

**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 2022, 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 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 Coronavirus State and Local Fiscal Recovery Funds (“CSLFRF”) is to provide 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) non-entitlement units of local government (collectively the “eligible entities”) to:

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

**II. PROGRAM PROCEDURES****A. Overview**

Sections 602 and 603 of the Social Security Act (the “Act”), as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021) authorized the Coronavirus State Fiscal Recovery Fund (“CSFRF”) and Coronavirus Local Fiscal Recovery Fund (“CLFRF”), respectively (referred to collectively as the “Coronavirus State and Local Fiscal Recovery Funds” or “CSLFRF”). CSLFRF is administered by the

US Department of the Treasury (“Treasury”) and provides assistance in the form of direct payments for specified use. CSLFRF provides \$350 billion for payments to eligible entities.

The total allocations to the eligible entities under CSLFRF 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 Non-entitlement Units of Local Government (NEU).

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. Treasury made a determination to allocate payments to tribal governments based on enrollment and employment data as well as consultation with tribal leaders.

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

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

### **Source of Governing Requirements**

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), and codified at 42 USC 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 CSLFRF program. The Final Rule responded to comments Treasury received on the Interim Final Rule and is effective as of 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 that was effective as of April 1, 2022. Prior to April 1, 2022, recipients may take actions and use funds in a manner consistent with the Final Rule, and Treasury will not take action to enforce the Interim Final Rule if a use of funds is consistent with the terms of the Final Rule, regardless of when the CSLFRF funds were used. This means that Treasury will not take action to enforce against uses of the Interim Final Rule to the extent that the recipient wishes to change its planned uses of CSLFRF funds in a manner consistent with the Final Rule.

Auditors must audit recipients on award funds they expended for their fiscal year 2022 based on the requirements set forth in the Act, Treasury’s Interim Final Rule, Treasury’s Final Rule, and Frequently Asked Questions (FAQs) that were in effect at the time of those expenditures.

Auditors must audit recipients on award funds they expended in accordance with the Final Rule at 31 CFR Part 35 on and after April 1, 2022, the date the Final Rule became effective, as well as FAQs that are in effect at the time of those expenditures. See the IV., “Other Information” section below for auditor guidance relating to the criteria auditors should use for compliance testing purposes.

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

Additional information on the requirements for CSLFRF 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>. CSLFRF’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>.

FAQs about CSLFRF are outlined on the program webpage on Treasury’s website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>. If there are specific questions regarding CSLFRF, the Office of Recovery Programs may be contacted via e-mail at [SLFRF@treasury.gov](mailto:SLFRF@treasury.gov).

### **III. COMPLIANCE REQUIREMENTS**

In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have

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

A	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	Y	Y	N	Y	Y	N

**A. Activities Allowed or Unallowed**

Recipients may use CSLFRF 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 as 42 USC 802 and 42 USC 803 respectively), Treasury’s Interim Final Rule and Final Rule at 31 CFR sections 35.7 and 35.8, and FAQs at <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>.

The following activities are not permitted under CSLFRF:

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

Recipients may use payments from CSLFRF to:

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

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 based on the formula provided in the Final Rule to determine the limit for the amount of CSLFRF funds that can be used for the “provision of government services.” Recipients should provide auditors with evidence that they meet the requirements to elect the standard allowance or provide auditors with evidence supporting their revenue loss calculation.

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

CSLFRF is considered “other financial assistance” per 2 CFR section 200.1 and is administered as direct payments for specified use. The 2 CFR Part 200, Subpart E is applicable to expenditures under CSLFRF unless stated otherwise.

## **H. Period of Performance**

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

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

## **I. Procurement 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 sections 602(c) and 603(c) of the Act and Treasury's Interim Final Rule and Final Rule. As such, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance. Specifically, a state must follow the same policies and procedures it uses for procurements from its non-federal funds and comply with 2 CFR sections 200.321, 200.322, and 200.323. States must also ensure that every contract includes the applicable contract clauses required by 2 CFR section 200.327. All other entities under the program, including subrecipients of a state, must follow the procurement standards in 2 CFR sections 200.318 through 200.327, including ensuring that the procurement method used for the contracts are appropriate based on the dollar amount and conditions specified in 2 CFR section 200.320.

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

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

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

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

**2. Performance Reporting**

See Special Reporting below.

**3. Special Reporting**

- a. There are three types of reporting requirements for the CSLFRF program:
  1. **Interim Report:** Provide initial overview of status and uses of funding. The interim report will include a recipient's expenditures through July 31, 2021 by category and at the summary level. The reporting requirements vary by type of recipient, the total allocation amount, and the date which the recipient first received its allocation. This is a one-time report.
  2. **Project and Expenditure Report:** Report on financial data, projects funded, expenditures, and contracts and subawards over \$50,000, and other information. Project and Expenditure Reports are due on a regular, recurring basis after the Interim Reports. The reporting frequency and deadlines vary by type of recipient and total allocation amount.
  3. **Recovery Plan Performance Report:** The Recovery Plan Performance Report (the "Recovery Plan") will provide information on the projects that large recipients are undertaking with program funding and how they plan to ensure program outcomes are achieved in an effective, efficient, and equitable manner. It will include key performance indicators identified by the recipient and some mandatory indicators identified by Treasury. The Recovery Plan will be posted on the website of the recipient as well as provided to Treasury.

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

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

- b. NEUs are recipients under CSLFRF and are required to report their award expenditures on their SEFA and data collection form. The states that distributed award funds to the NEUs must not report the amounts provided to the NEUs on their SEFA.
- c. *Key Line Items* – The following line items contain critical information for the Interim Report:
  1. Obligations and Expenditures
    - Current period obligation
    - Cumulative obligation
    - Current period expenditure
    - Cumulative expenditure
- d. *Key Line Items* – The following line items contain critical information for the Project and Expenditure Report:
  1. Obligations and Expenditures
    - Current period obligation
    - Cumulative obligation
    - Current period expenditure
    - Cumulative expenditure
  2. Subawards
  3. Detailed information on any loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient that are greater than \$50,000. For amounts less than \$50,000, the recipient must report in the aggregate for these same categories of loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient.
- e. *Key Line Items* – The following line items contain critical information for the Recovery Plan Performance Report:
  1. Public Disclosure Link
    - The URL is publicly accessible.

- The URL is prominently displayed on the main page or the main COVID response page of the recipient's website

Please see Treasury's Compliance and Reporting Guidance 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>) for more information.

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

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

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

Applicable

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

The subrecipient or beneficiary designation is an important distinction as funding provided to beneficiaries is not subject to audit pursuant to the Single Audit Act and 2 CFR Part 200, Subpart F, but funding provided to subrecipients is subject to those audit requirements. When recipients of CSLFRF 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 CSLFRF. Alternatively, when recipients of CSLFRF provide award funds to an entity to carry out a program on behalf of the CSLFRF recipient, the entities receiving such funding are subrecipients.

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

The CSLFRF 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) as 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 CSLFRF program. The Final Rule responded to comments Treasury received on the Interim Final Rule and is effective as of 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, effective on April 1, 2022. Prior to April 1, 2022, recipients may take actions and use funds in a manner consistent with the Final Rule, and Treasury will not take action to enforce the Interim Final Rule if a use of funds is consistent with the terms of the Final Rule, regardless of when the CSLFRF funds were used. This means that Treasury will not take action to enforce against uses of the Interim Final Rule to the extent that the recipient wishes to change its planned uses of CSLFRF funds in a manner consistent with the Final Rule.

