feeling in control; or feelings of loneliness or isolation are each a serious problem for about 5 in 10 respondents.
- For about 4 in 10 households, reduction in employment income or unemployment are serious problems. For 3 in 10 households, the loss of income from retirement savings is a serious problem.

For many families, making arrangements for children is a serious problem.

- Lack of childcare is a serious problem for 3 in 10 respondent households, while helping children with online schooling is a serious problem for 4 in 10 respondent households.
- For summer childcare, respondents in many households were working from home in order to do "double-duty" of child care and working (29%), while another 27% were relying on family support for childcare. About 22% were not sure how they would handle summer child care.

While many residents and households are struggling, many are also taking actions to help the community during this difficult time.

- Seven in 10 respondents reported calling to check in on friends and neighbors, and 4 in 10 respondents made donations to help those impacted by COVID-19.
- Nearly all respondents (93%) said they are staying at home except for essential needs, and 93% said they support the government requiring masks in public.

Many feel it is important for the City of Sacramento to provide assistance to community households.

- The most important assistance desired from the City of Sacramento to help residents cope with the impacts of the pandemic was the provision of timely and accurate information, considered very or extremely important by 84% of respondents. About three-quarters of respondents also desired enforcement of safety guidelines.
- Support for small businesses was a high priority for about 8 in 10 respondents. Six in 10 respondents thought making assistance available for housing payments was an important need, while 6 in 10 also wanted to see the City provide financial assistance for food purchases.
- Continued uninterrupted public safety services were also given high priority (71%) as were mental health services (64%).

Source: Auditor generated based on phase two COVID-19 Resident Community Survey results.

Appendix A: Treasury Coronavirus Relief Fund Guidance and Frequently Asked Questions

Coronavirus Relief Fund Guidance as Published in the Federal Register on January 15, 2021



4182

Federal Register / Vol. 86, No. 10 / Friday, January 15, 2021 / Notices

ADDRESSES: Direct all written comments to Kinna Brewington, Internal Revenue Service, room 6526, 1111 Constitution Avenue NW, Washington, DC 20224.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the form should be directed to Kerry Dennis, at (202) 317-5751 or Internal Revenue Service, Room 6526, 1111 Constitution Avenue NW, Washington DC 20224, or through the internet, at Kerry.Dennis@irs.gov.

SUPPLEMENTARY INFORMATION: Title: Sales of Business Property.

OMB Number: 1545-0184.

Form Number: Form 4797.

Abstract: Form 4797 is used by taxpayers to report sales, exchanges, or involuntary conversions of assets used in a trade or business. It is also used to compute ordinary income from recapture and the recapture of prior year losses under section 1231 of the Internal Revenue Code.

Current Actions: There is no change in the paperwork burden previously approved by OMB. The forms are being submitted for renewal purposes only.

Type of Review: Extension of a currently approved collection.

Affected Public: Business or other for-profit organizations, individuals or households, and farms.

Estimated Number of Respondents: 325,000.

Estimated Time per Response: 50 hours, 38 minutes.

Estimated Total Annual Burden Hours: 16,454,750.

The following paragraph applies to all the collections of information covered by this notice.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained if their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Request for Comments: Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the

quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Approved: January 12, 2021.

Chakinna B. Clemons,
Supervisory Tax Analyst.

[FR Doc. 2021-00841 Filed 1-14-21; 8:45 am]

BILLING CODE 4830-01-P

DEPARTMENT OF THE TREASURY

Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments

AGENCY: Department of the Treasury.

ACTION: Coronavirus Relief Fund program guidance.

SUMMARY: The Department of the Treasury (Treasury) is re-publishing in final form the guidance it previously made available on its website regarding the Coronavirus Relief Fund for States, tribal governments, and certain eligible local governments.

FOR FURTHER INFORMATION CONTACT: Stephen T. Milligan, Deputy Assistant General Counsel (Banking & Finance), 202-622-4051.

SUPPLEMENTARY INFORMATION: Section 601 of the Social Security Act, as added by section 5001(a) of Division A of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion for payments by Treasury to States, tribal governments, and certain local governments.

The Secretary of the Treasury has adopted this guidance for recipients of payments from the Fund pursuant to his authority under the Social Security Act to adopt rules and regulations as may be necessary to the efficient administration of the functions with which he is charged under the Social Security Act. 42 U.S.C. 1302(a). This guidance primarily concerns the use of payments from the Fund set forth in section 601(d) of the Social Security Act. Treasury's Office of Inspector General (OIG) will use this guidance in its audits of recipients' use of funds. Section 601(f)(2) of the Social Security Act provides that if the Treasury OIG determines that a recipient of payments from the Fund has failed to comply with the use of funds provisions of section

601(d), the amount equal to the amount of funds used in violation of such subsection shall be booked as a debt of such entity owed to the federal government.

The guidance published below is unchanged from the last version of the guidance dated September 2, 2020,¹ and the frequently asked questions document dated October 19, 2020,² each of which was published on Treasury's website, except for the following changes. The introduction of the guidance and frequently asked questions have been modified to reflect this publication in the **Federal Register**; the guidance and frequently asked questions have been revised throughout to reflect that the end date of the period during which eligible expenses may be incurred has been extended to December 31, 2021;³ footnote 2 of the guidance has been revised to reflect additional restrictions imposed by section 5001(b) of Division A of the CARES Act; FAQ A.59 has been updated to correct the cross-reference to Treasury OIG's FAQs; and the application of FAQ B.6 has been clarified. Treasury is also adding to the guidance instructions regarding the return to Treasury of unused Coronavirus Relief Fund payments.

Administrative Procedure Act

The Administrative Procedure Act (APA) provides that the notice, public comment, and delayed effective date requirements of 5 U.S.C. 553 do not apply "to the extent that there is involved . . . a matter relating to agency management or personnel or to public property, loans, grants, benefits, or contracts." 5 U.S.C. 553(a). The rule involves a matter relating to public property, loans, grants, benefits, or contracts and is therefore exempt under the terms of the APA.

¹ As noted previously on Treasury's website, on June 30, 2020, the guidance provided under "Costs incurred during the period that begins on March 1, 2020, and ends on December 30, 2020" was updated. On September 2, 2020, the "Supplemental Guidance on Use of Funds to Cover Payroll and Benefits of Public Employees" and "Supplemental Guidance on Use of Funds to Cover Administrative Costs" sections were added.

² As noted previously on Treasury's website, on August 10, 2020, the frequently asked questions were revised to add Questions A.49-52. On September 2, 2020, Questions A.53-56 were added and Questions A.34 and A.38 were revised. On October 19, 2020, Questions A.57-59 and B.13 were added and Questions A.42, 49, and 53 were revised.

³ Section 1001 of Division N of the Consolidated Appropriations Act, 2021 amended section 601(d)(3) of the Social Security Act by extending the end of the covered period for Coronavirus Relief Fund expenditures from December 30, 2020 to December 31, 2021.

Regulatory Flexibility Analysis

The Regulatory Flexibility Act does not apply to a rulemaking when a general notice of proposed rulemaking is not required.

Paperwork Reduction Act

The final rule contains no requirements subject to the Paperwork Reduction Act.

Authority and Issuance

42 U.S.C. 1302(a).

Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments

The purpose of this document is to provide guidance to recipients of the funding available under section 601(a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion to the Fund. Under the CARES Act, the Fund is to be used to make payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories (consisting of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands); and Tribal governments.

The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.¹

The guidance that follows sets forth the Department of the Treasury's interpretation of these limitations on the permissible use of Fund payments.

Necessary Expenditures Incurred Due to the Public Health Emergency

The requirement that expenditures be incurred "due to" the public health emergency means that expenditures must be used for actions taken to respond to the public health emergency.

¹ See Section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act and as amended by section 1001 of Division N of the Consolidated Appropriations Act, 2021.

These may include expenditures incurred to allow the State, territorial, local, or Tribal government to respond directly to the emergency, such as by addressing medical or public health needs, as well as expenditures incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures. Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments.

The statute also specifies that expenditures using Fund payments must be "necessary." The Department of the Treasury understands this term broadly to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.

Costs Not Accounted for in the Budget Most Recently Approved as of March 27, 2020

The CARES Act also requires that payments be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020. A cost meets this requirement if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget or (b) the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation.

The "most recently approved" budget refers to the enacted budget for the relevant fiscal period for the particular government, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to the COVID-19 public health emergency. A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund, or similar reserve account.

Costs Incurred During the Period That Begins on March 1, 2020, and Ends on December 31, 2021

Finally, the CARES Act provides that payments from the Fund may only be used to cover costs that were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021 (the "covered period"). Putting this requirement together with the other provisions discussed above, section

601(d) may be summarized as providing that a State, local, or tribal government may use payments from the Fund only to cover previously unbudgeted costs of necessary expenditures incurred due to the COVID-19 public health emergency during the covered period.

Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Upon further consideration and informed by an understanding of State, local, and tribal government practices, Treasury is clarifying that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred). For instance, in the case of a lease of equipment or other property, irrespective of when payment occurs, the cost of a lease payment shall be considered to have been incurred for the period of the lease that is within the covered period but not otherwise. Furthermore, in all cases it must be necessary that performance or delivery take place during the covered period. Thus the cost of a good or service received during the covered period will not be considered eligible under section 601(d) if there is no need for receipt until after the covered period has expired.

Goods delivered in the covered period need not be used during the covered period in all cases. For example, the cost of a good that must be delivered in December in order to be available for use in January could be covered using payments from the Fund. Additionally, the cost of goods purchased in bulk and delivered during the covered period may be covered using payments from the Fund if a portion of the goods is ordered for use in the covered period, the bulk purchase is consistent with the recipient's usual procurement policies and practices, and it is impractical to track and record when the items were used. A recipient may use payments from the Fund to purchase a durable good that is to be used during the current period and in subsequent periods if the acquisition in the covered period was necessary due to the public health emergency.

Given that it is not always possible to estimate with precision when a good or service will be needed, the touchstone in assessing the determination of need for a good or service during the covered period will be reasonableness at the time delivery or performance was sought, e.g., the time of entry into a procurement contract specifying a time

for delivery. Similarly, in recognition of the likelihood of supply chain disruptions and increased demand for certain goods and services during the COVID-19 public health emergency, if a recipient enters into a contract requiring the delivery of goods or performance of services by December 31, 2021, the failure of a vendor to complete delivery or services by December 31, 2021, will not affect the ability of the recipient to use payments from the Fund to cover the cost of such goods or services if the delay is due to circumstances beyond the recipient's control.

This guidance applies in a like manner to costs of subrecipients. Thus, a grant or loan, for example, provided by a recipient using payments from the Fund must be used by the subrecipient only to purchase (or reimburse a purchase of) goods or services for which receipt both is needed within the covered period and occurs within the covered period. The direct recipient of payments from the Fund is ultimately responsible for compliance with this limitation on use of payments from the Fund.

Nonexclusive Examples of Eligible Expenditures

Eligible expenditures include, but are not limited to, payment for:

1. Medical expenses such as:
 - COVID-19-related expenses of public hospitals, clinics, and similar facilities.
 - Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs.
 - Costs of providing COVID-19 testing, including serological testing.
 - Emergency medical response expenses, including emergency medical transportation, related to COVID-19.
 - Expenses for establishing and operating public telemedicine capabilities for COVID-19-related treatment.
2. Public health expenses such as:
 - Expenses for communication and enforcement by State, territorial, local, and Tribal governments of public health orders related to COVID-19.
 - Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection

with the COVID-19 public health emergency.

- Expenses for disinfection of public areas and other facilities, *e.g.*, nursing homes, in response to the COVID-19 public health emergency.
 - Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety.
 - Expenses for public safety measures undertaken in response to COVID-19.
 - Expenses for quarantining individuals.
3. Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
 4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:
 - Expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 public health precautions.
 - Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions.
 - Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.
 - Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions.
 - COVID-19-related expenses of maintaining state prisons and county jails, including as relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions.
 - Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.
 5. Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, such as:
 - Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.
 - Expenditures related to a State, territorial, local, or Tribal government payroll support program.
 - Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.

6. Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

Nonexclusive Examples of Ineligible Expenditures²

The following is a list of examples of costs that would not be eligible expenditures of payments from the Fund.

1. Expenses for the State share of Medicaid.³
2. Damages covered by insurance.
3. Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

²In addition, pursuant to section 5001(b) of Division A of the CARES Act, payments from the Fund are subject to the requirements contained in the Further Appropriations Act of 2020 (Pub. L. 116-94) for funds for programs authorized under section 330 through 340 of the Public Health Service Act (42 U.S.C. 254 through 256). Section 5001(b) thereby applies to payments from the Fund the general restrictions on the Department of Health and Human Services' appropriations. Of particular relevance for the Fund, payments may not be expended for an abortion, for health benefits coverage—meaning a package of services covered by a managed health care provider or organization pursuant to a contract or other arrangement—that includes coverage of abortion, for the creation of a human embryo or embryos for research purposes, or for research in which a human embryo is destroyed, discarded, or knowingly subjected to risk of injury or death greater than that allowed for research on fetuses in utero under 45 CFR 46.204(b) and 42 U.S.C. 289g(b). The prohibition on payment for abortions and health benefits coverage that includes coverage of abortion does not apply to an abortion if the pregnancy is the result of an act of rape or incest; or in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed. These provisions do not prohibit the expenditure by a State, locality, entity, or private person of State, local, or private funds (other than a State's or locality's contribution of Medicaid matching funds). These provisions do not restrict the ability of a managed care provider from offering abortion coverage or the ability of a State or locality to contract separately with such a provider for such coverage with State funds (other than a State's or locality's contribution of Medicaid matching funds). Furthermore, no government which receives payments from the Fund may discriminate against a health care entity on the basis that the entity does not provide, pay for, provide coverage of, or refer for abortions. Except with respect to certain law enforcement and adjudication activities, no funds may be used to maintain or establish a computer network unless such network blocks the viewing, downloading, and exchanging of pornography. No payments from the Fund may be provided to the Association of Community Organizations for Reform Now (ACORN) or any of its affiliates, subsidiaries, allied organizations, or successors. For the full text of these requirements, see Title V of Public Law 116-94 (133 Stat. 2605 *et seq.*), available at <https://www.congress.gov/116/plaws/publ94/PLAW-116publ94.pdf>.

³ See 42 CFR 433.51 and 45 CFR 75.306.

4. Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.

5. Reimbursement to donors for donated items or services.

6. Workforce bonuses other than hazard pay or overtime.

7. Severance pay.

8. Legal settlements.

Supplemental Guidance on Use of Funds To Cover Payroll and Benefits of Public Employees

As discussed in the Guidance above, the CARES Act provides that payments from the Fund must be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020. As reflected in the Guidance and FAQs, Treasury has not interpreted this provision to limit eligible costs to those that are incremental increases above amounts previously budgeted. Rather, Treasury has interpreted this provision to exclude items that were already covered for their original use (or a substantially similar use). This guidance reflects the intent behind the Fund, which was not to provide general fiscal assistance to state governments but rather to assist them with COVID-19-related necessary expenditures. With respect to personnel expenses, though the Fund was not intended to be used to cover government payroll expenses generally, the Fund was intended to provide assistance to address increased expenses, such as the expense of hiring new personnel as needed to assist with the government's response to the public health emergency and to allow recipients facing budget pressures not to have to lay off or furlough employees who would be needed to assist with that purpose.

