

## DEPARTMENT OF THE TREASURY

### ASSISTANCE LISTING 21.027 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

#### I. PROGRAM OBJECTIVES

Note: This program is considered a “higher risk” program for 2023, pursuant to 2 CFR section 200.519(c)(2). Refer to the “Programs with Higher Risk Designation” section of Part 8, Appendix IV, Internal Reference Tables, for a discussion of the impact of the “higher risk” designation on the major program determination process.

Note: Per Part IV, “Other Information,” certain Coronavirus State and Local Fiscal Recovery Funds (SLFRF) recipients are provided with an option to have an alternative compliance examination engagement in lieu of a Single Audit or a Program-Specific Audit under 2 CFR Part 200, Subpart F.

The purpose of the SLFRF program is to provide direct payments to states (defined to include all 50 states and the District of Columbia), US territories (defined to include Puerto Rico, US Virgin Islands, Guam, Northern Mariana Islands, and American Samoa), Tribal governments, metropolitan cities, counties, and (through states) non-entitlement units of local government (NEUs) (collectively the “eligible entities”) to:

1. Respond to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including by providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the recipient that perform essential work or by providing grants to eligible employers that have eligible workers who are performing essential work;
3. Provide government services, to the extent of the reduction in revenue of the eligible entities due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the eligible entities prior to the emergency; and
4. Make necessary investments in water, sewer, or broadband infrastructure.

#### II. PROGRAM PROCEDURES

##### A. Overview

Sections 602 and 603 of the Social Security Act (the “Act”), as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified at 42 USC sections 802 and 803, authorized the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, respectively (referred to collectively as the

“Coronavirus State and Local Fiscal Recovery Funds” or “SLFRF”). SLFRF is administered by the US Department of the Treasury (“Treasury”) and provides assistance in the form of direct payments for specified use. SLFRF provides \$350 billion for payments to eligible entities.

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

- (1) \$195.3 billion reserved for making payments to the 50 states and the District of Columbia;
- (2) \$4.5 billion reserved for making payments to the US territories;
- (3) \$20 billion reserved for making payments to Tribal governments;
- (4) \$45.57 billion reserved for making payments to metropolitan cities;
- (5) \$65.1 billion reserved for making payments to counties; and
- (6) \$19.53 billion reserved for making payments to NEUs.

Amounts paid to eligible states and local governments were based on 2019 population data from the US Census Bureau as well as latest available data from the Bureau of Labor Statistics at the time of the issuance of Treasury’s Interim Final Rule, May 17, 2021. Treasury made a determination to allocate payments to Tribal governments based on enrollment reported to the Bureau of Indian Affairs and employment data, as well as consultation with Tribal leaders.

Prior to receipt of award funds, all eligible entities are required to execute a Financial Assistance Agreement, which includes the Award Terms and Conditions that recipients must comply with in carrying out the objectives of their award, as well as the certification required at 42 USC 802(d)(1). Tribal and local governments are not required to provide such certification as a condition of receiving payment under SLFRF. Eligible entities are required to use their award funds as set forth at 42 USC sections 802(c)(1) and 803(c)(1) and Treasury’s Final Rule, 31 CFR Part 35 to meet pandemic response needs and rebuild a strong, more equitable economy as the country recovers.

### **Source of Governing Requirements**

The SLFRF program is authorized by sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified at 42 USC sections 802 and 803, and implemented by Treasury’s [Interim Final Rule](#) and [Final Rule](#) at 31 CFR Part 35.

On January 6, 2022, Treasury adopted a Final Rule to implement the requirements of the SLFRF program. The Final Rule responded to comments Treasury received on the Interim Final Rule and became effective on April 1, 2022.