Auditors must audit recipients on award funds they expended for their fiscal year 2022 based on the requirements set forth in the Act, Treasury’s Interim Final Rule, and Frequently Asked Questions (FAQs) that were in effect at the time of those expenditures.

Auditors must audit recipients on award funds they expended in accordance with Treasury’s Final Rule at 31 CFR Part 35 on and after April 1, 2022, the date when the Final Rule became effective, as well as FAQs that are in effect at the time of those expenditures. See below for auditor guidance relating to the criteria auditors should use for compliance testing purposes.

#### *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 CSLFRF funds that can be used to “provide government services” (which is one of four eligible uses of CSLFRF funds). For SEFA reporting purposes, the aggregate expenditures for all four eligible use categories are reported on the SEFA and not the result of the revenue loss calculation or standard allowance.

Additionally, because NEUs are considered direct recipients under CSLFRF, 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 CSLFRF Awards**

#### **A. OVERVIEW**

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

### Recipient Eligibility

Recipient eligibility to use this alternative approach is as follows:

CSLFRF 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 CSLFRF compliance examination engagement:

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

### Alternative Compliance Examination Engagement

The alternative approach to a Single Audit or Program-Specific Audit under 2 CFR Part 200, Subpart F, permits eligible recipients to engage a practitioner to perform a compliance examination engagement in accordance with the Government Accountability Office (GAO) [Government Auditing Standards](#). The GAO *Government Auditing Standards* direct practitioners to conduct these engagements in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements. The AICPA attestation standards are codified in the AT-C section of the AICPA's *Professional Standards* and [AT-C section 315, Compliance Attestation](#), which is the standard to be followed. This engagement, which results in an opinion on compliance, is to be directed at the compliance requirements described below in D. Compliance Requirements. This alternative is intended to reduce the burden of a full Single Audit or Program-Specific Audit on eligible recipients and practitioners, as well as uphold Treasury's responsibility to be good stewards of federal funds. This balance of burden reduction and Treasury responsibility to be good stewards is achieved in several ways as follows:

- A financial statement audit is not required for those eligible recipients that expend award funds from other Federal programs.

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

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

## **B. PROGRAM OBJECTIVES**

CSLFRF 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) non-entitlement units of local government (collectively the “eligible entities”) to:

1. Respond to the COVID-19 public health emergency or its negative economic impacts, including by providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the recipient that perform essential work or by providing grants to eligible employers that have eligible workers who are performing essential work;

3. Provide government services, to the extent the COVID-19 public health emergency caused a reduction in revenues relative to the revenues collected in the most recent full fiscal year of the eligible entities; and,
4. Make necessary investments in water, sewer, or broadband infrastructure.

## C. PROGRAM PROCEDURES

### 1. Overview

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

The total allocations to the eligible entities under CSLFRF 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 states for distribution to Non-entitlement Units of Local Government (NEU).

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

## 2. Source of Governing Requirements

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) and codified at 42 USC 802 and 803, and implemented by Treasury's [Interim Final Rule](#) and [Final Rule](#) at 31 CFR Part 35.

On January 6, 2022, the US Department of the Treasury adopted a Final Rule implementing the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). The Final Rule responds to comments received on the Interim Final Rule and took effect 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 also review the Final Rule for additional information.

Recipients must comply with the Final Rule beginning on April 1, 2022, when the Final Rule takes effect. Prior to April 1, 2022, recipients may take actions and use funds in a manner consistent with the Final Rule, and Treasury will not take action to enforce the Interim Final Rule if a use of funds is consistent with the terms of the Final Rule, regardless of when the CSLFRF funds were used. This means that Treasury will not take action to enforce against uses of the Interim Final Rule to the extent that the recipient wishes to change its planned uses of CSLFRF funds in a manner consistent with the Final Rule.

Auditors must audit recipients on award funds they expended for their fiscal year 2022 based on the requirements set forth in the Act, Treasury's Interim Final Rule, Treasury's Final Rule, and Frequently Asked Questions (FAQs) that were in effect at the time of those expenditures.

Auditors must audit recipients on award funds they expended on and after April 1, 2022, when the Final Rule at 31 CFR Part 35 became effective as well as FAQs that are in effect at the time of those expenditures.

## 3. Availability of Other Program Information

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

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

The [Final Rule](#), an overview of the Final Rule, and FAQs about CSLFRF are outlined on the program webpage on Treasury’s website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>.

If there are specific questions regarding CSLFRF, the Office of Recovery Programs may be contacted by e-mail at [SLFRF@treasury.gov](mailto:SLFRF@treasury.gov).

**D. COMPLIANCE REQUIREMENTS**

**Preconditions for the Compliance Examination Engagement**

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

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

**Compliance Requirements Relevant to the Compliance Examination Engagement**

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

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

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

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

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

### Suggested Examination Procedures

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

## B. Allowable Cost/Cost Principles

**Compliance Requirement** Recipients that are eligible for the alternative compliance examination engagement may elect the standard allowance for revenue loss, pursuant to which they could use the entirety of their allocation for the provision of government services. Recipients are required to comply with 2 CFR 200.404(e) regarding

reasonable costs, and, as such, are required to not deviate from their established practices and policies regarding the incurrence of costs.

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

### **Suggested Examination Procedures**

- Obtain an understanding of the design of relevant portions of internal control over compliance and established practices and policies regarding the incurrence of costs by performing some or all of the following:
  - a. Inquiries of appropriate management, supervisory, and staff personnel
  - b. Inspection of the entity's relevant documents
  - c. Observation of the entity's activities and operations
- Test a sample of SLFRF expenditures to determine that the recipient treated costs consistently with its established practices and policies.

## **E. REPORTING**

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

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

## **F. COMPLIANCE EXAMINATION ENGAGEMENT SUBMISSION INSTRUCTIONS**

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

Per OMB Memorandum M-21-20, Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources, recipients that have not yet filed their Single Audits with the Federal Audit Clearinghouse as of the date of OMB Memorandum M-21-20 (i.e., March 19, 2021) that have

fiscal year-ends through June 30, 2021, may delay the completion and submission of the Single Audit reporting package, as required under 2 CFR 200.501, to six months beyond the normal due date. This extension can also be applied to the completion and submission of the alternative compliance examination engagement for the same periods as described in OMB Memorandum M-21-20 for Single Audits.

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

## **APPENDIX V**

### **LIST OF CHANGES FOR THE 2022 COMPLIANCE SUPPLEMENT**

This appendix provides a list of changes from the 2021 Supplement dated August 2022, including changes to documents added from addenda 1 & 2 and the technical update. Please note that changes in the Matrix of Compliance Requirements are reflected in Part 2 of this supplement and are not reflected in this appendix.

#### **Table of Contents**

The Table of Contents has been updated to show additions and deletions.

#### **Part 1 – Background, Purpose, and Applicability**

- Updated for the effective date of the Supplement.

#### **Part 2 – Matrix of Compliance Requirements**

- Matrix of Compliance changes and corrections were made for 2022; these are indicated in the Part 2 Matrix. Changes are shown in yellow highlights.