Substantially Different Use

As stated in the Guidance above, Treasury considers the requirement that payments from the Fund be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020, to be met if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget or (b) the cost is for a *substantially different use* from any expected use of funds in such a line item, allotment, or allocation.

Treasury has provided examples as to what would constitute a substantially different use. Treasury provided (in FAQ A.3) that costs incurred for a substantially different use would

include, for example, the costs of redeploying educational support staff or faculty to develop online learning capabilities, such as through providing information technology support that is not part of the staff or faculty's ordinary responsibilities.

Substantially Dedicated

Within this category of substantially different uses, as stated in the Guidance above, Treasury has included payroll and benefits expenses for public safety, public health, health care, human services, and similar employees whose services are *substantially dedicated* to mitigating or responding to the COVID-19 public health emergency. The *full amount* of payroll and benefits expenses of substantially dedicated employees may be covered using payments from the Fund. Treasury has not developed a precise definition of what "substantially dedicated" means given that there is not a precise way to define this term across different employment types. The relevant unit of government should maintain documentation of the "substantially dedicated" conclusion with respect to its employees.

If an employee is not substantially dedicated to mitigating or responding to the COVID-19 public health emergency, his or her payroll and benefits expenses may not be covered *in full* with payments from the Fund. A *portion* of such expenses may be able to be covered, however, as discussed below.

Public Health and Public Safety

In recognition of the particular importance of public health and public safety workers to State, local, and tribal government responses to the public health emergency, Treasury has provided, as an administrative accommodation, that a State, local, or tribal government may presume that public health and public safety employees meet the substantially dedicated test, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise. This means that, if this presumption applies, work performed by such employees is considered to be a substantially different use than accounted for in the most recently approved budget as of March 27, 2020. All costs of such employees may be covered using payments from the Fund for services provided during the period that begins on March 1, 2020, and ends on December 31, 2021.

In response to questions regarding which employees are within the scope of this accommodation, Treasury is supplementing this guidance to clarify

that public safety employees would include police officers (including state police officers), sheriffs and deputy sheriffs, firefighters, emergency medical responders, correctional and detention officers, and those who directly support such employees such as dispatchers and supervisory personnel. Public health employees would include employees involved in providing medical and other health services to patients and supervisory personnel, including medical staff assigned to schools, prisons, and other such institutions, and other support services essential for patient care (e.g., laboratory technicians) as well as employees of public health departments directly engaged in matters related to public health and related supervisory personnel.

Not Substantially Dedicated

As provided in FAQ A.47, a State, local, or tribal government may also track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department. This means, for example, that a government could cover payroll expenses allocated on an hourly basis to employees' time dedicated to mitigating or responding to the COVID-19 public health emergency. This result provides equitable treatment to governments that, for example, instead of having a few employees who are substantially dedicated to the public health emergency, have many employees who have a minority of their time dedicated to the public health emergency.

Covered Benefits

Payroll and benefits of a substantially dedicated employee may be covered using payments from the Fund to the extent incurred between March 1 and December 31, 2021.

Payroll includes certain hazard pay and overtime, but not workforce bonuses. As discussed in FAQ A.29, hazard pay may be covered using payments from the Fund if it is provided for performing hazardous duty or work involving physical hardship that in each case is related to COVID-19. This means that, whereas payroll and benefits of an employee who is substantially dedicated to mitigating or responding to the COVID-19 public health emergency may generally be covered in full using payments from the Fund, hazard pay specifically may only be covered to the extent it is related to COVID-19. For example, a recipient may use payments from the Fund to cover hazard pay for a police officer coming in close contact with members of the public to enforce public health or

public safety orders, but across-the-board hazard pay for all members of a police department regardless of their duties would not be able to be covered with payments from the Fund. This position reflects the statutory intent discussed above: the Fund was intended to be used to help governments address the public health emergency both by providing funds for incremental expenses (such as hazard pay related to COVID-19) and to allow governments not to have to furlough or lay off employees needed to address the public health emergency but was not intended to provide across-the-board budget support (as would be the case if hazard pay regardless of its relation to COVID-19 or workforce bonuses were permitted to be covered using payments from the Fund).

Relatedly, both hazard pay and overtime pay for employees that are not substantially dedicated may only be covered using the Fund if the hazard pay and overtime pay is for COVID-19-related duties. As discussed above, governments may allocate payroll and benefits of such employees with respect to time worked on COVID-19-related matters.

Covered benefits include, but are not limited to, the costs of all types of leave (vacation, family-related, sick, military, bereavement, sabbatical, jury duty), employee insurance (health, life, dental, vision), retirement (pensions, 401(k)), unemployment benefit plans (federal and state), workers compensation insurance, and Federal Insurance Contributions Act (FICA) taxes (which includes Social Security and Medicare taxes).

Supplemental Guidance on Use of Funds To Cover Administrative Costs

General

Payments from the Fund are not administered as part of a traditional grant program and the provisions of the Uniform Guidance, 2 CFR part 200, that

are applicable to indirect costs do not apply. Recipients may not apply their indirect costs rates to payments received from the Fund.

Recipients may, if they meet the conditions specified in the guidance for tracking time consistently across a department, use payments from the Fund to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID-19 public health emergency. (In other words, such costs would be eligible direct costs of the recipient). This includes, but is not limited to, costs related to disbursing payments from the Fund and managing new grant programs established using payments from the Fund.

As with any other costs to be covered using payments from the Fund, any such administrative costs must be incurred by December 31, 2021, with an exception for certain compliance costs as discussed below. Furthermore, as discussed in the Guidance above, as with any other cost, an administrative cost that has been or will be reimbursed under any federal program may not be covered with the Fund. For example, if an administrative cost is already being covered as a direct or indirect cost pursuant to another federal grant, the Fund may not be used to cover that cost.

Compliance Costs Related to the Fund

As previously stated in FAQ B.11, recipients are permitted to use payments from the Fund to cover the expenses of an audit conducted under the Single Audit Act, subject to the limitations set forth in 2 CFR 200.425. Pursuant to that provision of the Uniform Guidance, recipients and subrecipients subject to the Single Audit Act may use payments from the Fund to cover a reasonably proportionate share of the costs of audits attributable to the Fund.

To the extent a cost is incurred by December 31, 2021, for an eligible use consistent with section 601 of the Social

Security Act and Treasury's guidance, a necessary administrative compliance expense that relates to such underlying cost may be incurred after December 31, 2021. Such an expense would include, for example, expenses incurred to comply with the Single Audit Act and reporting and recordkeeping requirements imposed by the Office of Inspector General. A recipient with such necessary administrative expenses, such as an ongoing audit continuing past December 31, 2021, that relates to Fund expenditures incurred during the covered period, must report to the Treasury Office of Inspector General by the quarter ending September 2022 an estimate of the amount of such necessary administrative expenses.

Instructions for State, Territorial, Local, and Tribal Governments To Return Unused Coronavirus Relief Fund Payments to the Department of the Treasury

Any remaining amount of payments from the Fund not used for eligible expenses incurred during the covered period must be returned to Treasury in one of three ways, set forth below.

Please note that these instructions are for Fund recipients to return the balance of unused Fund payments to Treasury. If the Treasury Office of Inspector General determines that a Fund recipient has failed to comply with the use restrictions set forth in section 601(d) of the Social Security Act, the Fund recipient should follow the instructions provided by the Treasury Office of Inspector General for satisfaction of the related debt rather than following these instructions.

1. *Fedwire receipts*—Treasury can accept Fedwire payments for the return of funds to Treasury.

Please provide the following instructions to your Financial Institution for the remittance of Fedwire payments to the *Department of the Treasury*.

FEDWIRE INSTRUCTIONS

Fedwire field tag	Fedwire field name	Required Information
{1510}	Type/Subtype	1000
{2000}	Amount	(enter payment amount)
{3400}	Receiver ABA routing number *	021030004
{3400}	Receiver ABA short name	TREAS NYC
{3600}	Business Function Code	CTR
{4200}	Beneficiary Identifier (account number)	B20010001000
{4200}	Beneficiary Name	DEPARTMENT OF THE TREASURY
{5000}	Originator	(enter the name of the originator of the payment)
{6000}	Originator to Beneficiary Information—Line 1	(enter information to identify the purpose of the payment)
{6000}	Originator to Beneficiary Information—Line 2	(enter information to identify the purpose of the payment)
{6000}	Originator to Beneficiary Information—Line 3	(enter information to identify the purpose of the payment)

FEDWIRE INSTRUCTIONS—Continued

Fedwire field tag	Fedwire field name	Required information
(6000)	Originator to Beneficiary information—Line 4	(enter information to identify the purpose of the payment)

* The financial institution address for Treasury's routing number is 33 Liberty Street, New York, NY 10045.

2. ACH receipts—Treasury can accept ACH payment for the return of funds to Treasury.

Please provide the following instructions to your Financial Institution for the remittance of

Automated Clearing House (ACH) credits to the Department of the Treasury.

ACH CREDIT INSTRUCTIONS

NACHA record type code	NACHA field	NACHA data element name	Required information
5	3	Company Name	(enter the name of the payor)
5	6	Standard Entry Class Code	CCD
5	9	Effective Entry Date	(enter intended settlement date)
6	2	Transaction Code*	22
6	3 & 4	Receiving DFI Identification (ABA routing #)	051036706
6	5	DFI Account Number	820010001000
6	6	Amount	(enter payment amount)
6	8	Receiving Company Name	Department of the Treasury

* ACH debits are not permitted to this ABA routing number. All debits received will be automatically returned.

3. Check receipts (not preferred)—Checks may be sent to one of the following addresses (depending on the method of delivery).

U.S. MAIL/PARCEL DELIVERY ADDRESS

U.S. Mail address—processing	Parcel delivery address—processing
Fiscal Accounting Program, Admin & Training Group. Avery Street A3-G, Bureau of the Fiscal Service, P.O. Box 1328, Parkersburg, WV 26106-1328.	Fiscal Accounting Program, Admin & Training Group. Avery Street A3-G, Fiscal Service Warehouse & Operations Center Dock 1, 257 Bosley Industrial Park Drive, Parkersburg WV 26106.

Frequently Asked Questions

The following answers to frequently asked questions supplement Treasury's Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments.

A. Eligible Expenditures

1. Are governments required to submit proposed expenditures to Treasury for approval?

No. Governments are responsible for making determinations as to what expenditures are necessary due to the public health emergency with respect to COVID-19 and do not need to submit any proposed expenditures to Treasury.

2. The Guidance says that funding can be used to meet payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. How does a government determine whether payroll expenses for a given employee satisfy the "substantially dedicated" condition?

The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, a State, territorial, local, or Tribal government may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise.

3. The Guidance says that a cost was not accounted for in the most recently approved budget if the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation. What would qualify as a "substantially different use" for purposes of the Fund eligibility?

Costs incurred for a "substantially different use" include, but are not

necessarily limited to, costs of personnel and services that were budgeted for in the most recently approved budget but which, due entirely to the COVID-19 public health emergency, have been diverted to substantially different functions. This would include, for example, the costs of redeploying corrections facility staff to enable compliance with COVID-19 public health precautions through work such as enhanced sanitation or enforcing social distancing measures; the costs of redeploying police to support management and enforcement of stay-at-home orders; or the costs of diverting educational support staff or faculty to develop online learning capabilities, such as through providing information technology support that is not part of the staff or faculty's ordinary responsibilities.

Note that a public function does not become a "substantially different use" merely because it is provided from a different location or through a different manner. For example, although developing online instruction capabilities may be a substantially different use of funds, online instruction itself is not a substantially different use of public funds than classroom instruction.

4. May a State receiving a payment transfer funds to a local government?

Yes, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security

Act. Such funds would be subject to recoupment by the Treasury Department if they have not been used in a manner consistent with section 601(d) of the Social Security Act.

5. May a unit of local government receiving a Fund payment transfer funds to another unit of government?

Yes. For example, a county may transfer funds to a city, town, or school district within the county and a county or city may transfer funds to its State, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. For example, a transfer from a county to a constituent city would not be permissible if the funds were intended to be used simply to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify as an eligible expenditure.

6. Is a Fund payment recipient required to transfer funds to a smaller, constituent unit of government within its borders?

No. For example, a county recipient is not required to transfer funds to smaller cities within the county's borders.

7. Are recipients required to use other federal funds or seek reimbursement under other federal programs before using Fund payments to satisfy eligible expenses?

No. Recipients may use Fund payments for any expenses eligible under section 601(d) of the Social Security Act outlined in the Guidance. Fund payments are not required to be used as the source of funding of last resort. However, as noted below, recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement.

8. Are there prohibitions on combining a transaction supported with Fund payments with other CARES Act funding or COVID-19 relief Federal funding?

Recipients will need to consider the applicable restrictions and limitations of such other sources of funding. In addition, expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds, are not eligible uses of Fund payments.

9. Are States permitted to use Fund payments to support state unemployment insurance funds generally?

To the extent that the costs incurred by a state unemployment insurance fund are incurred due to the COVID-19 public health emergency, a State may use Fund payments to make payments to its respective state unemployment insurance fund, separate and apart from such State's obligation to the unemployment insurance fund as an employer. This will permit States to use Fund payments to prevent expenses related to the public health emergency from causing their state unemployment insurance funds to become insolvent.

10. Are recipients permitted to use Fund payments to pay for unemployment insurance costs incurred by the recipient as an employer?

Yes, Fund payments may be used for unemployment insurance costs incurred by the recipient as an employer (for example, as a reimbursing employer) related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.

11. The Guidance states that the Fund may support a "broad range of uses" including payroll expenses for several classes of employees whose services are "substantially dedicated to mitigating or responding to the COVID-19 public health emergency." What are some examples of types of covered employees?

The Guidance provides examples of broad classes of employees whose payroll expenses would be eligible expenses under the Fund. These classes of employees include public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. Payroll and benefit costs associated with public employees who could have been furloughed or otherwise laid off but who were instead repurposed to perform previously unbudgeted functions substantially dedicated to mitigating or responding to the COVID-19 public health emergency are also covered. Other eligible expenditures include payroll and benefit costs of educational support staff or faculty responsible for developing online learning capabilities necessary to continue educational instruction in response to COVID-19-related school closures. Please see the Guidance for a discussion of what is

meant by an expense that was not accounted for in the budget most recently approved as of March 27, 2020.

12. In some cases, first responders and critical health care workers that contract COVID-19 are eligible for workers' compensation coverage. Is the cost of this expanded workers compensation coverage eligible?

Increased workers compensation cost to the government due to the COVID-19 public health emergency incurred during the period beginning March 1, 2020, and ending December 31, 2021, is an eligible expense.

13. If a recipient would have decommissioned equipment or not renewed a lease on particular office space or equipment but decides to continue to use the equipment or to renew the lease in order to respond to the public health emergency, are the costs associated with continuing to operate the equipment or the ongoing lease payments eligible expenses?

Yes. To the extent the expenses were previously unbudgeted and are otherwise consistent with section 601(d) of the Social Security Act outlined in the Guidance, such expenses would be eligible.

14. May recipients provide stipends to employees for eligible expenses (for example, a stipend to employees to improve telework capabilities) rather than require employees to incur the eligible cost and submit for reimbursement?