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

Prior to April 1, 2022, the Interim Final Rule remained in effect. Accordingly, recipients were able to obligate and expend funds in a manner consistent with the Interim Final Rule prior to April 1, 2022. In addition, Treasury recognizes that recipients took steps to use SLFRF funds for projects in a manner consistent with the Interim Final Rule prior to adoption of the Final Rule. To the extent that a recipient took significant steps toward obligating SLFRF funds in a manner consistent with the Interim Final Rule prior to January 6, 2022, Treasury will generally not take action to enforce provisions contained in the Final Rule, to the extent that they are more restrictive than those in the Interim Final Rule. Such significant steps include initiation of procurement or grantmaking actions, detailed planning of projects or programs, appropriation of funds, and other significant planning steps.

Recipients must follow the requirements on award funds they expended for their fiscal year 2023 based on the requirements set forth at 42 USC sections 802 and 803, Treasury’s Interim Final Rule, Treasury’s Final Rule, and Frequently Asked Questions (FAQs), as applicable. If an expenditure is not consistent with the Final Rule, then auditors should consult the Statement in order to determine how to assess the applicability of the Interim Final Rule and use their professional judgement. See the IV., “Other Information” section below for auditor guidance relating to the criteria auditors should use for compliance testing purposes.

Auditors should note that the [Consolidated Appropriations Act, 2023](#) amended Sections 602 and 603 of the Social Security Act to provide state, local, and Tribal governments the flexibility to use SLFRF funds for additional eligible uses. See Division LL, Section 102 of the Consolidated Appropriations Act. Additional guidance will be forthcoming and available on the Treasury website.

### **Availability of Other Program Information**

Additional information on the requirements for SLFRF is available through the program webpage on Treasury’s website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>.

SLFRF’s Compliance and Reporting Guidance can be found at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/recipient-compliance-and-reporting-responsibilities>.

The Compliance and Reporting Guidance provides additional detail and clarification for each recipient's compliance and reporting responsibilities and should be read in concert with the Award Terms and Conditions (Please refer to: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-fund/request-funding>), the authorizing statute, the Interim Final Rule and Final Rule, as applicable, and other regulatory and statutory requirements.

Interim Final Rule FAQs and Final Rule FAQs about SLFRF are available on the program webpage on Treasury's website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>.

The FAQ documents contain answers to frequently asked questions regarding the Interim Final Rule and the Final Rule. Treasury intends to update the Final Rule FAQs periodically in response to questions received from stakeholders. The Final Rule FAQs are applicable to the Final Rule, although readers will notice that many FAQs have been incorporated from the Interim Final Rule FAQs, because they remain applicable. Answers to frequently asked questions that are unique to the Interim Final Rule remain available on the Treasury website. The Final Rule FAQs include a categorization to assist readers in identifying the FAQs that remain largely the same as in the Interim Final Rule FAQs and the FAQs that are new or have been updated in conformity with the Final Rule.

Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule can be found at <https://home.treasury.gov/system/files/136/SLFRF-Compliance-Statement.pdf>.

The Statement clarifies the transition from compliance with the Interim Final Rule to compliance with the Final Rule. Recipients should also review the Final Rule for additional information.

### **III. COMPLIANCE REQUIREMENTS**

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

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	Y	Y	Y	N	Y	Y	N

### A. Activities Allowed or Unallowed

Recipients may use SLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 codified at 42 USC sections 802 and 803 respectively. Recipients may also use payments subject to the restrictions set forth Division LL, Section 103 of the Consolidated Appropriations Act, 2023, Treasury's Interim Final Rule and Final Rule at 31 CFR Part 35, and FAQs available at <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf> and <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.pdf>.

1. *Activities Allowed-* Recipients may use payments from SLFRF to:

- a. **Respond to the public health and negative economic impacts of the pandemic**, by supporting the health of communities, and helping households, small businesses, impacted industries, and the public sector recover from economic impacts of the pandemic;
- b. **Replace lost public sector revenue** to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
- c. **Provide premium pay for essential workers**, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and
- d. **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

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

Under the Final Rule, recipients can elect a one-time “standard allowance” of \$10 million (not to exceed the recipient’s award amount) to spend on the “provision of government services” during the period of performance. Alternatively, recipients can calculate lost revenue for the years 2020, 2021, 2022, and 2023 based on the formula provided in the Final Rule to determine the amount of SLFRF funds that can be used for the “provision of government services.” In calculating revenue loss, recipients can choose whether to use calendar or fiscal year dates but must be consistent throughout the period of performance. If calculating revenue loss, recipients must provide auditors with evidence supporting their revenue loss calculation. Treasury has determined that there are no subawards under this eligible use category. The definition of subrecipient in the Uniform Guidance provides that a subaward is provided for the purpose of “carrying out” a portion of a federal award. Recipients’ use of revenue loss funds does not give rise to subrecipient relationships.