#### **Part 3 – Compliance Requirements**

Updated website links for the following programs:

- 10.000 – Updated link to the FNS contact.
- 10.500 – Updated II, “Program Procedures,” updated link for Plans of Work.
- 10.555 and 10.553 and 10.556 and 10.559 and 10.582 – Updated II, “Program Procedures,” new link to Summer Food Service Program (SFSP) rates; updated link to FSN web page; and new link to COVID-19 Waivers.
- 11.300 and 11.307 – Updated III.N.2, RFL Awards: Loan Requirements” subsection Compliance Requirements new link for more information on EDA temporary waiver of the requirement to collect evidence demonstrating that credit is not otherwise available.
- 14.218 and 14.225 – Updated II, “Program Procedures,” updated link to CDBG-MIT and CDBG-MIT; III.A., “Activities Allowed or Unallowed,” to add a new link to the *Federal Register* notices; III.J., “Program Income,” to add two new links to the *Federal Register* notices for alternative requirements.
- 14.228 – Updated I, “Program Objectives,” new link to public laws; II, “Program Procedures,” links to CDBG-MIT, to see NSP funds notices, notices at HUDClips, additional information about CDBG-CV, RFP, updates to NSP notices and a new link to NSP Definition and Modification Notice, and *Federal Register*

notices; III.A., “Activities Allowed or Unallowed,” HUD Exchange *Federal Register* notices; III.N.3., “Environmental Reviews,” CPD Notice 20-07; IV, “Other Information” link to CDBG-DR laws, regulations, and *Federal Register* notices.

- 14.231 – Updated II, “Program Procedures,” section on Source of Government Requirements, new link to notice CPD-21-05.
- 14.239 – Updated II, “Program Procedures,” including section Source of Governing Requirements and Availability of Other Program Information two new links to the HOME-ARP Program; III.A., “Activities Allowed or Unallowed,” new links to the HOME-ARP Program; III.N.2., “Maximum Per-unit Subsidy and Underwriting Requirements” link to HOME-ARP Implementing Notice.
- 14.241 – Updated III.E.1., “Eligibility” section Eligibility for Individuals added links to CPD waiver memoranda; III.N.2., “Housing Quality Standards,” new link to waiver memoranda.
- 14.862 – Updated IV, “Other Information,” section on Indian CDBG-ARP Imminent Threat Grants to add links to the Indian CDBG implementing regulations at 24 CFR Part 1003; ICDBG-ARP Implementation Notice, PIH-2021-22; COVID-19 Recovery Programs site, and Code Talk.
- 14.872 – Updated II, “Program Procedures,” section Availability of Other Program Information, for links to the Office of Capital Improvements and REAC
- 14.873 – Updated IV, “Other Information,” with link to NHHBG-ARP Implementation Notice PIH-2021-13.
- 15.025 – Updated II, “Program Procedures,” deleted link to the revised Pub. L. No. 102-477 reporting forms.
- 15.605 and 15.611 and 15.626 – Updated II, “Program Procedures,” deleted link to FWS Grant Information.
- 15.615 – Updated II, “Program Procedures,” updated link to FWS website.
- 17.235 – Updated II, “Program Procedures,” for the link to the SCSEP website.
- 17.245 – Updated II, “Program Procedures,” links to FY 2020 TAA Program Annual Report to Congress, TEN 01-21 and TEN 24-20; II, “Program Procedures,” subsection Availability of Other Program Information updated link to TAA program procedures; III.L.1., “Reporting,” link to TEGL 02-16 and to the form ETA 9130, and the website to submit SF-424 form to ETA.

- 17.264 – Updated II, “Program Procedures,” section Availability of Other Program Information updated link to National Farmworker Jobs Program; III.L.2., “Reporting,” section on Performance Reporting new link for additional information on performance reporting.
- 17.265 – Updated IV, “Other Information,” deleted two links for 477 Plan and additional information at the index page.
- 20.205 and 20.219 and 20.224 and 23.003 – Updated III.I., “Procurement and Suspension and Debarment,” updated link to qualified youth service or conservation corps
- 20.600 and 20.611 and 20.616 – Updated II, “Program Procedures,” subsection Availability of Other Program Information new link to the *Federal Register* for program procedures.
- 21.016 – Updated II, “Program Procedures” subsection Source of Governing Requirements new link to public notices issued by DOJ Wires.
- 21.027 – Updated II, “Program Procedures” subsection Source of Governing Requirements new link to Treasury’s Interim Final Rule and Treasury’s Final Rule at 31 CFR Part 35, and subsection Availability of Other Program Information updated links including email address for Office of Recovery Programs; III.A., “Activities Allowed or Unallowed” new link to Interim Final Rule, Final Rule, and FAQs; III.L.3, new link to Treasury’s Compliance and Reporting Guidance.
- 32.006 – Updated I, “Program Objectives,” link to the April 2, 2020 Report and Order and to the Round 1 and Round 2 websites; “Program Procedures” new email address to Telehealth Application Support, the CARES Act, Round 12 Report and Order, FCC COVID-19 Telehealth Program, FCC 21-39, CFR Title 2 (2021), and additional program information, including FAQs; III.A.2., “Activities Unallowed,” link to DA 21-309; III.B., “Allowable Costs/Cost Principles,” Round 1 FAQs and Round 2 Telehealth Program; III.I., “Procurement and Suspension and Debarment,” DA 21-309; III.N.1., “Eligibility,” links for health care provider entity types.
- 81.041 – Updated II, “Program Procedures” subsection Availability of Other Program Information updated links to SEP 2021 ALRD and a new link for SEP 2021 State Energy Program PY21 Grant Application Instructions; IV, “Other Information” a new link for applicable guidance SEP Program Notice 10-008F.
- 81.042 – Updated III.E., “Eligibility,” links to paragraphs in CFR section 440.22; III.L.2., “Reporting,” new link to DOE F 540.3.

- 84.000 – Updated II, “Introduction” new link to ESEA; II, “Program Procedures,” subsection Availability of Other Program Information updated link to ESSA.
- 84.010 – Updated II, “Program Procedures,” section Availability of Other Program Information new links to List of Invited Waivers and Frequently Asked Question about the waiver due to COVID-19.
- 84.027 and 84.173 – Updated II, “Program Procedures,” section Availability of Other Program Information and III.G.2., updated links to OSEP Memorandum 10-5 and OSEP Memorandum 15-10.
- 84.032-G – Updated II, “Program Procedures,” updated link to Dear Colleague Letter GEN-21-03 in Availability of Other Program Information; III.N.9, Investments – Federal Fund, link to DCLID 99-G-316.
- 84.367 – Updated III.A., “Activities Allowed or Unallowed,” updated link to Part 3 of Non-Regulatory Guidance for Title II, Part A: Building Systems of Support for Excellent Teaching and Leading.
- 84.425 – Updated ERF Section 1: II, “Program Procedures” new and/or updated links to the states approved applications under subsection CRRSA EANS and ARP EANS subsection; under Source of Governing Requirements new links; under Availability of Other Program Information multiple new and updated links, including EANS program and ESF-SEA, ESF-Governor, and ARP OA-SEA for FAQs, Fact Sheet, and State Educational Agency Plan; III.G., “Matching, Level of Effort, Earmarking.”  
ESF Section 2; new link to more information on the Note before Program Objectives; new link to ED Office of OIG and in section Source of Governing Requirements, two new links for (a)(2) and one link for (a)(3), Availability of Other Program Information new links for FAQs, Webinars, and Other Materials; III.L.3., “Reporting,” subsection Special Reporting new link.
- 93.044 and 93.045 and 93.053 – Updated II, “Program Procedures,” new and updated links to BPHC website and COVID-19 funding resources in Availability of Other Program Information.
- 93.224 and 93.527 – Updated II, “Program Procedures,” section Availability of Other Program Information updated link to BPHC program requirements and a new link for COVID-19 funding resources; III.L.3., “Special Reporting” section new links to UDS Resources and UDS Reporting Manual.
- 93.461 – Updated II, “Program Procedures,” section Additional Sources of Information, for Terms and Conditions, and new links for HRSA COVID-19 CAF, including COVID-19 coverage assistance, FAQs, and terms and conditions