Expenditures paid for with payments from the Fund must be limited to those that are necessary due to the public health emergency. As such, unless the government were to determine that providing assistance in the form of a stipend is an administrative necessity, the government should provide such assistance on a reimbursement basis to ensure as much as possible that funds are used to cover only eligible expenses.

15. May Fund payments be used for COVID-19 public health emergency recovery planning?

Yes. Expenses associated with conducting a recovery planning project or operating a recovery coordination office would be eligible, if the expenses otherwise meet the criteria set forth in section 601(d) of the Social Security Act outlined in the Guidance.

16. Are expenses associated with contact tracing eligible?

Yes, expenses associated with contact tracing are eligible.

17. To what extent may a government use Fund payments to support the operations of private hospitals?

Governments may use Fund payments to support public or private hospitals to the extent that the costs are necessary expenditures incurred due to the COVID-19 public health emergency, but the form such assistance would take may differ. In particular, financial assistance to private hospitals could take the form of a grant or a short-term loan.

18. May payments from the Fund be used to assist individuals with enrolling in a government benefit program for those who have been laid off due to COVID-19 and thereby lost health insurance?

Yes. To the extent that the relevant government official determines that these expenses are necessary and they meet the other requirements set forth in section 601(d) of the Social Security Act outlined in the Guidance, these expenses are eligible.

19. May recipients use Fund payments to facilitate livestock depopulation incurred by producers due to supply chain disruptions?

Yes, to the extent these efforts are deemed necessary for public health reasons or as a form of economic support as a result of the COVID-19 health emergency.

20. Would providing a consumer grant program to prevent eviction and assist in preventing homelessness be considered an eligible expense?

Yes, assuming that the recipient considers the grants to be a necessary expense incurred due to the COVID-19 public health emergency and the grants meet the other requirements for the use of Fund payments under section 601(d) of the Social Security Act outlined in the Guidance. As a general matter, providing assistance to recipients to enable them to meet property tax requirements would not be an eligible use of funds, but exceptions may be made in the case of assistance designed to prevent foreclosures.

21. May recipients create a "payroll support program" for public employees?

Use of payments from the Fund to cover payroll or benefits expenses of public employees are limited to those employees whose work duties are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

22. *May recipients use Fund payments to cover employment and training programs for employees that have been furloughed due to the public health emergency?*

Yes, this would be an eligible expense if the government determined that the costs of such employment and training programs would be necessary due to the public health emergency.

23. *May recipients use Fund payments to provide emergency financial assistance to individuals and families directly impacted by a loss of income due to the COVID-19 public health emergency?*

Yes, if a government determines such assistance to be a necessary expenditure. Such assistance could include, for example, a program to assist individuals with payment of overdue rent or mortgage payments to avoid eviction or foreclosure or unforeseen financial costs for funerals and other emergency individual needs. Such assistance should be structured in a manner to ensure as much as possible, within the realm of what is administratively feasible, that such assistance is necessary.

24. The Guidance provides that eligible expenditures may include expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures. What is meant by a "small business," and is the Guidance intended to refer only to expenditures to cover administrative expenses of such a grant program?

Governments have discretion to determine what payments are necessary. A program that is aimed at assisting small businesses with the costs of business interruption caused by required closures should be tailored to assist those businesses in need of such assistance. The amount of a grant to a small business to reimburse the costs of business interruption caused by required closures would also be an eligible expenditure under section 601(d) of the Social Security Act, as outlined in the Guidance.

25. The Guidance provides that expenses associated with the provision of economic support in connection with the public health emergency, such as expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures, would constitute eligible expenditures of Fund payments. Would such expenditures be eligible in the absence of a stay-at-home order?

Fund payments may be used for economic support in the absence of a stay-at-home order if such expenditures are determined by the government to be necessary. This may include, for example, a grant program to benefit small businesses that close voluntarily to promote social distancing measures or that are affected by decreased customer demand as a result of the COVID-19 public health emergency.

26. May Fund payments be used to assist impacted property owners with the payment of their property taxes?

Fund payments may not be used for government revenue replacement, including the provision of assistance to meet tax obligations.

27. *May Fund payments be used to replace foregone utility fees? If not, can Fund payments be used as a direct subsidy payment to all utility account holders?*

Fund payments may not be used for government revenue replacement, including the replacement of unpaid utility fees. Fund payments may be used for subsidy payments to electricity account holders to the extent that the subsidy payments are deemed by the recipient to be necessary expenditures incurred due to the COVID-19 public health emergency and meet the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. For example, if determined to be a necessary expenditure, a government could provide grants to individuals facing economic hardship to allow them to pay their utility fees and thereby continue to receive essential services.

28. *Could Fund payments be used for capital improvement projects that broadly provide potential economic development in a community?*

In general, no. If capital improvement projects are not necessary expenditures incurred due to the COVID-19 public health emergency, then Fund payments may not be used for such projects.

However, Fund payments may be used for the expenses of, for example, establishing temporary public medical facilities and other measures to increase

COVID-19 treatment capacity or improve mitigation measures, including related construction costs.

29. The Guidance includes workforce bonuses as an example of ineligible expenses but provides that hazard pay would be eligible if otherwise determined to be a necessary expense. Is there a specific definition of "hazard pay"?

Hazard pay means additional pay for performing hazardous duty or work involving physical hardship, in each case that is related to COVID-19.

30. The Guidance provides that ineligible expenditures include "[p]ayroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency." Is this intended to relate only to public employees?

Yes. This particular nonexclusive example of an ineligible expenditure relates to public employees. A recipient would not be permitted to pay for payroll or benefit expenses of private employees and any financial assistance (such as grants or short-term loans) to private employers are not subject to the restriction that the private employers' employees must be substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

31. *May counties pre-pay with CARES Act funds for expenses such as a one or two-year facility lease, such as to house staff hired in response to COVID-19?*

A government should not make prepayments on contracts using payments from the Fund to the extent that doing so would not be consistent with its ordinary course policies and procedures.

32. *Must a stay-at-home order or other public health mandate be in effect in order for a government to provide assistance to small businesses using payments from the Fund?*

No. The Guidance provides, as an example of an eligible use of payments from the Fund, expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures. Such assistance may be provided using amounts received from the Fund in the absence of a requirement to close businesses if the relevant government determines that such expenditures are necessary in response to the public health emergency.

33. Should States receiving a payment transfer funds to local governments that did not receive payments directly from Treasury?

Yes, provided that the transferred funds are used by the local government for eligible expenditures under the statute. To facilitate prompt distribution of Title V funds, the CARES Act authorized Treasury to make direct payments to local governments with populations in excess of 500,000, in amounts equal to 45% of the local government's per capita share of the statewide allocation. This statutory structure was based on a recognition that it is more administratively feasible to rely on States, rather than the federal government, to manage the transfer of funds to smaller local governments. Consistent with the needs of all local governments for funding to address the public health emergency, States should transfer funds to local governments with populations of 500,000 or less, using as a benchmark the per capita allocation formula that governs payments to larger local governments. This approach will ensure equitable treatment among local governments of all sizes.

For example, a State received the minimum \$1.25 billion allocation and had one county with a population over 500,000 that received \$250 million directly. The State should distribute 45 percent of the \$1 billion it received, or \$450 million, to local governments within the State with a population of 500,000 or less.

34. May a State impose restrictions on transfers of funds to local governments?

Yes, to the extent that the restrictions facilitate the State's compliance with the requirements set forth in section 601(d) of the Social Security Act outlined in the Guidance and other applicable requirements such as the Single Audit Act, discussed below. Other restrictions, such as restrictions on reopening that do not directly concern the use of funds, are not permissible.

35. If a recipient must issue tax anticipation notes (TANs) to make up for tax due date deferrals or revenue shortfalls, are the expenses associated with the issuance eligible uses of Fund payments?

If a government determines that the issuance of TANs is necessary due to the COVID-19 public health emergency, the government may expend payments from the Fund on the interest expense payable on TANs by the borrower and unbudgeted administrative and transactional costs, such as necessary

payments to advisors and underwriters, associated with the issuance of the TANs.

36. May recipients use Fund payments to expand rural broadband capacity to assist with distance learning and telework?

Such expenditures would only be permissible if they are necessary for the public health emergency. The cost of projects that would not be expected to increase capacity to a significant extent until the need for distance learning and telework have passed due to this public health emergency would not be necessary due to the public health emergency and thus would not be eligible uses of Fund payments.

37. Are costs associated with increased solid waste capacity an eligible use of payments from the Fund?

Yes, costs to address increase in solid waste as a result of the public health emergency, such as relates to the disposal of used personal protective equipment, would be an eligible expenditure.

38. May payments from the Fund be used to cover across-the-board hazard pay for employees working during a state of emergency?

No. Hazard pay means additional pay for performing hazardous duty or work involving physical hardship, in each case that is related to COVID-19. Payments from the fund may only be used to cover such hazard pay.

39. May Fund payments be used for expenditures related to the administration of Fund payments by a State, territorial, local, or Tribal government?

Yes, if the administrative expenses represent an increase over previously budgeted amounts and are limited to what is necessary. For example, a State may expend Fund payments on necessary administrative expenses incurred with respect to a new grant program established to disburse amounts received from the Fund.

40. May recipients use Fund payments to provide loans?

Yes, if the loans otherwise qualify as eligible expenditures under section 601(d) of the Social Security Act as implemented by the Guidance. Any amounts repaid by the borrower before December 31, 2021, must be either returned to Treasury upon receipt by the unit of government providing the loan or used for another expense that qualifies as an eligible expenditure under section 601(d) of the Social

Security Act. Any amounts not repaid by the borrower until after December 31, 2021, must be returned to Treasury upon receipt by the unit of government lending the funds.

41. May Fund payments be used for expenditures necessary to prepare for a future COVID-19 outbreak?

Fund payments may be used only for expenditures necessary to address the current COVID-19 public health emergency. For example, a State may spend Fund payments to create a reserve of personal protective equipment or develop increased intensive care unit capacity to support regions in its jurisdiction not yet affected, but likely to be impacted by the current COVID-19 pandemic.

42. May funds be used to satisfy non-federal matching requirements under the Stafford Act?

Yes, payments from the Fund may be used to meet the non-federal matching requirements for Stafford Act assistance, including FEMA's Emergency Management Performance Grant (EMPG) and EMPG Supplemental programs, to the extent such matching requirements entail COVID-19-related costs that otherwise satisfy the Fund's eligibility criteria and the Stafford Act. Regardless of the use of Fund payments for such purposes, FEMA funding is still dependent on FEMA's determination of eligibility under the Stafford Act.

43. Must a State, local, or tribal government require applications to be submitted by businesses or individuals before providing assistance using payments from the Fund?

Governments have discretion to determine how to tailor assistance programs they establish in response to the COVID-19 public health emergency. However, such a program should be structured in such a manner as will ensure that such assistance is determined to be necessary in response to the COVID-19 public health emergency and otherwise satisfies the requirements of the CARES Act and other applicable law. For example, a per capita payment to residents of a particular jurisdiction without an assessment of individual need would not be an appropriate use of payments from the Fund.

44. May Fund payments be provided to non-profits for distribution to individuals in need of financial assistance, such as rent relief?

Yes, non-profits may be used to distribute assistance. Regardless of how the assistance is structured, the

financial assistance provided would have to be related to COVID-19.

45. May recipients use Fund payments to remarket the recipient's convention facilities and tourism industry?

Yes, if the costs of such remarketing satisfy the requirements of the CARES Act. Expenses incurred to publicize the resumption of activities and steps taken to ensure a safe experience may be needed due to the public health emergency. Expenses related to developing a long-term plan to reposition a recipient's convention and tourism industry and infrastructure would not be incurred due to the public health emergency and therefore may not be covered using payments from the Fund.

46. May a State provide assistance to farmers and meat processors to expand capacity, such to cover overtime for USDA meat inspectors?

If a State determines that expanding meat processing capacity, including by paying overtime to USDA meat inspectors, is a necessary expense incurred due to the public health emergency, such as if increased capacity is necessary to allow farmers and processors to donate meat to food banks, then such expenses are eligible expenses, provided that the expenses satisfy the other requirements set forth in section 601(d) of the Social Security Act outlined in the Guidance.

47. The guidance provides that funding may be used to meet payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. May Fund payments be used to cover such an employee's entire payroll cost or just the portion of time spent on mitigating or responding to the COVID-19 public health emergency?

As a matter of administrative convenience, the entire payroll cost of an employee whose time is substantially dedicated to mitigating or responding to the COVID-19 public health emergency is eligible, provided that such payroll costs are incurred by December 31, 2021. An employer may also track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department.

48. May Fund payments be used to cover increased administrative leave costs of public employees who could not telework in the event of a stay at home order or a case of COVID-19 in the workplace?

The statute requires that payments be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020. As stated in the Guidance, a cost meets this requirement if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget or (b) the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation. If the cost of an employee was allocated to administrative leave to a greater extent than was expected, the cost of such administrative leave may be covered using payments from the Fund.

49. Are States permitted to use Coronavirus Relief Fund payments to satisfy non-federal matching requirements under the Stafford Act, including "lost wages assistance" authorized by the Presidential Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019 (August 8, 2020)?

Yes. As previous guidance has stated, payments from the Fund may be used to meet the non-federal matching requirements for Stafford Act assistance to the extent such matching requirements entail COVID-19-related costs that otherwise satisfy the Fund's eligibility criteria and the Stafford Act. States are fully permitted to use payments from the Fund to satisfy 100% of their cost share for lost wages assistance recently made available under the Stafford Act. If a State makes a payment to an individual under the "lost wages assistance" program and later determines that such individual was ineligible for the program, the ineligibility determination has the following consequences:

- The State incurs an obligation to FEMA in the amount of the payment to the ineligible individual. A State's obligation to FEMA for making an improper payment to an individual under the "lost wages assistance" program is not incurred due to the public health emergency and, therefore, payments made pursuant to this obligation would not be an eligible use of the Fund.
- The "lost wages assistance" payment to the ineligible individual would be deemed to be an ineligible

expense for purposes of the Fund, and any amount charged to the Fund (e.g., to satisfy the initial non-federal matching requirement) would be subject to recoupment.

50. At what point would costs be considered to be incurred in the case of a grant made by a State, local, or tribal government to cover interest and principal amounts of a loan, such as might be provided as part of a small business assistance program in which the loan is made by a private institution?

A grant made to cover interest and principal costs of a loan, including interest and principal due after the period that begins on March 1, 2020, and ends on December 31, 2021 (the "covered period"), will be considered to be incurred during the covered period if (i) the full amount of the loan is advanced to the borrower within the covered period and (ii) the proceeds of the loan are used by the borrower to cover expenses incurred during the covered period. In addition, if these conditions are met, the amount of the grant will be considered to have been used during the covered period for purposes of the requirement that expenses be incurred within the covered period. Such a grant would be analogous to a loan provided by the Fund recipient itself that incorporates similar loan forgiveness provisions. As with any other assistance provided by a Fund recipient, such a grant would need to be determined by the recipient to be necessary due to the public health emergency.

51. If governments use Fund payments as described in the Guidance to establish a grant program to support businesses, would those funds be considered gross income taxable to a business receiving the grant under the Internal Revenue Code (Code)?

Please see the answer provided by the Internal Revenue Service (IRS) available at <https://www.irs.gov/newsroom/cares-act-coronavirus-relief-fund-frequently-asked-questions>.

52. If governments use Fund payments as described in the Guidance to establish a loan program to support businesses, would those funds be considered gross income taxable to a business receiving the loan under the Code?