The dollar amount of the revenue loss determines the limit for the amount of SLFRF funds that can be used to “provide government services” (which is one of four eligible uses of SLFRF funds). For Schedule of Expenditures of Federal Awards (SEFA) reporting purposes, the aggregate expenditures for all four eligible use categories are reported on the SEFA and not just the result of the revenue loss calculation or standard allowance. See the IV, “Other Information” section below for guidance on the related Schedule of Expenditures of Federal Award reporting.

## **B. Allowable Cost/Cost Principles**

SLFRF is considered “other financial assistance” per 2 CFR section 200.1 and is administered as direct payments for specified use.

The auditor is not expected to determine whether the recipient exceeded the maximum limits for specified eligible use categories. Treasury will evaluate that the recipient was within the limits for the eligible use categories through reviewing the recipient’s reporting, which is subject to audit.

The 2 CFR Part 200, Subpart E is applicable to expenditures under SLFRF unless stated otherwise. Given the purpose and very broad scope of eligible uses of the revenue replacement funds, only a subset of the requirements in 2 CFR Part 200, Subpart E apply to recipients' use of such funds, as follows:

- 2 CFR 200.400(a) - (c), and (e) Policy guide;
- 200.403(a), (c), (d), (g), and (h) Factors affecting allowability of costs; and
- 200.404(e) Reasonable costs.

## **G. Matching, Level of Effort, Earmarking**

### **1. Matching**

Not Applicable

### **2. Level of Effort**

Not Applicable

### **3. Earmarking**

Recipients may use payments from SLFRF to replace lost public sector revenue to provide government services. Recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.

Under the Final Rule, recipients can elect a one-time "standard allowance" of \$10 million (not to exceed the recipient's award amount) to spend on the "provision of government services" during the period of performance. Alternatively, recipients can calculate lost revenue for the years 2020, 2021, 2022, and 2023 based on the formula provided in the Final Rule to determine the amount of SLFRF funds that can be used for the "provision of government services."

In calculating revenue loss, recipients can choose whether to use calendar or fiscal year dates but must be consistent throughout the period of performance. If calculating revenue loss, recipients must provide auditors with evidence supporting their revenue loss calculation.

Treasury has determined that there are no subawards under this eligible use category. The definition of subrecipient in the Uniform Guidance provides that a subaward is provided for the purpose of "carrying out" a portion of a federal award. Recipients' use of revenue loss funds does not give rise to subrecipient relationships.

The dollar amount of the revenue loss determines the limit for the amount of SLFRF funds that can be used to "provide government services" (which is one of

four eligible uses of SLFRF funds). For Schedule of Expenditures of Federal Awards (SEFA) reporting purposes, the aggregate expenditures for all four eligible use categories are reported on the SEFA and not the result of the revenue loss calculation or standard allowance. See the IV, “Other Information” section below for guidance on the related Schedule of Expenditures of Federal Award reporting.

## **H. Period of Performance**

Recipients may only use funds to cover costs incurred during the period beginning on March 3, 2021 and ending on December 31, 2024, pursuant to the Final Rule at 31 CFR section 35.5(a). Recipients must liquidate all obligations incurred by December 31, 2024, under the award no later than December 31, 2026, which is the end of the period of performance. As such, program obligations or costs must be incurred from the period beginning on March 3, 2021 and ending on December 31, 2024. No new obligations or costs may be incurred during the period beginning January 1, 2025 and ending on December 31, 2026. During this two-year period from January 1, 2025, through December 31, 2026, recipients are only permitted to expend funds to satisfy obligations incurred by December 31, 2024.