for coverage assistance; III.A.2, “Activities Allowed and Unallowed,” for Medicare coverage; IV, “Other Information,” new link to HRSA webpages.

- 93.498 – Updated II, “Program Procedures” section Availability of Other Program Information new links to Assistance Listing for PRF and ARP Rural Distribution, and new links for additional information about the PRF, including General Information, FAQs, all four phases of General Distributions; a variety of links for Targeted Distribution payments; and websites with information about the ARP Rural Distribution; III.B., “Allowable Costs/Cost Principles” deleted link.
- 93.767 – Updated I, “Program Objectives II” link to Medicaid; “Program Procedures,” subsection A. Overview, new link to SHO letter #21-002; III.E., “Eligibility,” link to November 1, 2021 fact sheet on Health Coverage Options for Afghan Evacuees; III.N.1, “Provider Eligibility,” link to Medicaid Provider Enrollment Compendium (MPEC).
- 93.778 and 93.775 and 93.777 – Updated II, “Program Procedures” added new links to transcripts for podcasts, SHO letter #21-002, and State Medicaid Director (SMD) Letter #21-003, CMCS Informational Bulletin; deleted the link to COVID-19 toolkit, and updated the link to CMS guidance available on Medicaid.gov; III.E., “Eligibility,” new links to in State Health Official letter #21-005, fact sheet on Health Coverage Options for Afghan Evacuees, State Medicaid Director letter #21-002; III.N.4., new link for Medicaid Provider Enrollment Compendium (MPEC); III.N.8., new link for the Annual Report to Congress – Medicare and Medicaid Integrity Programs – Fiscal Year 2018; III.N.12., new link to Appendix B of SMD #21-003.
- 94.006 – Updated III.B., “Allowable Costs/Cost Principles,” link for additional instructions to grantees; III.N.2., “National Service Criminal History Checks,” new link to NSCHC Manual and the Using NSOPW and State Repositories Manual.
- 94.011 and 94.016 – Updated III.E.1., “Eligibility,” new link to AmeriCorps website; III.N.1., “National Service Criminal History Checks,” new link to NSCHC Manual and the Using NSOPW and State Repositories Manual.

#### **Part 4 – Agency Program Requirements**

Changes were made to the following programs:

- 10.000 – Updated, including a new email address for FNS’s Office of Financial Management, Office of Internal Controls, Audits and Investigations.
- 10.555 and 10.553 and 10.556 and 10.559 and 10.582 – Updated the cluster deleting 10.579 and adding 10.582; I, “Program Objectives”; II, “Program Procedures,” including subsections Source of Government Requirements and in

Availability of Other Program Information, a new subsection on COVID-19 Pandemic Flexibilities, including a website; III Compliance Matrix C, “Cash Management,” changed to an N from a Y, J, “Program Income,” changed to an N from a Y, and L, “Reporting” changed to a Y from an N; III.A., “Activities Allowed or Unallowed”; III.E., “Eligibility,” all subsections; III.I., “Procurement and Suspension and Debarment”; III.N.1., “Verification of Free and Reduced Price Applications (NSLP)”; III.N.3., “Non-Profit School Food Service Accounts”; III.N.4., “Paid Lunch Equity (NSLP)”; IV, “Other Information.”

- 10.566 – Updated II, “Program Procedures,” subsection on Benefit Redemption; III.A., “Activities Allowed or Unallowed.”
- 10.568 and 10.565 and 10.569 – Updated I, “Project Objectives”; II, “Program Procedures”; III.E., “Eligibility,” all subsections.
- 10.649 – Updated II, “Program Procedures” including a new subsection on P-EBT Administrative Cost Grant Awards; III.A., “Activities Allowed or Unallowed”; III.H., “Period of Performance”; III.L., “Reporting,” section III.L.1, Financial Reporting.
- 11.300 and 11.307 – Updated I, “Program Objectives”; II, “Program Procedures”; III.A.1.f., “Activities Allowed and Unallowed,” to add new subsection in Activities Allowed on participant support costs and Activities Allowed to update CFR references; III.J., “Program Income,” to update CFR references; III.L.1, “Reporting,” and III.L.3., “Special Reporting”; III.M., “Subrecipient Monitoring” to update CFR references; III.N.2, “RLF Awards: Loan Requirements,” subsection Compliance Requirements; III.N.4., “Wage Rate Requirements,” subsection Compliance Requirements for CFR references; IV, “Other Information.”
- 11.611 – Updated II, “Program Procedures,” subsection A, including subsection on Base Cooperative Agreements to Create and Support Centers, and subsection on Cooperative Agreements for Emergency Assistance; III.L.3.a., “Reporting,” subsection on Financial Reporting for SF-425, Federal Financial Report.
- 14.169 – Please note: The program has made the decision to pull the current CSP package for 14.169 from the FY 22 package. They will refine and look to resubmit the package guidance for FY 23.
- 14.218 and 14.225 – Updated II, “Program Procedures”; III.A., “Activities Allowed or Unallowed,” including a new content on additional flexibilities that apply to CDBG-DR and CDBG-MIT funds and a new link to the *Federal Register* notices; III.B., “Allowable Costs/Cost Principles”; III.H., “Period of Performance”; III.J., “Program Income”; III.L., “Reporting”; III.N.2, “Citizen Participation,” subsections Compliance Requirements and Suggested Audit

Procedures; III.N.5., “Rehabilitation,” subsection Compliance Requirements; IV, “Other Information.”