Please see the answer provided by the IRS available at <https://www.irs.gov/newsroom/cares-act-coronavirus-relief-fund-frequently-asked-questions>.

53. May Fund recipients incur expenses associated with the safe reopening of schools?

Yes, payments from the Fund may be used to cover costs associated with providing distance learning (e.g., the cost of laptops to provide to students) or for in-person learning (e.g., the cost of acquiring personal protective equipment for students attending schools in-person or other costs associated with meeting Centers for Disease Control guidelines).

Treasury recognizes that schools are generally incurring an array of COVID-19-related expenses to either provide distance learning or to re-open. To this end, as an administrative convenience, Treasury will presume that expenses of up to \$500 per elementary and secondary school student are eligible expenditures, such that schools do not need to document the specific use of funds up to that amount.

If a Fund recipient avails itself of the presumption in accordance with the previous paragraph with respect to a school, the recipient may not also cover the costs of additional re-opening aid to that school other than those associated with the following, in each case for the purpose of addressing COVID-19:

- Expanding broadband capacity;
- hiring new teachers;
- developing an online curriculum;
- acquiring computers and similar digital devices;
- acquiring and installing additional ventilation or other air filtering equipment;
- incurring additional transportation costs; or
- incurring additional costs of providing meals.

Across all levels of government, the presumption is limited to \$500 per student, e.g., if a school is funded by a state and a local government, the presumption claimed by each recipient must add up to no more than \$500. Furthermore, if a Fund recipient uses the presumption with respect to a school, any other Fund recipients providing aid to that school may not use the Fund to cover the costs of additional aid to schools other than with respect to the specific costs listed above.

The following examples help illustrate how the presumption may or may not be used:

Example 1: State A may transfer Fund payments to each school district in the State totaling \$500 per student. State A does not need to document the specific use of the Fund payments by the school districts within the State.

Example 2: Suppose State A from example 1 transferred Fund payments to the school districts in the State in the

amount of \$500 per elementary and secondary school student. In addition, because State A is availing itself of the \$500 per elementary and secondary school student presumption, State A also may use Fund payments to expand broadband capacity and to hire new teachers, but it may not use Fund payments to acquire additional furniture.

54. May Fund recipients upgrade critical public health infrastructure, such as providing access to running water for individuals and families in rural and tribal areas to allow them to maintain proper hygiene and defend themselves against the virus?

Yes, fund recipients may use payments from the Fund to upgrade public health infrastructure, such as providing individuals and families access to running water to help reduce the further spread of the virus. As required by the CARES Act, expenses associated with such upgrades must be incurred by December 31, 2021. Please see Treasury's Guidance as updated on June 30 regarding when a cost is considered to be incurred for purposes of the requirement that expenses be incurred within the covered period.

55. How does a government address the requirement that the allowable expenditures are not accounted for in the budget most recently approved as of March 27, 2020, once the government enters its new budget year on July 1, 2020 (for governments with June 30 fiscal year ends) or October 1, 2020 (for governments with September 30 year ends)?

As provided in the Guidance, the "most recently approved" budget refers to the enacted budget for the relevant fiscal period for the particular government, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to the COVID-19 public health emergency. A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund, or similar reserve account.

Furthermore, the budget most recently approved as of March 27, 2020, provides the spending baseline against which expenditures should be compared for purposes of determining whether they may be covered using payments from the Fund. This spending baseline will carry forward to a subsequent budget year if a Fund recipient enters a different budget year between March 27, 2020 and December 31, 2021. The

spending baseline may be carried forward without adjustment for inflation.

56. Does the National Environmental Policy Act, 42 U.S.C. 4321 et seq. (NEPA) apply to projects supported by payments from the Fund?

NEPA does not apply to Treasury's administration of the Fund. Projects supported with payments from the Fund may still be subject to NEPA review if they are also funded by other federal financial assistance programs

57. Public universities have incurred expenses associated with providing refunds to students for education-related expenses, including tuition, room and board, meal plans, and other fees (such as activities fees). Are these types of public university student refunds eligible uses of Fund payments?

If the responsible government official determines that expenses incurred to refund eligible higher education expenses are necessary and would be incurred due to the public health emergency, then such expenses would be eligible as long as the expenses satisfy the other criteria set forth in section 601(d) of the Social Security Act. Eligible higher education expenses may include, in the reasonable judgment of the responsible government official, refunds to students for tuition, room and board, meal plan, and other fees (such as activities fees). Fund payments may not be used for expenses that have been or will be reimbursed by another federal program (including, for example, the Higher Education Emergency Relief Fund administered by the Department of Education).

58. May payments from the Fund be used for real property acquisition and improvements and to purchase equipment to address the COVID-19 public health emergency?

The expenses of acquiring or improving real property and of acquiring equipment (e.g., vehicles) may be covered with payments from the Fund in certain cases. For example, Treasury's initial guidance referenced coverage of the costs of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs, as an eligible use of funds. Any such use must be consistent with the requirements of section 601(d) of the Social Security Act as added by the CARES Act.

As with all uses of payments from the Fund, the use of payments to acquire or improve property is limited to that which is necessary due to the COVID-

19 public health emergency. In the context of acquisitions of real estate and acquisitions of equipment, this means that the acquisition itself must be necessary. In particular, a government must (i) determine that it is not able to meet the need arising from the public health emergency in a cost-effective manner by leasing property or equipment or by improving property already owned and (ii) maintain documentation to support this determination. Likewise, an improvement, such as the installation of modifications to permit social distancing, would need to be determined to be necessary to address the COVID-19 public health emergency.

Previous guidance regarding the requirement that payments from the Fund may only be used to cover costs that were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021 focused on the acquisition of goods and services and leases of real property and equipment, but the same principles apply to acquisitions and improvements of real property and acquisitions of equipment. Such acquisitions and improvements must be completed and the acquired or improved property or acquisition of equipment be put to use in service of the COVID-19-related use for which it was acquired or improved by December 30. Finally, as with all costs covered with payments from the Fund, such costs must not have been previously accounted for in the budget most recently approved as of March 27, 2020.

59. If a small business received a Small Business Administration (SBA) Payment Protection Program (PPP) or Economic Injury Disaster Loan (EIDL) grant or loan due to COVID-19, may the small business also receive a grant from a unit of government using payments from the Fund?

Receiving a PPP or EIDL grant or loan for COVID-19 would not necessarily make a small business ineligible to receive a grant from Fund payments made to a recipient. As discussed in previous Treasury guidance on use of the Fund, a recipient's small business assistance program should be tailored to assist those businesses in need of such assistance. In assessing the business' need for assistance, the recipient would need to take into account the business' receipt of the PPP or EIDL loan or grant. If the business has received a loan from the SBA that may be forgiven, the recipient should assume for purposes of determining the business' need that the loan will be forgiven. In determining the business' eligibility for the grant, the

recipient should not rely on self-certifications provided to the SBA.

If the grant is being provided to the small business to assist with particular expenditures, the business must not have already used the PPP or EIDL loan or grant for those expenditures. The assistance provided from the Fund would need to satisfy all of the other requirements set forth in section 601(d) of the Social Security Act as discussed in Treasury's guidance and FAQs, and the business would need to comply with all applicable requirements of the PPP or EIDL program.

Treasury's Office of Inspector General has provided the following guidance in its FAQ no. 75 on reporting and recordkeeping that would apply to the recipient:

The prime recipient is responsible for determining the level and detail of documentation needed from the sub-recipient of small business assistance to satisfy [the requirements of section 601(d) of the Social Security Act], however, there would need to be some proof that the small business was impacted by the public health emergency and was thus eligible for the CRF funds.

In the above OIG FAQ, "sub-recipient" refers to the beneficiary of the assistance, i.e., the small business.

B. Questions Related to Administration of Fund Payments

1. Do governments have to return unspent funds to Treasury?

Yes. Section 601(f)(2) of the Social Security Act, as added by section 5001(a) of the CARES Act, provides for recoupment by the Department of the Treasury of amounts received from the Fund that have not been used in a manner consistent with section 601(d) of the Social Security Act. If a government has not used funds it has received to cover costs that were incurred by December 31, 2021, as required by the statute, those funds must be returned to the Department of the Treasury.

2. What records must be kept by governments receiving payment?

A government should keep records sufficient to demonstrate that the amount of Fund payments to the government has been used in accordance with section 601(d) of the Social Security Act.

3. May recipients deposit Fund payments into interest bearing accounts?

Yes, provided that if recipients separately invest amounts received from

the Fund, they must use the interest earned or other proceeds of these investments only to cover expenditures incurred in accordance with section 601(d) of the Social Security Act and the Guidance on eligible expenses. If a government deposits Fund payments in a government's general account, it may use those funds to meet immediate cash management needs provided that the full amount of the payment is used to cover necessary expenditures. Fund payments are not subject to the Cash Management Improvement Act of 1990, as amended.

4. May governments retain assets purchased with payments from the Fund?

Yes, if the purchase of the asset was consistent with the limitations on the eligible use of funds provided by section 601(d) of the Social Security Act.

5. What rules apply to the proceeds of disposition or sale of assets acquired using payments from the Fund?

If such assets are disposed of prior to December 31, 2021, the proceeds would be subject to the restrictions on the eligible use of payments from the Fund provided by section 601(d) of the Social Security Act.

6. Are Fund payments to State, territorial, local, and tribal governments subject to the provisions of the Uniform Guidance applicable to grant agreements?

No. Fund payments made by Treasury to State, territorial, local, and Tribal governments do not entail grant agreements and thus the provisions of the Uniform Guidance (2 CFR part 200) applicable to grant agreements do not apply. The payments constitute "other financial assistance" under 2 CFR 200.40.

7. Are Fund payments considered federal financial assistance for purposes of the Single Audit Act?

Yes, Fund payments are considered to be federal financial assistance subject to the Single Audit Act (31 U.S.C. 7501–7507) and the related provisions of the Uniform Guidance, 2 CFR 200.303 regarding internal controls, §§ 200.330 through 200.332 regarding subrecipient monitoring and management, and subpart F regarding audit requirements.

8. Are Fund payments subject to other requirements of the Uniform Guidance?

Fund payments are subject to the following requirements in the Uniform Guidance (2 CFR part 200): 2 CFR 200.303 regarding internal controls, 2 CFR 200.330 through 200.332 regarding

subrecipient monitoring and management, and subpart F regarding audit requirements.

9. Is there a Catalog of Federal Domestic Assistance (CFDA) number assigned to the Fund?

Yes. The CFDA number assigned to the Fund is 21.019.

10. If a State transfers Fund payments to its political subdivisions, would the transferred funds count toward the subrecipients' total funding received from the federal government for purposes of the Single Audit Act?

Yes. The Fund payments to subrecipients would count toward the threshold of the Single Audit Act and 2 CFR part 200, subpart F re: audit requirements. Subrecipients are subject to a single audit or program-specific audit pursuant to 2 CFR 200.501(a) when the subrecipients spend \$750,000 or more in federal awards during their fiscal year.

11. Are recipients permitted to use payments from the Fund to cover the expenses of an audit conducted under the Single Audit Act?

Yes, such expenses would be eligible expenditures, subject to the limitations set forth in 2 CFR 200.425.

12. If a government has transferred funds to another entity, from which entity would the Treasury Department seek to recoup the funds if they have not been used in a manner consistent with section 601(d) of the Social Security Act?

The Treasury Department would seek to recoup the funds from the government that received the payment directly from the Treasury Department. State, territorial, local, and Tribal governments receiving funds from Treasury should ensure that funds transferred to other entities, whether pursuant to a grant program or otherwise, are used in accordance with section 601(d) of the Social Security Act as implemented in the Guidance.

13. What are the differences between a subrecipient and a beneficiary under the Fund for purposes of the Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements?

The Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements apply to any non-federal entity, as defined in 2 CFR 200.69, that receives payments from the Fund in the amount of \$750,000 or more. Non-federal entities include subrecipients of payments from the Fund, including recipients of transfers from a State,

territory, local government, or tribal government that received a payment directly from Treasury. However, subrecipients would not include individuals and organizations (e.g., businesses, non-profits, or educational institutions) that are beneficiaries of an assistance program established using payments from the Fund. The Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements do not apply to beneficiaries.

Please see Treasury Office of Inspector General FAQs at <https://www.treasury.gov/about/organizational-structure/ig/Audit%20Reports%20and%20Testimonies/OIG-CA-20-028.pdf> regarding reporting in the GrantSolutions portal.

Dated: January 11, 2021.

Alexandra H. Gaiser,
Executive Secretary.

[FR Doc. 2021-00827 Filed 1-14-21; 8:45 am]

BILLING CODE 4810-25-P

DEPARTMENT OF VETERANS AFFAIRS

Joint Biomedical Laboratory Research and Development and Clinical Science Research and Development Services Scientific Merit Review Board, Amended Notice of Meeting

The Department of Veterans Affairs (VA) gives notice under Federal Advisory Committee Act, 5 U.S.C. App.2, that a meeting of the Joint Biomedical Laboratory Research and Development and Clinical Science Research and Development Services Scientific Merit Review Board (JBL/CS SMRB) will be held Thursday, January 21, 2021, via WebEx. The meeting will begin at 3:00 p.m. and end at 5:00 p.m. Eastern daylight time. The meeting will have an open session from 3:00 p.m. until 3:30 p.m. and a closed session from 3:30 p.m. until 5:00 p.m.

The purpose of the open session is to meet with the JBL/CS Service Directors to discuss the overall policies and process for scientific review, as well as disseminate information among the Board members regarding the VA research priorities.

The purpose of the closed session is to provide recommendations on the scientific quality, budget, safety and mission relevance of investigator-initiated research applications submitted for VA merit review evaluation. Applications submitted for review include various medical specialties within the general areas of biomedical, behavioral and clinical science research. The JBL/CS SMRB meeting will be closed to the public for

Appendix B: Treasury Office of Inspector General Coronavirus Relief Fund Reporting Requirements and Frequently Asked Questions

Coronavirus Relief Fund Reporting and Records Retention Requirements



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 2, 2020

OIG-CA-20-021

MEMORANDUM FOR CORONAVIRUS RELIEF FUND RECIPIENTS

FROM: Richard K. Delmar /s/
Deputy Inspector General

SUBJECT: Coronavirus Relief Fund Reporting and Record Retention
Requirements

Title VI of the Social Security Act, as amended by Title V of Division A of the *Coronavirus Aid, Relief, and Economic Security Act* (Public Law 115-136), provides that the Department of the Treasury (Treasury) Office of Inspector General (OIG) is responsible for monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund payments. Treasury OIG also has authority to recover funds in the event that it is determined a recipient of a Coronavirus Relief Fund payment failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)). Accordingly, we are providing recipient reporting and record retention requirements that are essential for the exercise of these responsibilities, including our conduct of audits and investigations.

Reporting Requirements and Timelines

Each prime recipient of Coronavirus Relief Fund payments¹ shall report Coronavirus Disease 2019 (COVID-19) related “costs incurred” during the “covered period”² (the period beginning on March 1, 2020 and ending on December 30, 2020), in the manner of and according to the timelines outlined in this memorandum. As described below, each prime recipient shall report interim and quarterly data and other recipient data according to these requirements. Treasury OIG is working on development of a portal with GrantSolutions³ that is expected to be operational on

¹ Prime recipients include all 50 States, Units of Local Governments, the District of Columbia, U.S. Territories, and Tribal Governments that received a direct payment from Treasury in accordance with Title V.