## **I. Procurement and Suspension and Debarment**

### **1. Procurement**

Recipients may use award funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in 42 USC sections 802(c) and 803(c) and Treasury’s Interim Final Rule and Final Rule. As such, except as noted in the next paragraph, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance.

In July 2022, Treasury released [Final Rule FAQ 13.15](#), which explains that only a subset of the requirements in Subparts D and E of the Uniform Guidance apply to recipients’ use of award funds under the revenue loss eligible use category. The requirements of 2 CFR sections 200.318 through 200.327 are not included in the list of requirements applicable to such funds.

Recipients may also refer to section 13 of the [Final Rule FAQs](#), which includes FAQs related to procurement and other Uniform Guidance-related topics.

### **2. Suspension and Debarment**

See Part 3.



**L. Reporting****1. Financial Reporting**

- a. *SF-270, Request for Advance or Reimbursement* – Not Applicable
- b. *SF-271, Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable
- c. *SF-425, Federal Financial Report* – Not Applicable

**2. Performance Reporting**

Title of Report: Project and Expenditure Report

PRA Number: 1505-0271

Reporting Cycle: Quarterly and Annual

Authoritative Requirement: 2 CFR 200.328 and [31 CFR section 35.4\(c\) Reporting and requests for other information](#)

Blank Copy of the Report: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/recipient-compliance-and-reporting-responsibilities> - See pages 17 through 34.

Report Instructions: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/recipient-compliance-and-reporting-responsibilities> - See pages 17 through 34.

Report Corrections: Recipients will have an opportunity to reopen and provide edits to their submitted Project and Expenditure Reports any time before the reporting deadline. Recipients will then be required to re-certify and submit the report again to properly reflect any edits made. After the reporting deadline, unless prompted by Treasury staff, recipients will not be able to edit their submitted report, any changes or revisions will need to be reflected in the next Project and Expenditure report.

The Office of Recovery Program's (ORP) reporting portal has built-in functionality to reopen a report and allow recipients to make edits after the reporting deadline. However, it is ORP's policy that recipients may only make revisions if authorized by Treasury staff for a period of up to 60 days after the reporting deadline. After the revision period ends, the report is final. A resubmitted report becomes a recipient's final report within ORP's reporting portal. Recipients can generate PDFs of this reports at any time.

*Key Line Item(s)*- The following line items contain critical information:

1. Obligations and Expenditures- Quantifiable Objective Criteria: Reported obligations and expenditures. (See pages 16 and 17 of the above links.)
  - a. Current period obligation
  - b. Cumulative obligation
  - c. Current period expenditure
  - d. Cumulative expenditure

Revenue loss calculation validation- Note- Recipients may elect a “standard allowance” of up to \$10 million to spend on government services through the period of performance instead of using the full formula specified in the final rule. The standard allowance is available to all recipients. See page 30 for when recipients may modify their revenue loss election. Quantifiable Objective Criteria: Recipient’s application of the revenue loss calculation is accurate if they did not elect the standard allowance. Specific information regarding the revenue loss formula can be found in [paragraph \(d\)\(2\) of 31 CFR § 35.6 at 31 CFR § 35.6\(d\)\(2\)\(d\)\(2\)](#).

2. *Capital Expenditures*- Quantifiable Objective Criteria: The recipient has the required written justification in their grant file if the total of the capital expenditures costs in a project is greater than or equal to \$1 million and less than \$10 million; or, the recipient submitted the required justification to Treasury if (1) a project has total capital expenditures costs greater than \$10 million for capital expenditures enumerated by Treasury in the final rule; or (2) the total of a project’s capital expenditures costs is greater than \$1 million for capital expenditures not enumerated by Treasury in the final rule. Note: Capital expenditures paid for using revenue replacement funds are not subject to this requirement. Tribal governments are not required to complete the written justification. (See [31 CFR section 35.6\(b\)\(4\)](#))

### 3. **Special Reporting**

Not Applicable

### 4. **Special Reporting for Federal Funding Accountability and Transparency Act (FFATA)**

Not Applicable

- a. Treasury received approval from the Office of Management and Budget (OMB) to increase the subaward reporting threshold outlined in 2 CFR Part 170 from \$30,000 to \$50,000 for CSLFRF.