- 14.228 – Updated I, “Program Objectives”; II, “Program Procedures,” including new links in both Source of Governing Requirements and Availability of Other Program Information; Compliance Matrix, F “Equipment/Real Property Management” changed to a Y from an N; III.A., “Activities Allowed or Unallowed”; III.B., “Allowable Costs/Cost Principles”; III.F., “Equipment and Real Property Management,” new narrative added; III.H., “Period of Performance”; III.J., “Program Income”; III.L., “Reporting”; III.N.2., “Environmental Oversight”; III.N.3., “Environmental Reviews,” new content for subsection Compliance Requirements; III.N.4, “Citizen Participation,” new content for subsection Compliance Requirements; IV, “Other Information.”
- 14.231 – Updated II, “Program Procedures,” including a new link in section Source of Government Requirements; III.A., “Activities Allowed and Unallowed”; III.G., “Matching, Level of Effort, Earmarking”; III.N.2, “Maintenance as Homeless Shelters.”
- 14.239 – Updated I, “Program Objectives” to add information on HOME-ARP; II, “Program Procedures,” including section Source of Governing Requirements and Availability of Other Program Information, including a new website; III.A., “Activities Allowed or Unallowed” updated for HOME and HOME-ARP narratives; III.E., “Eligibility,” updated for HOME-ARP narrative; III.J., “Program Income” updated for HOME-ARP narrative; III.M., “Subrecipient Monitoring”; III.N.1., “Wage Rate Requirements”; III.N.2., “Maximum Per-unit Subsidy and Underwriting Requirements”; III.N.3., “Drawdowns of HOME/HOME-ARP Funds”; III.N.3., “Housing Quality Standards”; III.N.4, “Housing Quality Standards”; IV, “Other Information.”
- 14.241 – Updated I, “Program Objectives”; II, “Program Procedures”; III.E.1., “Eligibility” section Eligibility for Individuals, including new links to CPD waiver memoranda; III.L.2., “Reporting,” sections Financial Reporting and Performance Reporting; III.N.1., “Maintenance of Structures,” subsection Suggested Audit Procedures; III.N.2., “Housing Quality Standards,” subsection Compliance Requirements; III.N.3., “Community Residences,” subsection Suggested Audit Procedures.
- 14.862 – Updated II, “Program Procedures”; III.L.2., “Reporting,” section on Performance Reporting changed to “Not Applicable”; IV, “Other Information,” added new section on Indian CDBG-ARP Imminent Threat Grants.
- 14.867 – Updated III.L.2., “Reporting,” section of Performance Reporting; III.N.3., “Investment of IHBG Funds,” subsection Compliance Requirements; IV, “Other Information” for sections on Indian Housing Block Grant-CARES Grant and Indian Housing Block Grant-ARP Grants.

- 14.871 and 14.879 – Updated II, “Program Procedures,” to add under subsection B. Subprograms/Program Elements on Emergency Housing Voucher Program; III.A., “Activities Allowed and Unallowed”; III.N.11, new section Emergency Housing Vouchers Program Funding.
- 14.872 – Updated II, “Program Procedures,” including new links in Availability of Other Program Information; III.A.2, “Activities Allowed or Unallowed,” with new content for the Activities Unallowed section; III.B, “Allowable Costs/Cost Principles.”
- 14.873 – Updated II, “Program Procedures”; IV, “Other Information,” for subsections on Native Hawaiian housing Block Grants-ARP Grants, including a new link, Waivers and Alternative Requirements Applicable Only to NHHBG-ARP Funding.
- 17.207 and 17.801 – Updated title to change name for 17.801 and to delete 17.804; I, “Program Objectives”; III.E., “Eligibility.”
- 17.225 – Updated II, “Program Procedures,” subsections on A. Overview, B. Subprograms/Program Elements, and C. Program Funding; III, Compliance Requirements, B, “Allowable Costs/Cost Principles” to a Y from an N; III.E.1, “Eligibility”; III.H., “Period of Performance”; III.N.4, “UI Program Integrity–Overpayments,” subsection Compliance Requirements.
- 17.235 – Updated II, “Program Procedures,” including updating website; III.L.2., “Reporting,” subsection on Performance Reporting, including the addition of a Key Line Item for Individuals Formerly Incarcerated.
- 17.245 – Program Title updated to Trade Adjustment Assistance for Workers; Updated I, “Program Objectives”; II, “Program Procedures,” including new link, and subsections Source of Governing Requirements and Availability of Other Program Information; III.A.1., “Activities Allowed or Unallowed”; III.E.1., “Eligibility”; III.L., “Reporting.”
- 17.264 – Updated II, “Program Procedures,” section Source of Governing Requirements and a new link in Availability of Other Program Information; III.A., “Activities Allowed or Unallowed”; III.L.2., “Reporting,” new narrative for section on Performance Reporting, including new links.
- 20.315 – Updated, III.N., added three new narratives for III.N.1., “Use and Reporting of Overtime for Agreement Employees”; III.N.2., “Preventing and Reporting on Employee Furloughs”; III.N.3., Buy American Act/Domestic Buying Preference.”

- 20.600 and 20.611 and 20.616 – Updated to remove 20.601 and 20.602 and 20.609 and 20.610 and 20.612 and 20.613 from the cluster; II, “Program Procedures,” including a new link in Availability of Other Program Information; III.A.1., “Activities Allowed or Unallowed”; III.G.3.b, “Matching, Level of Effort, Earmarking,” subsection Earmarking.
- 21.016 – Updated II, “Program Procedures,” including subsection Source of Governing Requirements; III.A.1., “Activities Allowed or Unallowed”; III.B, “Allowable Costs/Cost Principles”; III.E.4, “Eligibility for Groups of Individuals or Area of Service Delivery”; III.G.3, “Matching, Level of Effort, Earmarking” changed from Not Applicable; III.I., “Procurement and Suspension and Debarment”; III.L., “Reporting.”
- 21.027 – Updated I, “Program Objectives”; II, “Program Procedures,” sections on Governing Requirements and Availability of Other Program Information, including new links; III.A., “Activities Allowed or Unallowed,” including new link; III.B., “Allowable Cost/Cost Principles”; III.H., “Period of Performance;” III.I., “Procurement and Suspension and Debarment;” III.L., “Reporting,” new narrative for 3. Special reporting and for III.4; III.M., Subrecipient Monitoring; IV, “Other Information.”
- 32.006 – Updated I, “Program Objectives”; II, “Program Procedures,” including new websites in Source of Governing Requirements and Availability of Other Program sections; III. Compliance Matrix, changed E, “Eligibility,” to an N from a Y; and I, “Procurement and Suspension and Debarment” to a Y from an N; III.A., “Activities Allowed or Unallowed,” both sections; III.B., “Allowable Costs/Cost Principles”; III.E., “Eligibility,” section III.E.1, changed to Not Applicable; III.H., “Period of Performance”; III.I., “Procurement and Suspension and Debarment,” narrative added; III.L., “Reporting,” narrative added; III.N.1., “Eligibility,” narrative added.
- 81.041 – Updated II, “Program Procedures,” including subsection Availability of Other Program Information to update links; III.L.2, “Reporting” subsection Performance Reporting changed from “Not Applicable” to Progress Report; IV, “Other Information.”
- 81.042 – Updated II, “Program Procedures” subsection Source of Governing Requirements; III.A.2.b.(3), “Activities Allowed or Unallowed,” subsection Activities Unallowed; III.E.1, “Eligibility,” subsection; III.L.2., “Reporting,” including a new link in section on Performance Reporting.
- 84.000 – “Introduction,” updated link in Waivers and Expanded Flexibility and changes to Cross-Cutting Requirements; II, “Program Procedures,” section on Availability of Other Program Information; III.A., “Activities Allowed or Unallowed”; III.B., “Allowable Costs/Cost Principles”; III.C., “Cash

Management”; III.G., “Matching, Level of Effort, Earmarking”; III.N.1., “Participation of Private School Children.”