² Refer to Treasury’s guidance dated June 30, 2020 for more information on costs incurred and the covered period.

³ A grant management service provider under the U.S. Department of Health and Human Services.

September 1, 2020, for recipients to report data on a quarterly basis. Until the GrantSolutions portal is operational, each prime recipient shall follow the interim reporting requirements. Treasury OIG will notify each prime recipient when GrantSolutions is operational or of any changes to the expected September 1, 2020 start date.

Interim Reporting for the period March 1 through June 30, 2020

By no later than July 17, 2020, each prime recipient is responsible for reporting costs incurred during the period March 1 through June 30, 2020. For this interim report, prime recipients need only report totals by the following broad categories:

- a. Amount transferred to other governments;
- b. Amount spent on payroll for public health and safety employees;
- c. Amount spent on budgeted personnel and services diverted to a substantially different use;
- d. Amount spent to improve telework capabilities of public employees;
- e. Amount spent on medical expenses;
- f. Amount spent on public health expenses;
- g. Amount spent to facilitate distance learning;
- h. Amount spent providing economic support;
- i. Amount spent on expenses associated with the issuance of tax anticipation notes; and
- j. Amount spent on items not listed above.

Recipients should consult Treasury’s guidance and Frequently Asked Questions in reporting costs incurred during the period March 1 through June 30, 2020. The total of all categories must equal the total of all costs incurred during that period. A spreadsheet is attached for your use in providing the data. As discussed below, the prime recipient will be required to report information for the period March 1 through June 30, 2020 into GrantSolutions once it is operational.

Quarterly Reporting

Each prime recipient of Coronavirus Relief Fund payments shall report COVID-19 related costs into the GrantSolutions portal. Data required to be reported includes, but is not limited to, the following:

1. the total amount of payments from the Coronavirus Relief Fund received from Treasury;
2. the amount of funds received that were expended or obligated for each project or activity;
3. a detailed list of all projects or activities for which funds were expended or obligated, including:
 - a. the name of the project or activity;
 - b. a description of the project or activity; and

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4. 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.

The prime recipient is responsible for reporting into the GrantSolutions portal information on uses of Coronavirus Relief Fund payments.

Recipient Portal Access: For future quarterly reporting, each prime recipient will have GrantSolutions portal access for three (3) individuals: two (2) designees (preparers) to input quarterly data and one (1) official authorized to certify that the data is true, accurate, and complete.⁴ By no later than July 17, 2020, please provide the name, title, email address, phone number, and postal address of these individuals so that portal access can be granted. After this information is received, guidance on the GrantSolutions portal access and data submission instructions will be issued separately.

Reporting timeline

By no later than September 21, 2020, recipients shall submit via the portal the first detailed quarterly report, which shall cover the period March 1 through June 30, 2020. Thereafter, quarterly reporting will be due no later than 10 days after each calendar quarter. For example, the period July 1 through September 30, 2020, must be reported no later than October 13, 2020 (Tuesday after the 10th day of October and the Columbus Day Holiday). Reporting shall end with either the calendar quarter after the COVID-19 related costs and expenditures have been liquidated and paid or the calendar quarter ending September 30, 2021, whichever comes first.

Record Retention Requirements

Recipients of Coronavirus Relief Fund payments shall maintain and make available to the Treasury OIG upon request all documents and financial records sufficient to establish compliance with subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)), which provides:

(d) USE OF FUNDS.—A State, Tribal government, and unit of local government shall use the funds provided under a payment made under this section to cover only those costs of the State, Tribal government, or unit of local government that—

1. are necessary expenditures incurred due to the public health emergency with respect to COVID-19;
2. were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and

⁴ The certifying official is an authorized representative of the recipient organization with the legal authority to give assurances, make commitments, enter into contracts, and execute such documents on behalf of the recipient.

3. were incurred⁵ during the period that begins on March 1, 2020, and ends on December 30, 2020.

Records to support compliance with subsection 601(d) may include, but are not limited to, copies of the following:

1. general ledger and subsidiary ledgers used to account for (a) the receipt of Coronavirus Relief Fund payments and (b) the disbursements from such payments to meet eligible expenses related to the public health emergency due to COVID-19;
2. budget records for 2019 and 2020;
3. payroll, time records, human resource records to support costs incurred for payroll expenses related to addressing the public health emergency due to COVID-19;
4. receipts of purchases made related to addressing the public health emergency due to COVID-19;
5. contracts and subcontracts entered into using Coronavirus Relief Fund payments and all documents related to such contracts;
6. grant agreements and grant subaward agreements entered into using Coronavirus Relief Fund payments and all documents related to such awards;
7. all documentation of reports, audits, and other monitoring of contractors, including subcontractors, and grant recipient and subrecipients;
8. all documentation supporting the performance outcomes of contracts, subcontracts, grant awards, and grant recipient subawards;
9. all internal and external email/electronic communications related to use of Coronavirus Relief Fund payments; and
10. all investigative files and inquiry reports involving Coronavirus Relief Fund payments.

Records shall be maintained for a period of five (5) years after final payment is made using Coronavirus Relief Fund monies. These record retention requirements are applicable to all prime recipients and their grantees and subgrant recipients, contractors, and other levels of government that received transfers of Coronavirus Relief Fund payments from prime recipients.

Thank you and we appreciate your assistance.

⁵ Refer to Treasury's guidance dated June 30, 2020 for more information on the definition of costs incurred.

Coronavirus Relief Fund Reporting Requirements Updated July 31, 2020



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 31, 2020

OIG-CA-20-025

MEMORANDUM FOR **CORONAVIRUS RELIEF FUND RECIPIENTS**

FROM: Richard K. Delmar /s/
 Deputy Inspector General

SUBJECT: Coronavirus Relief Fund Reporting Requirements Update

On July 2, 2020, my office issued memorandum OIG-CA-20-021, *Coronavirus Relief Fund Recipient Reporting and Record Retention Requirements* informing you of the Department of the Treasury (Treasury) Office of Inspector General's (OIG) monitoring and oversight responsibilities related to the Coronavirus Relief Fund, among other things. Specifically, Title VI of the Social Security Act, as amended by Title V of Division A of the *Coronavirus Aid, Relief, and Economic Security Act* (Public Law 116-136), provides that Treasury OIG is responsible for monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund payments. Treasury OIG also has authority to recover funds in the event that it is determined a recipient of a Coronavirus Relief Fund payment failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)). Recipient reporting and record retention requirements are essential for the exercise of these responsibilities, including our conduct of audits and investigations.

This memorandum augments and clarifies the prime recipient's quarterly reporting requirements contained in memorandum OIG-CA-20-021. We plan to use reported data to support our office's Coronavirus Relief Fund compliance monitoring and oversight efforts and for audit and investigative purposes. In addition, reported data will be provided to the Pandemic Response Accountability Committee (PRAC), which will report the data on its website in accordance with Section 15010 of the CARES Act.¹

¹ P. L. 116-136 (March 27, 2020), Section 15010, established the PRAC within the Council of Inspectors General on Integrity and Efficiency to promote transparency and conduct and support oversight of covered funds and the coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries. The PRAC's website will provide data on relevant operational, economic, financial, grant, subgrant, contract, and subcontract information in user-friendly visual presentations to enhance public awareness of the use of covered funds and the Coronavirus response.

Reporting Requirements

The Treasury OIG has engaged GrantSolutions, a grant and program management Federal shared service provider under the U.S. Department of Health and Human Services, to develop a customized and user-friendly reporting solution to capture the use of Coronavirus Relief Fund payments. In this regard, the GrantSolutions portal will be prepopulated with prime recipient data to include the Coronavirus Relief Fund payment amount, date, recipient Dun & Bradstreet unique identification number (DUNS number), and contact information. It is the responsibility of the prime recipients² to report on uses of Coronavirus Relief Fund payments. Accordingly, each prime recipient shall report Coronavirus Disease 2019 (COVID-19) related costs incurred³ during the covered period (the period beginning on March 1, 2020, and ending on December 30, 2020), as follows.

Projects

List all projects⁴ the prime recipient plans to complete with Coronavirus Relief payments. For each project, the prime recipient will be required to enter the project name, identification number (created by the prime recipient), description, and status of completion. Once a project is entered into the GrantSolutions portal, the prime recipient will be able to report on the project's obligations and expenditures.

Expenditure Categories

Once expenditures are entered against obligations, the prime recipient will need to select the specific expenditure category from the available options from a dropdown menu:

- a. Administrative Expenses
- b. Budgeted Personnel and Services Diverted to a Substantially Different Use
- c. COVID-19 Testing and Contact Tracing
- d. Economic Support (Other than Small Business, Housing, and Food Assistance)
- e. Expenses Associated with the Issuance of Tax Anticipation Notes
- f. Facilitating Distance Learning
- g. Food Programs
- h. Housing Support
- i. Improve Telework Capabilities of Public Employees
- j. Medical Expenses

² Prime recipients include all 50 States, units of local governments, the District of Columbia, U.S. Territories, and Tribal Governments that received a direct Coronavirus Relief Fund payment from Treasury in accordance with the CARES Act.

³ Refer to Treasury's *Guidance for State, Territorial, Local, and Tribal Governments* updated June 30, 2020, at <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>, for more information on costs incurred and the covered period.

⁴ Projects are a grouping of related activities that together are intended to achieve a specific goal.

- k. Nursing Home Assistance
- l. Payroll for Public Health and Safety Employees
- m. Personal Protective Equipment
- n. Public Health Expenses
- o. Small Business Assistance
- p. Unemployment Benefits
- q. Workers' Compensation
- r. Items Not Listed Above - to include other eligible expenses that are not captured in the available expenditure categories

Each prime recipient shall also provide detailed obligation and expenditure information for any contracts and grants awarded, loans issued, transfers made to other government entities, and direct payments made by the prime recipient that are greater than or equal to \$50,000 as follows.

Contracts Greater Than or Equal to \$50,000

- a. Contractor identifying and demographic information (e.g. DUNS number and location)
- b. Contract number
- c. Contract date, type, amount, and description
- d. Primary place of contract performance
- e. Related project name(s)
- f. Period of performance start date
- g. Period of performance end date
- h. Quarterly obligation amount
- i. Quarterly expenditure amount
- j. Expenditure categories (listed above)

Grants Greater Than or Equal to \$50,000

- a. Grantee identifying and demographic information (e.g. DUNS number and location)
- b. Award number
- c. Award date, amount, and description
- d. Award payment method (reimbursable or lump sum payment(s))
- e. Related project name(s)
- f. Period of performance start date
- g. Period of performance end date
- h. Primary place of performance
- i. Quarterly obligation amount
- j. Quarterly expenditure amount
- k. Expenditure categories (listed above)

Loans Greater Than or Equal to \$50,000

- a. Borrower identifying and demographic information (e.g. DUNS number and location)
- b. Loan number
- c. Loan amount, date (date when loan signed by prime recipient and borrower), and description
- d. Loan expiration date (date when loan expected to be paid in full)
- e. Purpose of loan
- f. Primary place of performance
- g. Related project(s)
- h. Quarterly obligation amount
- i. Quarterly payments on outstanding loans
- j. Recipient plans for reuse of Coronavirus Relief Fund loan repayments
- k. Loan/expenditure categories

Transfers to Other Government Entities Greater Than or Equal to \$50,000

- a. Transferee/government unit identifying and demographic information (e.g. DUNS number and location)
- b. Transfer date, amount, and description
- c. Related project(s)
- d. Quarterly obligation amount
- e. Quarterly expenditure information
- f. Expenditure categories (listed above)

Direct Payments Greater Than or Equal to \$50,000

- a. Payee identifying and demographic information (e.g. DUNS number and location)
- b. Direct Payments amount and date
- c. Related project(s)
- d. Quarterly obligation amount
- e. Quarterly expenditure amount
- f. Expenditure categories (listed above)

Aggregate reporting below \$50,000

Aggregate reporting is allowed on contracts, grants, transfers made to other government entities, loans, direct payments, and payments to individuals that are below \$50,000.

Certification and Submission

As noted in our July 2, 2020 memorandum, each prime recipient was required to designate two preparers to enter data into GrantSolutions and an authorizing official, who is responsible for certification and submission of the recipient’s quarterly report. Preparers are only permitted to enter data into the required fields and validate entries once completed. Authorizing officials are responsible for reviewing and certifying the information prior to submission within the portal. Accordingly, these individuals will be granted user permissions in the GrantSolutions portal.

Once a report submission is complete, the Treasury OIG will review the submission to ensure that the prime recipient has reported all required information and accounted for the current period’s obligations, expenditures, and loan payments, among other information. The Treasury OIG will approve final submissions that are determined to be complete. After approval of the prime recipient’s report, certain data fields that do not change will be carried forward to reduce reporting burden in future quarters. All prime recipient data will be captured on a quarterly and cumulative basis.

Reporting Timeline

By no later than September 21, 2020, the prime recipient’s authorizing official shall certify and submit via the GrantSolutions portal the first detailed quarterly report, which shall cover the period of March 1 through June 30, 2020. Thereafter, quarterly reporting will be due no later than 10 calendar days after the end of each calendar quarter. If the 10th calendar day falls on a weekend or a Federal holiday, the due date will be the next working day. For example, the period July 1 through September 30, 2020, must be reported no later than Tuesday, October 13, 2020 (considers that the 10th calendar is on a weekend and the following Monday is a Federal Holiday). The table below summarizes the quarterly reporting timeline for prime recipients of Coronavirus Relief Fund payments.

Reporting Cycle	Reporting Period	Reporting Due Date	OIG Review Period	Data Extract to PRAC
Cycle 1	3/1-6/30/2020	9/21/2020	9/22-29/2020	9/30/2020
Cycle 2	7/1-9/30/2020	10/13/2020	10/14-20/2020	10/21/2020
Cycle 3	10/1-12/31/2020	1/11/2021	1/12-20/2021	1/21/2021
Cycle 4	1/1-3/31/2021	4/12/2021	4/13-20/2021	4/21/2021
Cycle 5	4/1-6/30/2021	7/12/2021	7/13-20/2021	7/21/2021
Cycle 6	7/1-9/30/2021	10/12/2021	10/13-20/2021	10/21/2021

Reporting Preparation and Training

To prepare for the initial reporting cycle, each prime recipient should ensure that any current or potential sub-recipients are registered in SAM.gov.⁵ While each prime recipient is responsible for reporting on its sub-recipients, sub-recipient registration in SAM.gov will enable detailed sub-recipient data to be imported into the GrantSolutions portal. Therefore, the prime recipient should require that sub-recipients register with SAM.gov prior to September 1, 2020.

In anticipation of GrantSolutions portal becoming operational on September 1, 2020, training will be provided on portal access and use during the last week of August 2020.

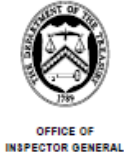
Questions

For questions regarding eligible uses of Coronavirus Relief Fund payments, please consult Treasury's *Guidance for State, Territorial, Local, and Tribal Governments* and Treasury's *Coronavirus Relief Fund Frequently Asked Questions* documents which are located at <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.

Thank you and we appreciate your compliance with these reporting requirements.

⁵ The System for Award Management (SAM) is an official website of the U.S. government. Entities are required to register at SAM.gov to do business with the U.S. government.

Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping Updated November 25, 2020



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 25, 2020

OIG-CA-20-028

Department of the Treasury Office of Inspector General Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping (Revised)¹

The Department of the Treasury (Treasury) Office of Inspector General (OIG) is responsible for monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund (CRF) payments as authorized by Title VI of the Social Security Act, as amended by Title V of Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).² Treasury OIG was also assigned authority to recover funds in the event that it is determined a recipient of a CRF payment failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)). Recipient reporting and record retention requirements are essential for the exercise of these responsibilities, including our conduct of audits and investigations.

Beginning September 1, 2020, the prime recipient of CRF payments was required to report Coronavirus Disease 2019 (COVID-19) related costs incurred from March 1, 2020 to December 30, 2020 in the GrantSolutions portal. This document addresses frequently asked questions (FAQ) from CRF prime recipients regarding their reporting and record keeping requirements and supplements Treasury OIG's memorandums *Coronavirus Relief Fund Recipient Reporting and Record Retention Requirements* (OIG-CA-20-021; July 2, 2020)³ and *Coronavirus Relief Fund Reporting Requirements Update* (OIG-CA-20-025; July 31, 2020).⁴

A. Prime Recipients

1. Who is a prime recipient?

A prime recipient is an entity that received a CRF payment directly from Treasury in accordance with the CARES Act, including:

- All 50 States,

¹ These FAQs have been updated to (1) include beneficiaries throughout the document for reporting into the GrantSolutions portal; (2) clarify FAQ 57 on how corrections or modifications to prior quarter data should be made; (3) add new FAQs 29, 48–55, 69, 84–86; and (4) make minor adjustments to other FAQs.

² P. L. 116 136 (March 27, 2020)

³ <https://www.treasury.gov/about/organizational-structure/ig/Audit%20Reports%20and%20Testimonies/OIG-CA-20-021.pdf>

⁴ <https://www.treasury.gov/about/organizational-structure/ig/Audit%20Reports%20and%20Testimonies/OIG-CA-20-025.pdf>

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- Units of local governments with populations over 500,000 that submitted required certifications to Treasury,
- The District of Columbia,
- U.S. Territories, and
- Tribal Governments

2. Who is a sub-recipient or a beneficiary?

Treasury has provided guidance on the applicability of Single Audit and 2 C.F.R. Part 200, Subpart F in response to question B.13 of its *Coronavirus Relief Fund Frequently Asked Questions* (FAQs).⁵ According to Treasury’s FAQ, “the Single Audit Act and 2 C.F.R. Part 200, Subpart F regarding audit requirements apply to any non-federal entity, as defined in 2 C.F.R. 200.69, that receives payments from the Fund in the amount of \$750,000 or more. Non-federal entities include sub-recipients of payments from the Fund, including recipients of transfers from a State, territory, local government, or tribal government that received a payment directly from Treasury. However, sub-recipients would not include individuals and organizations (e.g., businesses, non-profits, or educational institutions) that are beneficiaries of an assistance program established using payments from the Fund. The Single Audit Act and 2 C.F.R. Part 200, Subpart F regarding audit requirements do not apply to beneficiaries.”

While the Treasury definition above is used for Single Audit Act purposes, Treasury OIG requires that the prime recipient report on both a beneficiary and a sub-recipient in the GrantSolutions portal. Since there is no separate category to capture a beneficiary’s data in the portal, the prime recipient must report on the beneficiary in the sub-recipient data fields. As such, for GrantSolutions reporting, a sub-recipient/beneficiary is any entity to which a prime recipient issues a contract, grant, loan, direct payment, or transfer to another government entity of \$50,000 or more.

3. The definition of a sub-recipient/beneficiary provided by Treasury OIG is different than the definition of a sub-recipient in the Office of Management and Budget’s (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal, 2 CFR Part 200 (Uniform Guidance). Which definition is a prime recipient expected to comply with?

The prime recipient must comply with both OMB’s Uniform Guidance definition as it relates to the Single Audit Act and Treasury OIG’s definition as it relates to reporting requirements for the GrantSolutions portal. See question 2 above.

⁵ <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>

4. *Who is responsible for reporting in the GrantSolutions portal, the prime or sub-recipient/beneficiary?*

Only the prime recipient is required to report COVID-19 related costs in the GrantSolutions portal.

5. *If the prime recipient distributes funds to an agency or department within the prime recipient's government, is the agency or department considered the prime recipient or a sub-recipient when funds obligated are \$50,000 or more?*

The agency or department is considered part of the prime recipient as they are all part of the same legal entity that received a direct CRF payment from Treasury. Obligations and expenditures that the agency or department incurs with the CRF proceeds must be collected by and reported in the GrantSolutions portal by the prime recipient as if they were obligated or expended by the prime recipient.

6. *If the prime recipient obligates funds to an entity that provides a public service on behalf of the prime recipient but the prime recipient is not financially accountable, is the entity considered the prime recipient or a sub-recipient/beneficiary when funds obligated are \$50,000 or more (e.g., discreetly presented component unit, quasi agency, etc.)?*

The entity is considered a sub-recipient/beneficiary of the prime recipient when funds obligated are \$50,000 or more. The prime recipient must report funds obligated to a sub-recipient/beneficiary as obligations of the prime recipient. The prime recipient must report the related expenditures of the sub-recipient/beneficiary, including associated projects and expenditure categories, in the GrantSolutions portal. If the prime recipient obligated less than \$50,000 to the sub-recipient/beneficiary, the prime recipient must report its obligations and the related expenditures of the sub-recipient/beneficiary in aggregate in the GrantSolutions portal.

7. *If a prime recipient enters into multiple obligations with an entity, each obligation being less than \$50,000 with no agreement (i.e., contract, grant, or loan), but the total obligations to the entity exceed \$50,000, is the entity considered a sub-recipient/beneficiary?*

The entity is considered a sub-recipient/beneficiary; however, since the obligations are below \$50,000, the prime recipient must report the multiple obligations to the entity and related expenditures in the aggregate section of the GrantSolutions portal.

- 8. If a unit of local government received funds as both a prime recipient and as a sub-recipient/beneficiary does it have to track and report obligations and expenditures separately?**

Yes. For purposes of reporting in the GrantSolutions portal, the unit of local government is the prime recipient and must report obligations and expenditures related to the funds received directly from Treasury. As a sub-recipient/beneficiary of funds, obligations and expenditures related to the funds received from another prime recipient must be reported by the prime recipient in the GrantSolutions portal. It is recommended that the unit of local government, as a sub-recipient/beneficiary, report obligations and expenditure information to the prime recipient for its reporting purposes.

- 9. If a third party is hired to review and approve sub-recipient/beneficiary reimbursement requests and supporting documentation, can the prime recipient place reliance on the reviews performed by the third party or is the prime recipient still required to review and approve 100 percent of all costs?**

It is up to the prime recipient as to how much it relies on third-party review of reimbursement requests. However, the prime recipient is responsible for maintaining documentation to support the use of CRF proceeds. Per Treasury's *Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments*, the direct (or prime) recipient is ultimately responsible for compliance with the limitation on the use of payments from the CRF.⁶

B. System for Award Management (SAM.gov) Registration

- 10. Treasury OIG's memorandum, Coronavirus Relief Fund Reporting Requirements Update, states that "each prime recipient should ensure that any current or potential sub-recipients are registered in SAM.gov." Are all sub-recipients/beneficiaries required to register in SAM.gov?**

No, all sub-recipients/beneficiaries are not required to register in SAM.gov. This statement is a recommendation to help reduce the reporting burden on the prime recipient when entering sub-recipient details in the GrantSolutions portal. SAM.gov registration allows sub-recipient/beneficiary identifying and demographic details to be automatically populated in the portal after the prime recipient inputs a valid Data Universal Numbering System (DUNS) number assigned to the sub-recipient/beneficiary.⁷

⁶ <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>

⁷ A DUNS number is a unique nine-character number used to identify an organization.

11. What are the identifying and demographic data elements that automatically populate in the GrantSolutions portal if a sub-recipient/beneficiary is registered in SAM.gov with a valid DUNS number?

The following identifying and demographic data elements will automatically populate in the GrantSolutions portal if a sub-recipient/beneficiary is registered in SAM.gov with a valid DUNS number:

- Legal Name
- Address Line 1
- Address Line 2, if applicable
- Address Line 3, if applicable
- City Name
- State Code
- Zip + 4
- Congressional District
- Country Name
- Country Code
- Organization Type

12. If a sub-recipient/beneficiary does not have a DUNS number, can another unique identification number be used in the GrantSolutions portal to automatically populate sub-recipient/beneficiary details (e.g. Federal Employment Identification Number, Federal Tax Identification Number, etc.)?

No. The DUNS number is the only unique identification number that the GrantSolutions portal can associate with a SAM.gov registration in order to automatically populate sub-recipient/beneficiary details.

13. Where does a prime recipient direct a sub-recipient/beneficiary to obtain a DUNS number?

If a sub-recipient/beneficiary does not already have a DUNS number, it can call 1-866-705-5711 or access <http://fedgov.dnb.com/webform> to get a DUNS number assigned for free.

14. Where does a prime recipient direct a sub-recipient/beneficiary to register in SAM.gov?

Refer the sub-recipient/beneficiary to <https://sam.gov>.

15. What if a sub-recipient/beneficiary is not registered in SAM.gov?

For each sub-recipient/beneficiary that is not registered in SAM.gov, the prime recipient will be responsible for manually entering the following data elements in the GrantSolutions portal:

- Legal Name
- Address Line 1
- Address Line 2, if applicable
- Address Line 3, if applicable
- City Name
- State Code
- Zip Code
- Country Name (selection menu)
- Organization Type (selection menu)

16. If a sub-recipient/beneficiary is registered in SAM.gov, is it required to report any information on a quarterly basis in SAM.gov?

No. There are no reporting requirements for a sub-recipient/beneficiary to report Coronavirus Relief Fund information in SAM.gov; the prime recipient is required to report in the GrantSolutions portal on behalf of the sub-recipient/beneficiary.

17. Is an entity that a prime recipient obligates a contract, grant, loan, direct payment, or transfer to another government entity of less than \$50,000 recommended to register in SAM.gov?

No. Detailed information of an entity that the prime recipient obligates less than \$50,000 to will not be reported in the GrantSolutions portal. The obligations and related expenditure(s) to entities that the prime recipient obligates less than \$50,000 to will be reported in the aggregate.

18. Is an individual to which a prime recipient obligates a contract, grant, loan, or direct payment required to register in SAM.gov?

No. Detailed information of an individual that the prime recipient obligates any amount to will not be reported in the GrantSolutions portal; the obligations and related expenditure(s) to individuals will be reported in the aggregate.

C. Terminology

19. What is an obligation?

For purposes of reporting in the GrantSolutions portal, an obligation is a commitment to pay a third party with CRF proceeds based on a contract, grant, loan, or other arrangement.

20. What is an expenditure?

For purposes of reporting in the GrantSolutions portal, an expenditure is the amount that has been incurred as a liability of the entity (the service has been rendered or the good has been delivered to the entity). As outlined in *Treasury's Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments*, performance or delivery must occur between March 1 and December 30, 2020 in order for the cost to be considered incurred; payment of funds need not be made during that time (though it is generally expected that payment will take place within 90 days of a cost being incurred).

21. What is a project?

A project is a grouping of related activities that together are intended to achieve a specific goal (e.g. building a temporary medical facility, offering an economic support program for small businesses, offering a housing support program, etc.)

22. What is a contract?

A contract is an obligation to an entity associated with an agreement to acquire goods or services.

23. What is a grant?

A grant is an obligation to an entity that is associated with a grant agreement. A grant agreement is a legal instrument of financial assistance between the prime recipient and entity that is used to enter into a relationship to carry out a public purpose and does not include an agreement to acquire goods or services or provide a loan.

24. What is the primary place of performance for a contract or a grant?

The primary place of performance is the address where the predominant performance of the contract or grant will be accomplished.

25. What is the period of performance start date and end date for a contract or a grant?

The period of performance start date is the date on which efforts begin or the contract or grant is otherwise effective. The period of performance end date is the date on which all effort is completed or the contract or grant is otherwise ended.

26. What is a transfer to another government entity?

A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient. See the list of government entities in Question 27 below.

27. For transfers to another government entity, what type of entity is considered another government entity?

The following organization types are considered another government entity:

- State government
- County government
- City/Township Government
- Special District Government
- US Territory or Possession
- Indian/Native American Tribal Government (Federally Recognized)
- Indian/Native American Tribal Designated Organization

28. What is a direct payment?

A direct payment is a disbursement (with or without an existing obligation) to an entity that is not associated with a contract, grant, loan, or transfer to another government entity. If the direct payment is associated with an obligation, then the obligation and expenditure should be reported. If the direct payment does not involve a previous obligation, the direct payment will be recorded when the expenditure is incurred.

29. Are there definitions of the various expenditure categories?

The various expenditure categories were derived from discussion of examples of eligible uses of funds in Treasury's Guidance and FAQs. The prime recipient should refer to Treasury's Guidance and FAQs to determine which expenditure category best fits the expenditure reported in GrantSolutions.

D. Reporting

30. If a prime recipient received CARES Act funding from different Federal agencies, are all costs incurred related to CARES funding to be reported in the GrantSolutions portal, regardless of the funding source?

No. The GrantSolutions portal is only for the reporting of costs incurred related to CRF proceeds received from Treasury. Financial assistance that a prime recipient may have received from other sources are not to be reported in this portal.

31. Will CRF proceeds be subject to Federal Funding Accountability and Transparency Act (FFATA) reporting requirements? If so, what general information are recipients expected to report?

No, FFATA reporting is not required.

32. Are prime recipients required to report on an accrual or cash basis?

The prime recipient should report on an accrual basis, unless the prime recipient's practice is traditionally to report on a cash basis for all its financial reporting.

33. Are the reporting requirements different for lump sum payments versus payments made on a reimbursable basis?

No. Reporting of obligations and expenditures related to lump sum payments and reimbursed payments are the same.

34. How should a reimbursable payment to a sub-recipient/beneficiary be reported?

The prime recipient should first report the total expected obligation to the sub-recipient/beneficiary. As reimbursements are made to the sub-recipient/beneficiary, the prime recipient should report the reimbursements as expenditures by expenditure category.

35. How should a lump sum payment to a sub-recipient/beneficiary be reported?

The prime recipient must report the total obligation for the lump sum payment to the sub-recipient/beneficiary. As the sub-recipient/beneficiary uses the funds it received, the prime recipient is responsible for collecting and reporting on the uses as expenditures to the obligation by expenditure category.

36. What level of sub-recipient/beneficiary data will prime recipients be required to report?

The prime recipient is required to report on the first sub-recipient/beneficiary level only. For example: The prime recipient enters into a grant with Entity A to provide assistance to small businesses. For reporting purposes, the prime recipient must report the details of the grant with Entity A as an obligation. As Entity A provides assistance to small businesses, the prime recipient must report the assistance provided as expenditures to the obligation. However, details on the identity of the small businesses that received funding are not required.

37. Is every obligation and expenditure required to be associated with a project?

No. We understand that not all uses of funds will be associated with a project. If an obligation or expenditure is not associated with a project, in the GrantSolutions portal, the recipient would select "No Associated Project".