- b. Although reporting on subaward information is applicable to SLFRF recipients pursuant to the award term set forth in Appendix A to 2 CFR Part 170, which is incorporated by reference in the SLFRF Financial Assistance Agreement, SLFRF recipients' compliance with FFATA reporting requirements is not subject to audit.

#### **M. Subrecipient Monitoring**

See Part 3, Section M, "Subrecipient Monitoring" for a general description of the compliance requirements, the related audit objectives, and suggested audit procedures. Note that subrecipient monitoring is not required for entities deemed to be beneficiaries. Because NEUs are considered by Treasury to be direct recipients of SLFRF (and not subrecipients or beneficiaries), states have no subrecipient monitoring responsibilities related to the funding states were required to distribute to NEUs.

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

Recipients may permit for-profit subrecipients to submit a consolidated audit that reflects their SLFRF expenditures across subawards and programs.

Also as discussed in [Final Rule FAQ 13.14](#), Treasury has determined that there are no subawards under this eligible use category because a recipients' use of revenue loss funds does not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award. Therefore, subrecipient monitoring is not applicable to Expenditure Category Group 6 "Revenue Replacement."

#### **IV. OTHER INFORMATION**

Please refer to the section entitled "Source of the Governing Requirements" above.  
*Schedule of Expenditures of Federal Awards (SEFA)*

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

Additionally, because NEUs are considered direct recipients under SLFRF, NEUs that do not elect or are not eligible for the alternative compliance examination engagement are required to report their award expenditures on the SEFA and data collection form as direct awards. Further, States must not report award funds that were required to be distributed to the NEUs on State SEFAs or data collection forms.

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

## I. ALTERNATIVE APPROACH OBJECTIVES

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

### A. Alternative Compliance Examination Engagement

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

This alternative is intended to reduce the burden of a full single audit or program-specific audit on eligible recipients and practitioners, as well as uphold Treasury's responsibility to be a good steward of federal funds. This balance of burden reduction and Treasury responsibility to be a good steward is achieved in several ways as follows:

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

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

## **B. Recipient Eligibility**

Recipient eligibility to use this alternative approach is as follows: SLFRF recipients that expend \$750,000 or more during the recipient’s fiscal year in federal awards and which meet **both** criteria listed below have the option to follow the alternative SLFRF compliance examination engagement:

1. The recipient’s total SLFRF award received directly from Treasury or received (through states) as an NEU is at or below \$10 million; and

2. Other federal award funds the recipient expended (not including their direct SLFRF award funds) are less than \$750,000 during the recipient's fiscal year.

### **C. Program Objectives**

SLFRF provides direct payments to states (defined to include the District of Columbia), US territories (defined to include Puerto Rico, US Virgin Islands, Guam, Northern Mariana Islands, and American Samoa), Tribal governments, metropolitan cities, counties, and (through states) NEU (collectively the "eligible entities") to:

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

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6. \$19.53 billion reserved for making payments to states for distribution to NEUs.

Prior to receipt of award funds, all eligible entities are required to execute a Financial Assistance Agreement, which includes the Award Terms and Conditions that recipients must comply with in carrying out the objectives of their award, as well as the certification required by 42 USC section 802(d)(1). Tribal and local governments are not required to provide such certification as a condition of receiving payment under SLFRF. Eligible entities are required to use their award funds as set forth in 42 USC sections 802(c)(1) and 803(c)(1) and Treasury's Final Rule, 31 CFR Part 35 to meet pandemic response needs and rebuild a strong, more equitable economy as the country recovers.