- 84.010 – II, “Program Procedures,” including new links; III.A., “Activities Allowed or Unallowed”; III.E.1., “Eligibility”; III.G.2, “Matching, Level of Effort, Earmarking.”
- 84.032-G – Updated II, “Program Procedures,” subsection Availability of Other Program Information; III.N.5., “Collection Efforts,” subsection Compliance Requirements; III.N.7., “Assignment of Defaulted Loans to ED,” all subsections; III.N.8., “Federal Fund and Agency Operating Fund,” subsection Compliance Requirements; III.N.10., “Collection Charges,” all subsections; added new section III.N.13., “Implementation of Dear Colleague Letter GEN-21-03 “Expansion of Collections Pause to Defaulted FFEL Program Loans Managed by Guaranty Agencies (Updated May 24, 2021)””; added new section III.N.14., “Calculation of Lost Revenue.”
- 84.126 – Updated III.L.2., “Reporting” section on Performance Reporting.
- 84.425 – Updated Introduction, including list of subprograms, and IV, “Other Information,” including a new figure and an example table.  
 ESF Section 1: Added 84.425V American Rescue Plan – Emergency Assistant to Non-Public schools (ARP EANS) subprogram; I, “Program Objectives”; II, “Program Procedures,” including new links in Source of Governing Sources and updated and new links in Availability of Other Program Information; III.A., “Activities Allowed or Unallowed,” including new content on ESF-Governor Funds, ESF-SEA Funds, and ARP-OA SEA Funds; III.B., “Allowable Costs/Cost Principles”; III.F., “Equipment/Real Property Management”; III.G., “Matching, Level of Effort, Earmarking” new narrative; III.L.3, “Reporting,” subsection Special Reporting; III.N., “Special Tests and Provisions,” added new subsection III.N.3., “Identifying Non-Public Schools under ARP EANS that Enroll a Significant Percentage of Students from Low-Income Families and are Most Impacted by the COVID-10 Emergency.”  
 ESF Section 2: Added 84.425P HEERF Institutional Resilience and Expanded Postsecondary Opportunity (IREPO) Program and 84.425T HEERF Supplemental Support Under American Rescue Plan (SSARP) Program; and added a note on 84.425Q and new link before Program Objectives; II, “Program Procedures,” including new links; III “Compliance Requirements” changed “Cash Management” to a Y from an N; III.A., “Activities Allowed and Unallowed”; III.B., “Allowable Costs/Cost Principles”; III.C, “Cash Management” narrative added; III.G, “Matching, Level of Effort, Earmarking”; III.H., “Period of Performance”; III.I, “Procurement and Suspension and Debarment”; III.L, “Reporting,” subsection Special Reporting, including links.
- 93.044 and 93.045 and 93.053 – Title change for 93.044 to add American Rescue Plan and 93.045 to add in reference to CARES Act and American Rescue plans

under Title III-C of the Older Americans Act; I, “Program Objectives”; II, “Program Procedures,” including new and updated links in Availability of Other Program Information; III.G.1., “Matching, Level of Effort, Earmarking” added new subsection titles and new subsection for NSIP grants.

- 93.224 and 93.527 – Updated II, “Program Procedures,” including sections Sources of Governing Requirements and Availability of Other Program Information for links for HRSA COVI-19 CAF; III.A.2., “Activities Allowed and Unallowed”; III.L.3., “Reporting” section on Special Reporting to UDS resources link and Key Line Items; III.N.2., “Compliance with Consolidated Appropriations Act,” subsections Compliance Requirements and Audit Objectives.
- 93.461 – Title change to add in COVID-19 Coverage Assistance Fund; Updated I, “Program Objectives; “ II, “Program Procedures, including Sources of Governing Requirements and Availability of Program Information, including new website links; III.A., “Activities Allowed or Unallowed,” including new link; III.B., “Allowable Costs/Cost Principles”; III.E., “Eligibility”; IV, “Other Information,” link updated.
- 93.498 – Title change to add in American Rescue Plan; Updated I, “Program Objectives,” including table that outlines PRF and ARP Rural Distribution recipients’ payments eligible expenses and lost revenues; II, “Program Procedures,” including new links for PRF in subsection Availability of Other Program Information; III. Compliance Requirements, III.N., “Special Tests and Provisions” changed to an N from a Y; III.A., “Activities Allowed or Unallowed”; III.B, “Allowable Costs/Cost Principles,” with a deleted link; III.L., “Reporting”; IV, “Other Information,” including update to the HRSA PRF and ARP Rural Distribution reporting requirements table.
- 93.558 – Updated I, “Program Objectives”; II, “Program Procedures” to add a section on the American Rescue Plan and to update subsection Availability of Other Program Information; III.A., “Activities Allowed and Unallowed” a new section 3 on Pandemic Emergency Assistance Fund; III.E., “Eligibility” section III.E.2 Eligibility for the Pandemic Emergency Assistance Fund added; III.G., “Matching, Level of Effort, Earmarking,” new narrative for subsection 2.2 for Pandemic Emergency Assistance Fund; III.L., “Reporting,” section Special Reporting.
- 93.575 and 93.489 and 93.596 – Updated II, “Program Procedures,” subsection Availability of Other Program Information for additional web site links; Compliance Matrix change in L, “Reporting” to a Y from an N; III.A.1., Activities Allowed or Unallowed subsection added for Activities Allowed for CCDF ARP Act Stabilization Funds; III.E., “Eligibility,” changes to subsection on Eligibility for Subrecipients, and a new subsection 4, eligibility for Child Care Providers Receiving CCDF ARP Act Stabilization Funds; III.G., “Matching, Level of Effort, Earmarking;” III.H., “Period of Performance” new mandatory

funds for Assistance Listing 93.596 and charts updated for FY 2021 and FY 2022; III.L., new narrative; III.N.4, “Child Care Provider Eligibility for ARP Act Stabilization Funds,” new subsection; III, “Other Information,” new subsection on Funding Sources Within the CCDF Cluster.

- 93.767 – Updated I, “Program Objectives,” with a new link; II, “Program Procedures,” including updating a link; III.A., “Activities Allowed and Unallowed”; III.B, “Allowable Costs/Cost Principles”; III.E., “Eligibility,” including new links; III.G., “Matching, Level of Effort, Earmarking”; III.H, “Period of Performance”; III.N.1., “Provider Eligibility (Screening and Enrollment), subsection Compliance Requirements, including a new link; III.N.2., “Refunding of Federal Share of CHIP Overpayments to Providers,” subsections Compliance Requirements and Suggested Audit Procedures.
- 93.778 and 93.775 and 93.777 – Updated I, “Program Objectives”; II, “Program Procedures,” including new links; III.A., “Activities Allowed or Unallowed”; III.B., “Allowable Costs/Cost Principles”; III.E., “Eligibility,” including new links; III.G., “Matching, Level of Effort, Earmarking”; III.L., “Reporting”; III.N.1., “Utilization Control and Program Integrity,” subsections Compliance Requirements and Audit Objectives; III.N.4., “Provider Eligibility (Screening and Enrollment,” subsection Compliance requirements; III.N.7., “Refunding of Federal Share of Medicaid Overpayments to Providers” subsections Compliance Requirements and Suggested Audit Procedures; III.N.8, “Medicaid National Correct Coding Initiative (NCCI),” subsection Compliance Requirements; III.N.9, Investments – Federal Fund for new link; III.N.12, a new section “American Rescue Plan Act of 2021 (ARP) Section 9817; IV, “Other Information.”
- 94.006 – Updated II, “Program Procedures”; III.B., “Allowable Costs/Cost Principles”; III.E., “Eligibility,” subsections on Eligibility for Individuals; III.N.1., “Living Allowances,” including the living allowances chart for 2020; III.N.2., “National Service Criminal History Checks,” all subsections updated, including two new links.
- 94.011 and 94.016 – Updated throughout to change CNCS to AmeriCorps; III.E.1., “Eligibility,” updated links; III.N.1., “National Service Criminal History Checks,” all subsections updated, including two new links.
- 96.001 and 96.006 – Updated II, “Program Procedures”; III.N.1., subsection Suggested Audit Procedures.