38. How did Treasury OIG determine the \$50,000 reporting threshold?

Sec. 15011 of the CARES Act states that any entity that receives large covered funds (or funds more than \$150,000) is considered a covered recipient. All prime recipients of CRF proceeds are covered recipients as no prime recipient received payment less than \$150,000. Sec. 15011 further requires that each covered recipient (in this case, prime recipient) should submit a report that contains, among other items, detailed information on subcontracts or subgrants awarded by the covered recipient allowing for aggregate reporting on awards below \$50,000.

39. Is the \$50,000 threshold on a project basis?

No. The \$50,000 threshold dictates the specific sub-recipient/beneficiary that must be identified by the prime recipient on a detailed basis rather than in an aggregate total for related obligations and expenditures, regardless of any projects.

40. What is the reporting structure?

The reporting structure is as follows:

- A. Projects
- B. Obligations of \$50,000 or more and related expenditures
 - a. Contracts of \$50,000 or more
 - i. Obligations (individually reported) and links to projects, if applicable
 - ii. Related expenditures (individually reported) and link to projects, if applicable
 - b. Grants of \$50,000 or more
 - i. Obligations (individually reported) and link to projects, if applicable
 - ii. Related expenditures (individually reported) and link to projects, if applicable
 - c. Loans of \$50,000 or more
 - i. Obligations (individually reported) and link to projects, if applicable
 - ii. Related expenditures (individually reported) and link to projects, if applicable
 - d. Transfers to other government entities of \$50,000 or more
 - i. Obligations (individually reported) and link to projects, if applicable

- ii. Related expenditures (individually reported) and link to projects, if applicable
- e. Direct Payments of \$50,000 or more
 - i. Obligations (individually reported) and link to projects, if applicable
 - ii. Related expenditures (individually reported) and link to projects, if applicable
- C. Aggregate obligations and expenditures of contracts, grants, loans, direct payments, and transfers to other government entities below \$50,000 (reported in total by obligation type)
- D. Aggregate obligations and expenditures to individuals, regardless of the amount (reported in total)

41. If a prime recipient obligates funds to another government entity in the form of a grant, are the obligated funds to be reported as a transfer to another government entity or as a grant?

If a grant agreement in place, the obligation should be reported as a grant.

42. Treasury OIG's reporting timeline indicates six reporting cycles with three cycles for reporting periods of January 1, 2021 through September 30, 2021. If costs related to CRF proceeds must be incurred by December 30, 2020, why are there reporting cycles after December 30, 2020?

Treasury's *Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments* addresses the concept of incurred costs. Specifically, "for a cost to be considered to have been incurred, performance of services or delivery of goods must occur during the covered period (March 1, 2020 through December 30, 2020) but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred)." As a result, we determined to allow reporting through September 30, 2021 to ensure that the prime recipient has sufficient time to capture and report all expenditures incurred that were covered with CRF, including loan repayments, the related obligations of which must have occurred, and been reported, during the covered period. In addition, any final close out reconciliations and adjustments should occur during the time period before September 30, 2021.

43. Are forgivable loans to be reported as a grant or loan?

The forgivable portion of a loan should be reported as a grant. If the forgiving of the loan is conditional, then the loan must originally be reported as a loan for the total amount. At the time that the conditions are met, the portion of the loan that is forgivable, must be removed from the applicable loan section of the GrantSolutions portal and reported as a grant at that time.

To remove the forgivable portion of a loan that is for \$50,000 or more, the prime recipient should edit the loan to report a negative current quarter obligation to reduce the total loan obligation and reduce the loan amount by the forgivable portion. These amounts must agree. If this causes the loan's value to drop below \$50,000, the loan should be deleted from the "Loans \geq \$50,000" section and reported in the "Aggregate of Loans Issued $<$ \$50,000" section, along with related payments.

To remove the forgivable portion of a loan reported in the "Aggregate of Loans Issued $<$ \$50,000" section, in which there were no other aggregate loan obligations for the reporting period, the prime recipient should report a negative "Current Quarter Obligation" to reduce the total aggregate loan obligations by the forgivable portion. If there were other aggregate loan obligations for the reporting period, the prime recipient should report a "Current Quarter Obligation" that is reduced by the forgivable portion.

To add the forgivable portion of the loan as a grant that is for \$50,000 or more, the prime recipient should add a new grant to the "Grants \geq \$50,000" section and report the forgivable portion as the "Amount of Award" and as the "Current Quarter Obligation" along with other required information. These amounts must agree. If the forgivable portion of loan is less than \$50,000, the prime recipient should report the forgivable portion in the "Aggregate of Grants $<$ \$50,000" section.

44. *For each reporting period, should a prime recipient report all costs that are eligible to be covered with CRF proceeds or only report costs for which the prime recipient has made a final determination to cover with CRF proceeds?*

The prime recipient should only report eligible costs for which obligations have been made with CRF payments or specific determinations have been made related to using CRF funds.

45. *Do the expenditure categories apply to aggregate reporting?*

No. The only information collected during aggregate reporting is obligations (in total) and expenditures (in total) by obligation type (contract, grant, loan, transfer to another government entity, and direct payments) for obligations and expenditures below \$50,000 and for payments to individuals, regardless of amount.

46. *For aggregate reporting of obligations to individuals, what information is required to be reported about the individuals?*

None. The only information collected during aggregate reporting are obligations (in total) and expenditures (in total).

47. Where can a prime recipient access training materials or archived training sessions to assist with reporting?

Training materials, including a training webinar and GrantSolutions user guide, are available on Treasury OIG's website ([CARES Act](#)).

48. How should payroll costs be reported?

Payroll costs to individuals, and any other payments to individuals, regardless of the amount, should be reported in the Aggregate Direct Payments to Individuals section of the GrantSolutions portal.

49. Treasury's FAQs state that payments from the Fund may be used to meet the non-federal matching requirements for Stafford Act assistance to the extent such matching requirements entail COVID-19-related costs that otherwise satisfy the Fund's eligibility criteria and the Stafford Act. For a COVID-19 related cost that Department of Homeland Security's Federal Emergency Management Agency (FEMA) has determined is eligible under the Stafford Act, how should the non-federal cost share portion covered with CRF proceeds be reported?

The obligation type (i.e. contract, grant, loan, direct payment) and the dollar amount of the CRF portion, used to cover a prime recipient's non-federal cost share, will determine how this information should be reported in GrantSolutions. For example, if the non-federal cost share for a contract is funded by CRF proceeds of \$50,000 or more, the prime recipient should report the contractor as a sub-recipient/beneficiary in the GrantSolutions portal and enter the contract with an amount equal to the prime recipient's non-federal cost share covered with CRF proceeds. The expenditures associated with the contract should be entered only for the non-federal cost share portion in the GrantSolutions portal. If the non-federal cost share amount of the contract covered with CRF proceeds is less than \$50,000, the prime recipient should report the non-federal cost share in aggregate for related obligations and expenditures. Refer to Section C above for additional guidance regarding the various obligation types (i.e. contract, grant, loan, direct payment).

50. Treasury's FAQs state that prime recipients may deposit CRF payments into separate interest bearing accounts. How should interest earned and expended be reported?

The GrantSolutions portal does not collect data on interest earned and expended with CRF proceeds. The prime recipient is responsible for tracking interest earned and expended separately. In accordance with Treasury's FAQs, if a recipient separately invests CRF proceeds in an interest bearing account, the prime recipient must use the interest earned "only to cover expenditures incurred in accordance with section 601(d) of the Social Security Act (42 U.S.C. 801(d)) and the Guidance

on eligible expenses.” The prime recipient is required to report information on interest earned and expended directly to the Treasury OIG upon request and in accordance with response to question 84.

51. *For loans that the prime recipient issues to borrowers, how should the borrower’s payment of loan interest to the prime recipient be reported?*

The GrantSolutions portal does not collect data on payments of loan interest from borrowers. The prime recipient is responsible for tracking payments of loan interest and subsequent uses of interest separately. In accordance with Treasury’s FAQs, “any amounts repaid by the borrower before December 30, 2020, must be either returned to Treasury upon receipt by the unit of government providing the loan or used for another expense that qualifies as an eligible expenditure under section 601(d) of the Social Security Act. Any amounts not repaid by the borrower until after December 30, 2020, must be returned to Treasury upon receipt by the unit of government lending the funds.” The prime recipient is required to report information on borrowers’ payments of loan interest directly to the Treasury OIG upon request and in accordance with response to question 85.

52. *If a prime recipient reports a contract in GrantSolutions that is subsequently modified to either increase the contract amount or reduce the contract amount, how should this be reported?*

Contract modifications should be reported for the quarter in which the contract modification is executed. For contracts of \$50,000 or more, the prime recipient should (1) enter a new “Current Quarter Obligation” to adjust the obligation amount upward or downward by using a positive or negative obligation value and (2) adjust the “Contract Amount” to the new obligation amount. The “Contract Amount and “Cumulative Obligation Amount” must agree. If the modification drops the contract value below \$50,000, then the contract should be deleted from the “Contracts > = \$50,000” section and reported in the “Aggregate of Contracts Awarded < \$50,000” section along with related expenditures.

To modify contracts reported in the aggregate, in which there were no other aggregate contract obligations for the reporting period, the prime recipient should report an upward or downward “Current Quarter Obligation” by using a positive or negative value. For contracts that were reported in the aggregate, in which there were other aggregate contract obligations for the reporting period, the prime recipient should report a “Current Quarter Obligation” that is adjusted upward or downward to report the modification.

53. If a prime recipient enters into multiple obligations with an entity, some obligations being more than \$50,000 and some obligations being less than \$50,000, how should the obligations be reported?

The prime recipient should first identify the entity in the portal as a sub-recipient/beneficiary. Each obligation to the entity of \$50,000 or more should then be reported individually by obligation type (e.g. contract, grant, loan, direct payment) in the respective \geq \$50,000 obligation section of the GrantSolutions portal. Obligations to the entity of less than \$50,000 should be reported in the aggregate by the applicable obligation type.

54. If a prime recipient originally reported an obligation in the aggregate and in a subsequent reporting period, the obligation amount is increased to \$50,000 or above, how should the obligation be reported?

First, the obligation and any related expenditures should be reduced from the specific aggregate obligation and expenditure amounts. To record the obligation by type (i.e. contract, grant, loan, direct payment), the prime recipient should add the sub-recipient/beneficiary in the GrantSolutions portal (if not already included). Once the sub-recipient/beneficiary has been identified and/or added, the obligation should be reported by applicable obligation type \geq \$50,000, along with the related expenditures.

55. When Treasury OIG approves a prime recipient's quarterly Financial Progress Report submission in the GrantSolutions portal, does this mean Treasury OIG agrees that information is true, complete, and accurate?

No, the Treasury OIG's approval of a quarterly Financial Progress Report submission is a confirmation that the submission has been completed and the data meets specific data entry validation checks. It is the responsibility of a prime recipient's authorized official to certify that the information provided in the quarterly Financial Progress Report is "true, complete, and accurate, and the information is provided for the purposes and intent set forth in the CARES Act, Public Law 116-136."

E. Reporting Corrections

56. If a prime recipient submitted information in its interim report of costs incurred as of June 30, 2020 and some information has changed, can we correct this information in the portal?

Yes. Keep in mind that for purposes of meeting the interim reporting requirement, reporting estimated costs incurred was allowed. For the first quarterly reporting period (March 1, 2020 through June 30, 2020) beginning September 1, 2020, the prime recipient must report actual obligations and expenditures in the

GrantSolutions portal. The amounts reported in the GrantSolutions portal and certified will be considered the official reporting.

57. *If an error is identified or an addition/modification needs to be made, is there an ability to amend the previous submitted data?*

Yes, if a prime recipient determines corrections or additions are necessary, the current GrantSolutions submission may be recalled, corrected, and resubmitted within the first 10 days after the quarter end. In addition, if a Treasury OIG reviewer determines corrections or additions are necessary, feedback will be provided and the submission will be returned to the prime recipient for correction and resubmission.

If an error is identified or a modification needs to be made after a report is already approved by the Treasury OIG, the prime recipient will need to make the modification or correction in the next quarterly reporting cycle. To correct or modify a prior period's data reported in the portal sections for amounts of \$50,000 or more, the prime recipient should add a current quarter obligation or expenditure in the applicable obligation type section (e.g. contract, grant, loan, direct payment) and report a positive or negative amount to adjust the amount accordingly. To correct or modify a prior period's data in an aggregate reporting section of less than \$50,000, the prime recipient should adjust a current quarter obligation or expenditure in the applicable obligation type section (e.g. contract, grant, loan, direct payment) by the correction or modification amount needed. The prime recipient is ultimately responsible for certifying that the quarterly submissions (with corrections/modifications) are true, complete, and accurate in the GrantSolutions portal.

The prime recipient will have until September 21, 2021 (Reporting Cycle 6) to make any corrections or modifications to data in the GrantSolutions portal. Refer to question 86 for modifications related to CRF reporting after the covered period of March 1 through December 30, 2020.

58. *For forgivable loans originally reported as a grant, in a subsequent reporting period, if the recipient has not met the terms of forgiveness, should this obligation be changed to a loan in subsequent reporting period?*

The forgivable loan should have originally reported as a loan in total until the conditions for loan forgiveness are met. See response to question 42.

59.*Is there a process to modify the prime recipient's nonfederal cost share reported in a prior quarter that has significantly changed due to the reimbursement from the FEMA public assistance programs?*

Yes, if a prime recipient determines corrections or additions to a quarterly submission are necessary and the quarterly submission has already been approved by Treasury OIG, changes to a previous quarterly submission may be made in the subsequent reporting submission. The prime recipient will not be able to re-open the previous quarter, but instead will make necessary adjustments in the open quarter. See response to question 57 on how to correct or modify a prior quarter's data and the deadline for making corrections and modifications and response to question 49 on reporting the prime recipient's nonfederal cost share. The prime recipient is ultimately responsible for certifying that the quarterly submissions (with corrections/modifications) are true, complete, and accurate in the GrantSolutions portal.

60.*If a prime recipient reports a cost allocated to the CRF in one reporting cycle, but subsequently determines to allocate that cost to a different funding source, can the prime recipient remove the obligations and related expenditures from its CRF reporting submission?*

Yes, if a prime recipient determines corrections or additions to a quarterly submission are necessary and the quarterly submission has already been approved by Treasury OIG, changes to a previous quarterly submission may be made in the subsequent reporting submission. The prime recipient will not be able to re-open the previous quarter, but instead will make necessary adjustments in the open quarter. See response to question 57 on how to correct or modify a prior quarter's data and the deadline for making corrections and modifications. The prime recipient is ultimately responsible for certifying that the quarterly submissions (with corrections/modifications) are true, complete, and accurate in the GrantSolutions portal.

Keep in mind, if a prime recipient has not used funds it has received to cover costs that incurred between March 1, 2020 and December 30, 2020, as required by the statute, those funds must be returned to the Treasury.

61.*Do we need a budget set up for FEMA Cares Act monies received or just to track and report monies used?*

The prime recipient is required to report obligations and expenditures of CRF proceeds. It is at the discretion of the prime recipient to determine a budget setup related to CRF payments.

F. Reporting Deadline

62. *Can the CRF reporting submission deadline be modified to 30 days, as opposed to 10 days, after the quarter end?*

We do not have the authority to change the quarterly recipient reporting deadline. Section 15011 of the CARES Act requires CRF reporting within 10 days after the end of each calendar quarter. Prime recipients' GrantSolutions data will be reported to the Pandemic Response and Accountability Committee (PRAC) for display on its website.