### **Source of Governing Requirements**

The Coronavirus State and Local Fiscal Recovery Funds program is authorized by sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified at 42 USC sections 802 and 803, and implemented by Treasury's [Interim Final Rule](#) and [Final Rule](#) at 31 CFR Part 35.

On January 6, 2022, the Treasury adopted a Final Rule to implement the requirements of the SLFRF program. The Final Rule responded to comments Treasury received on the Interim Final Rule and became effective on April 1, 2022.

Along with the Final Rule, Treasury published a *Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule* (See <https://home.treasury.gov/system/files/136/SLFRF-Compliance-Statement.pdf>) that clarifies the transition from compliance with the Interim Final Rule to compliance with the Final Rule. Recipients should also review the Final Rule for additional information.

Recipients must comply with the Final Rule beginning on April 1, 2022. Prior to April 1, 2022, recipients were permitted to take actions and use funds in a manner consistent with the Final Rule, and Treasury will not take action to enforce the Interim Final Rule if a use of funds is consistent with the terms of the Final Rule, regardless of when the SLFRF funds were used. This means that Treasury will not take action to enforce

against uses in accordance with the Interim Final Rule to the extent that the recipient wishes to change its planned uses of SLFRF funds in a manner consistent with the Final Rule.

Prior to April 1, 2022, the Interim Final Rule remained in effect. Accordingly, recipients were able to obligate and expend funds in a manner consistent with the Interim Final Rule prior to April 1, 2022. In addition, Treasury recognizes that recipients took steps to use SLFRF funds for projects in a manner consistent with the Interim Final Rule prior to adoption of the Final Rule. To the extent that a recipient took significant steps toward obligating SLFRF funds in a manner consistent with the Interim Final Rule prior to January 6, 2022, Treasury will generally not take action to enforce provisions contained in the Final Rule, to the extent that they are more restrictive than those in the Interim Final Rule. Such significant steps include initiation of procurement or grantmaking actions, detailed planning of projects or programs, appropriation of funds, and other significant planning steps.

Auditors must audit recipients on award funds they expended for their fiscal year 2023 based on the requirements set forth in 42 USC sections 802 and 803, Treasury's Interim Final Rule, Treasury's Final Rule, and Frequently Asked Questions (FAQs), as applicable. If an expenditure is not consistent with the Final Rule, then auditors should consult the Statement in order to determine how to assess the applicability of the Interim Final Rule.

Auditors should note that the [Consolidated Appropriations Act, 2023](#) amended Sections 602 and 603 of the Social Security Act to provide state, local, and Tribal governments the flexibility to use SLFRF funds for additional eligible uses. See Division LL, Section 102 of the Consolidated Appropriations Act, 2023. Additional guidance will be forthcoming and available on the Treasury website.

### **Availability of Other Program Information**

Additional information on the requirements for SLFRF is available through the program webpage on Treasury's website at [Coronavirus State and Local Fiscal Recovery Funds | US Department of the Treasury](#).

SLFRF's Compliance and Reporting Guidance can be found at [Recipient Compliance and Reporting Responsibilities | US Department of the Treasury](#).

The Compliance and Reporting Guidance provides additional detail and clarification for each recipient's compliance and reporting responsibilities and should be read in concert with the Award Terms and Conditions, the authorizing statute, the Interim Final Rule and Final Rule, as applicable, and other regulatory and statutory requirements.

The [Final Rule](#), an overview of the Final Rule, and FAQs about SLFRF are available on the program webpage on Treasury's website at <https://home.treasury.gov/policy->



[issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds.](#)

The FAQ documents contain answers to frequently asked questions regarding the Interim Final Rule and the Final Rule. Treasury intends to update the Final Rule FAQs periodically in response to questions received from stakeholders. The Final Rule FAQs are applicable to the Final Rule, although readers will notice that many FAQs have been incorporated from the Interim Final Rule FAQs, because they remain applicable. Answers to frequently asked questions that are unique to the Interim Final Rule remain available on the Treasury website. The Final Rule FAQs include a categorization to assist readers in identifying the FAQs that remain largely the same as in the Interim Final Rule FAQs and the FAQs that are new or have been updated in conformity with the Final Rule.

Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule can be found at <https://home.treasury.gov/system/files/136/SLFRF-Compliance-Statement.pdf>.

The Statement clarifies the transition from compliance with the Interim Final Rule to compliance with the Final Rule. Recipients should also review the Final Rule for additional information.

### III. COMPLIANCE REQUIREMENTS

Preconditions for the Compliance Examination Engagement- ACEEs should be performed consistent with, and in addition GAO's *Government Auditing Standards*, AT-C 205, [Examination Engagements](#), and AT-C 315, [Compliance Attestation](#). As a precondition to this compliance examination engagement, the practitioner should determine that:

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

Compliance Requirements Relevant to the Compliance Examination Engagement- The requirements noted with a "Y" in the "Matrix of Compliance Requirements" below are subject to the compliance examination engagement.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	N	N	N	N	N	N	N

## A. Activities Allowed or Unallowed

Recipients may use SLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 as codified by 42 USC sections 802 and 803, respectively. Recipients may also use payments subject to the restrictions set forth Division LL, Section 103 of the Consolidated Appropriations Act, 2023, Treasury's Interim Final Rule and Final Rule at 31 CFR Part 35, and FAQs available at <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf> and <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.pdf>.

### 1. *Activities Allowed-* Suggested Examination Procedures

- a. Obtain an understanding of the design of relevant portions of internal control over compliance regarding unallowable activities by performing some or all of the following:
  - (1) Inquiries of appropriate management, supervisory, and staff personnel
  - (2) Inspection of the entity's relevant documents
  - (3) Observation of the entity's activities and operations
  - (4) Review a sample of SLFRF expenditures to determine if recipients used SLFRF funds for ineligible uses

### 1. *Activities Unallowed-* The following activities are not permitted under SLFRF:

- a. Offset a reduction in net tax revenue (applicable to states and territories)
- b. Deposits into pension funds (applicable to all recipients except Tribes)

- c. Debt service or replenishing financial reserves (e.g., “rainy day funds”) (applicable to all recipients)
- d. Satisfaction of settlements and judgments (applicable to all recipients)
- e. Programs, services, or capital expenditures that include a term or condition that undermines efforts to stop the spread of COVID-19 (applicable to all recipients)

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

## **B. Allowable Cost/Cost Principles**

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

[Final Rule FAQ 13.15](#) outlines that Given the purpose and very broad scope of eligible uses of the revenue replacement funds, only a subset of the requirements in 2 CFR part 200, Subpart E apply to recipients’ use of such funds, as follows:

- 2 CFR 200.400(a) - (c), and (e) Policy guide;
- 200.403(a), (c), (d), (g), and (h) Factors affecting allowability of costs; and
- 200.404(e) Reasonable costs.

Examination Objective- Determine whether the recipient significantly deviated from its established practices and policies regarding the incurrence of costs.

### 1. Suggested Examination Procedures

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

- (3) Observation of the entity's activities and operations
- (4) Test a sample of SLFRF expenditures to determine that the recipient treated costs consistently with its established practices and policies.

## L. REPORTING

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

- Practitioner's Examination Report prepared in accordance with [AT-C 315](#) and [Government Auditing Standards](#).
- Schedule of Findings and Responses (if applicable) that includes findings required to be reported under *Government Auditing Standards*.

## IV. OTHER INFORMATION

### A. COMPLIANCE EXAMINATION ENGAGEMENT SUBMISSION INSTRUCTIONS

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

Instructions for how recipients are to submit the ACEE can be found on pages 1 to 14 of the Federal Audit Clearinghouse guidance located at [https://facides.census.gov/Files/IDES%20Manual%202022%20\(UG\).pdf](https://facides.census.gov/Files/IDES%20Manual%202022%20(UG).pdf)

Also, please refer to the related SLFRF certification statement on page 13 of the Single Audit Checklist, Instructions, and Form located at <https://facides.census.gov/Files/2022%20Checklist%20Instructions%20and%20Form.pdf>.