## **Part 5 – Clusters of Programs**

Part 5.1 and 5.2 – updated for the effective date of the Supplement.

Part 5.3 – major edits implemented.

Part 5.4 – updated the cluster list.

### **Part 6 – Internal Control**

- Updated for the effective date of the Supplement.

### **Part 7 – Guidance for Auditing Programs Not Included in This Compliance Supplement**

- Updated for the effective date of the Supplement.

### **Part 8 – Appendixes**

#### **Appendix I – Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200**

- Updated for the effective date of the Supplement.

#### **Appendix II – Federal Agency Codification of Governmentwide Requirements and Guidance for Grants and Cooperative Agreements**

- Updated for the effective date of the Supplement.

#### **Appendix III – Federal Agency Single Audit, Key Management Liaison, and Program Contacts**

- Updated for this year’s program contacts.

#### **Appendix IV – Internal Reference Tables**

- Updated the list of programs currently designated as high risk.
- List updated with new programs with requirements defined in IV, “Other Information.”

#### **Appendix V – List of Changes for the 2022 Compliance Supplement**

- List updated with changes to the programs and appendixes for 2022.

#### **Appendix VI – Program-Specific Audit Guides**

- Updated for the effective date of the Supplement.

#### **Appendix VII – Other Audit Advisories**

- Major updates sections, including Definition of COVID-19 Funding, Alternative Compliance Examination Engagement for Eligible SLFRF Recipients, and Due Date for Submission of Audit Reports and Low-Risk Auditee Criteria and the Federal Audit Clearinghouse transition from Census to GSA.

- Updated for the effective date of the Supplement.

**Appendix VIII – Examinations of EBT Service Organizations**

- Updated for the effective date of the Supplement.

**Appendix IX – Compliance Supplement Core Team**

- Updated for this year’s team members.

## **APPENDIX VI PROGRAM-SPECIFIC AUDIT GUIDES**

This appendix lists program-specific audit guides for use by auditors. The listing includes the title of the guide, the date of issuance or latest update, and where to obtain a copy.

### **Department of Education**

- Audit Guides for Student Aid Programs  
(<https://www2.ed.gov/about/offices/list/oig/nonfed/index.html>)

### **Department of Housing and Urban Development**

- HUD Consolidated Audit Guide ([HUD Consolidated Audit Guide | Office of Inspector General, Department of Housing and Urban Development \(hudoig.gov\)](#))

## **APPENDIX VII OTHER AUDIT ADVISORIES**

### **I. Novel Coronavirus (COVID-19)**

This section provides guidance to the following areas affecting single audits arising due to COVID-19:

- Definition of COVID-19 funding
- Treatment of donated personal protective equipment (PPE) on the Schedule of Expenditures of Federal Awards (SEFA)
- Agency Guidance Document References
- Identification of COVID-19 related awards and single audit applicability
- Identification of COVID-19 related awards on the SEFA and SF-SAC
- Identification of COVID-19 related awards in audit findings
- Identification of compliance requirements for COVID-19 related awards
- Responsibilities for informing subrecipients
- Alternative Compliance Examination Engagement for Eligible SLFRF Recipients

#### **Definition of COVID-19 Funding**

As a result of the COVID-19 pandemic, many new federal programs have been established and funding has been added to existing federal programs from the following Acts:

Coronavirus Preparedness and Response Supplemental Appropriations Act

Families First Coronavirus Response Act

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)

American Rescue Plan Act (ARP)

Funding arising from these sources, both to new and existing programs, is referred to as “COVID-19 funding,” “COVID-19 programs,” or “COVID-19 related awards” throughout this section. Refer also to Appendix IV, Internal Reference Tables, for a listing of programs with a “higher risk” designation, many of which involve COVID-19 funding, and for information about how that designation impacts the major program determination process.

## **Donated Personal Protective Equipment (PPE)**

During the emergency period of COVID-19 pandemic and as allowed under OMB Memorandum M-20-20 (April 9, 2020), federal agencies and recipients can donate PPE purchased with federal assistance funds to various entities for the COVID-19 response. The donated PPE were mostly provided without any compliance or reporting requirements or Assistance Listing information from the donors. As such, the non-federal entities that received donated PPE should provide the fair market value of the PPE at the time of receipt as a stand-alone footnote accompanying their SEFA. The amount of donated PPE should not be counted for purposes of determining the threshold for a single audit or determining the type A/B threshold for major programs and is not required to be audited as a major program. Because donated PPE has no bearing on the single audit, the donated PPE footnote may be marked “unaudited.”

As a reminder, the above only relates to donated PPE provided without any compliance or reporting requirements or assistance listing from donors. There could be some PPE that must appear on the SEFA as a federal program (e.g., when the recipient uses funds provided under an Assistance Listing to purchase PPE).

## **Agency Guidance Document References for COVID-19 Programs**

The COVID-19 pandemic has led many federal agencies to issue implementing guidance (e.g., frequently asked questions, memos) outside of the normal regulatory process for new and existing programs receiving COVID-19 funding. Such guidance is issued to communicate an agency’s understanding of how the relevant statutes, regulations, or the terms and conditions of the federal awards and apply to a particular circumstance, but it does not create new compliance requirements. Due to the evolving nature of the pandemic environment, it has been common for federal agencies to update, change, or delete their specific guidance over time.

The Part 4 sections for COVID-19 programs often refer auditors to agency guidance documents to obtain a better understanding of statutory and regulatory compliance requirements subject to audit. When evaluating a non-federal entity’s compliance, auditors must consider provisions of federal statutes, regulations, and the terms and conditions of federal awards. However, auditors may also consider guidance documents in effect during the period to understand the program requirements. An auditor may conclude whether the non-federal entity is in compliance with a type of compliance requirement based on consideration of applicable implementing guidance in effect at the time of the activity or transaction.

When citing criteria for audit findings, 2 CFR 200.516(b)(2) states that the following information must be included in finding detail: “The criteria or specific requirement upon which the finding is based, including the Federal statutes, regulations, or the terms and conditions of the Federal awards.” Therefore, auditors should refer to a statute, regulation, or term and condition as criteria for the audit finding.

## **Identification of COVID-19 Related Awards and Single Audit Applicability**

Federal agencies may have incorporated COVID-19 funding into an existing program and Assistance Listing number or set up a separate COVID-19 program with a unique Assistance

Listing number. Federal agencies are required to specifically identify COVID-19 related awards, regardless of whether the funding is provided under a new or existing Assistance Listing number. However, in the early days of the crisis caused by the COVID-19 pandemic with the need to respond quickly, in some cases cash was sent to non-federal entities without application or Assistance Listing number. The non-federal entity was required to either agree to the terms and conditions or return the funds.