63. *Can a prime recipient request extensions in filing its quarterly reports?*

Yes, requests to extend the quarterly reporting deadline should be sent to Treasury OIG at CARES@oig.treas.gov for extension approval/disapproval. These decisions will be made on a case-by-case basis and with consideration given to extenuating circumstances.

64. *If a prime recipient does not close its records by 10 days after the reporting period ends, how should these costs be reported?*

Record closing times vary and may not align with the GrantSolutions reporting deadlines. If a prime recipient is not able to report within 10 days after the reporting period ends, the prime recipient is responsible for submitting the missing data in the GrantSolutions portal as part of the next quarter's reporting cycle.

G. GrantSolutions Portal

65. *Is the portal still on schedule for becoming available on September 1, 2020?*

Yes for most users. An upload feature will be available for select very high volume prime recipients. The upload feature will be available in December 2020 and timing of the schedule for those users has been communicated.

66. *If a prime recipient's designated users already have accounts with GrantSolutions, does the prime recipient still need to submit each user's name, title, email address, and phone number to Treasury OIG?*

Yes.

67. *Can portal access be granted to users if they share the same email address?*

No. In order to grant portal access, each user must have a unique email address; users cannot have the same email address.

68. Can a prime recipient designate more than two preparers?

No. The GrantSolutions portal can only sustain up to three users per prime recipient: two preparers and one authorizing official.

69. How can a prime recipient replace a designated user?

In order to replace a designated user, the prime recipient must email help@grantsolutions.gov to request a "Treasury OIG & PRAC Financial Status Report – Prime Recipient" user account request form. The form must be completed for both the new user and the user being replaced. For the user being replaced, the Request Type "Closure of Existing Account" should be selected on the request form. Once both forms have been completed, the prime recipient should email them to CARES@oig.treas.gov with explanation of the requested replacement.

70. Can the authorizing official also be one of the preparers?

No. The authorizing official cannot be both a designee/preparer and an authorizing official.

71. What is the best way to import data from a large number of sub-recipients/beneficiaries?

Only the prime recipient is required to report CRF related obligations and expenditures in the GrantSolutions portal. We are currently working with GrantSolutions regarding a data upload feature that will be available for certain prime recipients with the most sub-recipient/beneficiary activity. The upload feature will be available beginning December 2020. See question 65.

72. Will the portal provide a cumulated view of obligations and expenditures a prime recipient has reported?

Yes.

H. Record Retention/Audit

73. According to Treasury's FAQs, for administrative convenience, a State can presume that all payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency and, thus, can be covered by CRF. Will Treasury OIG or the PRAC ever question the applicability of this presumption in the audit context? If so, under what circumstances?

During its reviews and audits, Treasury OIG will allow the use of the administrative accommodation made in accordance Treasury's FAQs. See responses to related questions 80, 81, and 82.

74. How far down will the audit cascade?

The CARES Act provides that Treasury OIG is responsible for monitoring and oversight of the receipt, disbursement, and use of CRF payments. As such, all CRF payments received by the prime recipient are subject to audit. In this regard, an audit will be at the prime recipient level and may involve reviewing the prime's sub-recipients/beneficiaries. In the event that it is determined the prime recipient failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)), those funds will be recouped by Treasury OIG.

75. If providing small business assistance, do we have to receive actual documentation of the expense or business interruption? If we provide thousands of grants to small businesses and are audited, what would need to be provided to satisfy an audit?

The prime recipient of CRF payments must maintain and make available to Treasury OIG upon request all documents and financial records sufficient to establish compliance with subsection 601(d) of the Social Security Act, as amended (42 U.S.C. 801(d)). Records include, but are not limited to, general ledger and subsidiary ledgers used to account for (a) the receipt of CRF payments and (b) the disbursements from such payments to meet eligible expenses (e.g., expenses for supplies to address the public health emergency due to COVID-19 or operational expenses in the case of a grant providing economic support). The prime recipient is responsible for determining the level and detail of documentation needed from the sub-recipient/beneficiary of small business assistance to satisfy these requirements; however, there would need to be some documentation to demonstrate that the small business was impacted by the public health emergency and was thus eligible for the CRF funds.

76. Is there an audit plan at this point? For example, will there be interim audits, or only after Dec 30 or final reporting? Also, do you have criteria upon which you will decide which awards to audit?

Treasury OIG will perform monitoring of the prime recipient's receipt, disbursements, and uses of CRF payments and has developed procedures for this purpose. There are procedures for monitoring, reviewing, and approving the prime recipient's quarterly GrantSolutions submissions. Treasury OIG will also conduct desk reviews, for which other procedures have been developed, to further evaluate the prime recipient's documentation supporting the reported uses of CRF proceeds, as well as, results of other audits (i.e. Single Audit), among other things. The desk review may result in a site visit to the prime recipient for a more in-depth review. Based on results of the quarterly monitoring, desk reviews, site reviews, and our risk assessments, Treasury OIG will determine the need for a more in-depth audit. In addition to ongoing monitoring, Treasury OIG will initiate audits as deemed

necessary based on other referrals and ongoing risk assessments of the prime recipients.

77. Will Treasury OIG audit the sub-recipient/beneficiary as part of its prime recipient audit?

Treasury OIG may audit the sub-recipient/beneficiary as part of its audit of the prime recipient.

78. What cost principles will Treasury OIG be applying to determine allowability of costs during audit if Subpart E of 2 CFR 200 is not applicable to this funding?

The CARES Act and the Treasury guidance and FAQs will be used as criteria for allowability of costs. According to Treasury's FAQs, provisions of the Uniform Guidance, 2 C.F.R. sec. 200.303 regarding internal controls, 2 C.F.R. sec. 200.330 through 200.332 regarding sub-recipient monitoring and management, and subpart F regarding audit requirements are applicable to CRF payments. Subpart E is not applicable. Although a beneficiary is considered a sub-recipient for purposes of reporting in the GrantSolutions portal, the provisions of the Uniform Guidance above are not applicable to the beneficiary.

79. How does the CRF audit relate to Single Audit?

Treasury OIG has jurisdiction to perform audits of all expenditures of CRF funds (of any dollar amount). CRF payments are considered to be Federal financial assistance subject to the Single Audit Act (31 U.S.C. sec. 7501-7507). The related provisions of the Uniform Guidance, 2 C.F.R. sec. 200.303 regarding internal controls, sec. 200.330 through 200.332 regarding sub-recipient monitoring and management, and subpart F regarding audit requirements provides detailed information. The results of a prime recipient's Single Audit will be evaluated as part of the Treasury OIG's desk reviews and any audits initiated.

80. To what level of documentation will a government be held to support the reimbursement of public health and safety payroll that was "presumed" to be substantially dedicated to mitigating the emergency?

The recipient of CRF payments must maintain and make available to Treasury OIG upon request, all documents and financial records sufficient to establish compliance with subsection 601(d) of the Social Security Act, as amended (42 U.S.C. 801(d)). Documents/records include payroll records for the covered period March 1 through December 30, 2020. Records include, but are not limited to (1) general and subsidiary ledgers used to account for the receipt of CRF payments and subsequent disbursements; and (2) payroll, time, and human resource records to support costs incurred for payroll expenses. Please refer to the Treasury OIG memorandum,

Coronavirus Relief Fund Reporting and Record Retention Requirements (OIG-20-021; July 2, 2020). These document requirements apply to supporting payroll reimbursement amounts using CRF proceeds and not to support the presumption that public health and safety payroll is substantially dedicated to mitigating the emergency.

- a. Will a government have to demonstrate/substantiate that a public health or public safety employee's function/duties were in fact substantially dedicated to mitigating the emergency?*

No, the government will not have to demonstrate/substantiate that a public health or public safety employee's function/duties were substantially dedicated to mitigating the emergency but must maintain records and documentation supporting payroll amounts reimbursed using CRF proceeds. As indicated in Treasury's Guidance, as an administrative accommodation, governments may presume that public health and public safety employees meet the substantially dedicated test, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise. Treasury's FAQs add that entire payroll cost of an employee whose time is substantially dedicated to mitigating or responding to the COVID-19 public health emergency is eligible, provided that such payroll costs are incurred by December 30, 2020.

- b. For payroll that was accounted for in the FY2020 budget but was then "presumed" to be substantially dedicated to mitigating the emergency, will the government have to demonstrate/substantiate that a public health or public safety employee's function was a substantially different use?*

No, the government will not have to demonstrate/substantiate that a budgeted public health or public safety employee's function was a substantially different use. As stated in Treasury's Guidance, within the category of substantially different uses, Treasury has included payroll and benefits expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. The Treasury OIG does require the government to maintain budgetary records to support the fiscal years 2019 and 2020 budgets.

- 81.***Is the government required to perform any analysis or maintain documentation of the "substantially dedicated" conclusion for payroll expenses of public safety, public health, health care, and human service employees?*

No, the government is not required to perform an analysis or maintain documentation of the substantially dedicated conclusion for payroll expenses of

public safety, public health, health care, and human service employees. As indicated in Treasury's Guidance, as an administrative accommodation, governments may presume that public health and public safety employees meet the substantially dedicated test, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise. Please refer to response to question 80.

82. Treasury's FAQs indicate a "State, territorial, local, or Tribal government may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise."

a. What level of documentation needs to be maintained to indicate the chief executive did not determine "specific circumstances indicate otherwise?"

No documentation of the negative assurance of the chief executive (or equivalent) is required.

b. Is the absence of documentation indicating "specific circumstances indicate otherwise" sufficient, or does an affirmative decision need to be documented?

See previous responses.

83. Are CRF funds required to be accounted for in a separate fund of the government? At least one state thinks it should be.

These are individual management decisions, however, the documentation required above should be easily understandable by the auditors.

84. If a recipient separately invests CRF proceeds in an interest bearing account, will earned interest on these proceeds be part of an audit of the prime recipient? If so, what level of documentation will be required?

Yes. The prime recipient is responsible for tracking interest earned on CRF proceeds and expended outside the GrantSolutions portal, which does not capture this information. The prime recipient must maintain records (i.e. bank statements, general ledger) to sufficiently support the receipt and uses of interest for COVID-19 related expenditures to cover eligible expenses incurred by December 30, 2020. The prime recipient is required to report interest earned and expended along with supporting records upon request from the Treasury OIG. In accordance with Treasury's FAQs, the prime recipient must use the interest earned or other proceeds these investments earn only to cover expenditures incurred in accordance with

section 601(d) of the Social Security Act (42 U.S.C. 801(d)) and the Guidance on eligible expenses.

85. Will interest received from borrowers on loans made with CRF proceeds be subject to audit by Treasury OIG? If so, what level of documentation will be required?

Yes. The prime recipient is responsible for tracking interest paid by borrowers of loans using CRF proceeds and subsequent uses. GrantSolutions portal does not capture this information. The prime recipients must maintain records (i.e. bank statements, loan agreements, general ledger) to sufficiently support the receipt and uses of interest. The prime recipient is required to report interest received and expended along with supporting records upon request from the Treasury OIG.

I. Recoupment

86. If Treasury OIG determines that a prime recipient has failed to comply with 601(d) of the Social Security Act, it has the authority to recoup the amount of funds used in violation of the subsection. Is there an appeal process for prime recipients if Treasury OIG makes such a determination?

Yes. There are opportunities for a prime recipient to appeal a determination of noncompliance by the Treasury OIG, both before and after the covered period ends on December 30, 2020.

a. Before December 30, 2020

If the Treasury OIG makes a determination, before December 30, 2020, that a certain amount of CRF proceeds were not used in accordance with 601(d) of the Social Security Act (42 U.S.C. 801(d)), the prime recipient would need to either recover such funds and redeploy them for COVID-19 related expenditures or demonstrate that other eligible expenses incurred during the covered period of March 1 through December 30, 2020 would qualify as allowable. The Treasury OIG's determination will be based on audit, investigation, or other review that will be documented and reported to the prime recipient. As part of the reporting process, the prime recipient will have an opportunity to comment and/or dispute the Treasury OIG's determination. The Treasury OIG will consider the prime recipient's feedback and any additional information provided in making its final determination on the use of CRF proceeds. Once Treasury OIG makes a final determination, it will request a written response from the prime recipient to include the corrective action(s) to remedy the noncompliance.

b. After December 30, 2020

If the Treasury OIG makes a determination, after December 30, 2020, that a certain amount of CRF proceeds were not used in

accordance with 601(d) of the Social Security Act (42 U.S.C. 801(d)), the Treasury OIG may (1) seek recoupment of funds, or (2) allow the prime recipient to demonstrate that other eligible expenses incurred during the covered period of March 1 through December 30, 2020, would qualify as allowable. The Treasury OIG's determination will be based on audit, investigation, or other review that will be documented and reported to the prime recipient. As part of the reporting process, the prime recipient will have an opportunity to comment and/or dispute a determination. For example, in the case of an audit, the prime recipient will be provided a draft audit report for discussion purposes and to comment and give views that will be considered in the Treasury OIG's final determination on uses of CRF proceeds. Part of this consideration will include whether the prime recipient had other COVID-19 related eligible expenditures during the covered period that are supported through documentation. Treasury OIG will also request an official written response from the prime recipient that will be incorporated into the final issued audit report. If there is a determination to recoup funds, Treasury OIG will attempt to collect those funds through Treasury's Bureau of the Fiscal Service (Fiscal Service) – Centralized Receivable Service. A prime recipient will have an opportunity to enter into a repayment agreement. Fiscal Service will follow its normal debt collection practices.

Department Response



MEMORANDUM

DATE: January 19, 2020

TO: Jorge Oseguera, City Auditor
Howard Chan, City Manager

FROM: Leyne Milstein, Assistant City Manager *LM*

SUBJECT: ASSESSMENTS OF REVENUES AND EXPENSES ASSOCIATED WITH THE CITY'S COVID-19 RESPONSE—REPORT NO. 2

The City Manager's Office would like to thank our partner charter office staff, the City Attorney's Office and the City Auditor's Office, for their invaluable insight and partnership in managing an unprecedented project in response to a crisis.

The City of Sacramento is committed to effective, efficient, and transparent management of City funds. To this end we have worked closely and will continue seeking to implement the City Auditor's recommendations on CRF expenses, revenues and record keeping.

On-Going Monitoring of COVID-19 Revenues and Expenses:

The City Auditor's Office has provided valuable checks to ensure time coded as COVID had sufficient detail describing COVID-19 activities performed. City Manager's Office staff has worked with department program managers to address these issues as they were identified. Additionally, after December 30, 2020, no additional time should be coded COVID since these programs have ended.

The City Auditor's Office has also provided significant support in developing appropriate federal Single Audit record keeping requirements. Given the timelines that staff had to expend CRF resources, the unprecedented nature of expending over \$89 million in new programming and new federal guidance, staff has frequently prioritized expending funds to ensure programming could take place and resources could be sent to the communities in need. CRF program management staff continues to update vital record keeping documents to our internal records management system. Further, as CRF programs begin to wind down, we will continue to work with program managers to add all required Single Audit documents into our record management system.

City Hall | 915 I Street, Fifth Floor | Sacramento, CA 95814 | 916-808-5704

Signature: 
Lyle Milstein (Jan 19, 2021 13:49 PST)

Email: LMilstein@cityofsacramento.org