When COVID-19 funding is subawarded by a pass-through entity from an existing program, the information furnished to subrecipients should distinguish the subawards of incremental COVID-19 funding included in the subawards from non-COVID-19 funding.

In order to assist recipients and auditors in the identification of all the COVID-19 funds and their related program Assistance Listing numbers, OMB has issued several summaries of federal programs that were created by COVID-19 funding and also existing programs that received COVID-19 funding. A summary of programs that received funding under the CARES Act (and other earlier COVID-19 legislation) as of May 20, 2020, can be accessed at: [https://www.cfo.gov/wp-content/uploads/2020/07/M-20-21\\_FAQ\\_07312020\\_UPDATED.pdf](https://www.cfo.gov/wp-content/uploads/2020/07/M-20-21_FAQ_07312020_UPDATED.pdf). A summary of programs that received funding under the ARP Act as of October 29, 2021, can be found at: [https://www.cfo.gov/assets/files/Revised-American-Rescue-Plan-Assistance-Listings\\_10-29-2021.pdf](https://www.cfo.gov/assets/files/Revised-American-Rescue-Plan-Assistance-Listings_10-29-2021.pdf). Each summary includes program Assistance Listing numbers and an asterisk (\*) next to Assistance Listing numbers denoting a new Assistance Listing number.

### **Identification of COVID-19 Related Awards on the SEFA and SF-SAC**

As described in 2 CFR section 200.510(b), auditees must complete the SEFA and include Assistance Listing numbers when reporting their federal awards and subawards. To maximize the transparency and accountability of COVID-19 related award expenditures, OMB M-20-26 (June 18, 2020) instructed recipients and subrecipients to separately identify the COVID-19 Emergency Acts expenditures on the Schedules of Expenditures of Federal Awards. Therefore, non-federal entities should separately identify COVID-19 expenditures on the SEFA and SF-SAC. For existing programs that have both COVID-19 expenditures and non-COVID-19 expenditures, this may be accomplished by identifying COVID-19 expenditures on the:

- SEFA – On a separate line by Assistance Listing number with “COVID-19” as a prefix to the program name. For example:
  - COVID-19 – Temporary Assistance for Needy Families – 93.558 – \$1,000,000
  - Temporary Assistance for Needy Families – 93.558 – \$3,000,000
  - Total – Temporary Assistance for Needy Families – 93.558 – \$4,000,000
- SF-SAC – On a separate row by Assistance Listing number with “COVID-19” as the first characters in Part II, Item 1c, Additional Award Information. Example:

	a	b	c	d	e	f	g	h
	Assistance Listing #	Assistance Listing #						
Row Number (auto-generated)	Federal Awarding Agency Prefix	Assistance Listing Three-Digit Extension	Additional Award Identification	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total (auto-generated)	Cluster Total (auto-generated)
					(\$)		(\$)	(\$)
1	93	558		TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$3,000,000.00		\$4,000,000.00	
2	93	558	<b>COVID-19</b>	<b>COVID-19 - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES</b>	\$1,000,000.00		\$4,000,000.00	
				Total Federal Awards Expended =	\$4,000,000.00			

**Identification of COVID-19 Related Awards in Audit Findings**

Consistent with identifying COVID-19 expenditures on the SEFA, auditors should include the COVID-19 identification for audit findings that are applicable to programs that are entirely COVID-19 funded and existing programs with COVID-19 funding.

**Identification of Compliance Requirements for COVID-19 Related Awards**

As noted in OMB Memorandum M-20-26 (June 18, 2020), federal awarding agencies are responsible for identifying COVID-19 related awards and communicating the applicable compliance requirements to the recipient. Similarly, pass-through entities are responsible for identifying COVID-19 related awards and communicating the applicable requirements to their subrecipients. Normally, this information would be in the award terms and conditions. However, for COVID-19 related awards, the compliance requirements may have been communicated through an agency website and the compliance requirements may have been modified or compliance requirements not included in original terms and conditions may have been added.

For new COVID-19 related programs that are not included in this Supplement, the auditor must use the framework provided by Part 7 of this Supplement. Part 7 includes procedures to determine which of the compliance requirements to test.

**Responsibilities for Informing Subrecipients**

As noted in OMB Memorandum M-20-26 (June 18, 2020), pass-through entities agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the federal award number, Assistance Listing number, and amount of COVID-19 funds. When COVID-19 funds are subawarded for an existing program, the information furnished to subrecipients should distinguish the subawards of incremental COVID-19 funds from regular subawards under the existing program.

This information is needed to allow the pass-through entity to properly monitor subrecipient expenditures of COVID-19 funds, as well as for oversight by the federal awarding agencies, Federal Offices of Inspector General, and the Government Accountability Office.

### **Alternative Compliance Examination Engagement for Eligible SLFRF Recipients**

The US Department of the Treasury (“Treasury”) recognizes that many recipients of Coronavirus State and Local Fiscal Recovery Funds (“SLFRF”) may now be required to complete a Single Audit or a Program-Specific Audit pursuant to the Single Audit Act and its implementing regulations, 2 CFR Part 200, Subpart F, due to their receipt of an SLFRF award, which may lead to them expending \$750,000 or more during their fiscal year in Federal awards. This may be because the recipient has not received federal financial assistance before, or the other federal financial assistance they expended did not exceed the \$750,000 audit threshold set forth 2 CFR 200.501(a). As a result, Treasury has developed an alternative approach which is available 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.

Under its authority 2 CFR section 200.102(a), OMB is authorizing the use of an alternative compliance examination engagement in accordance with the Government Accountability Office’s Government Auditing Standards in lieu of a full single audit or program-specific audit as required per 2 CFR 200, Subpart F. The alternative approach along with the criteria for eligible recipients are detailed in the Part 4 – Section IV, “Other Information” of assistance listing 21.027 – Coronavirus State and Local Recovery Funds.

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

## **II. Effect of Changes to Compliance Requirements and Other Clusters**

### *Removal of Compliance Requirement from Part 2 Matrix*

In any instance in which a compliance requirement has been removed from a program/cluster, as shown in the Part 2 matrix, if there was an audit finding related to that compliance requirement in an audit conducted using the prior year’s Supplement that finding must continue to be reported in the summary schedule of prior audit findings and considered in the major program determination under 2 CFR section 200.518. The procedures to assess the reasonableness of the summary schedule of prior year audit findings must include all prior audit findings included in the summary schedule, regardless of whether the current Part 2 matrix identified a requirement subject to audit. For example, if there was an audit finding relating to subrecipient monitoring in the prior year but the current year Part 2 matrix identified “M. Subrecipient Monitoring” as not subject to audit with a “No,” the auditor’s procedures to determine the reasonableness of the summary schedule of prior audit findings must include subrecipient monitoring. In any instance in which a compliance requirement was added to a program/cluster in the current year’s Supplement, auditors are not expected to have tested for that requirement under the prior year’s audit. This includes correction of an error, if any, as identified in Appendix V of the Supplement.

### *Addition of a New Program to an Other Cluster*

One of the criteria for an “other cluster” to be considered a low-risk Type A program is that it must have been audited as a major program in at least one of the two most recent audit periods (“2-year look back” under 2 CFR section 200.518(c)(1)). In the year that this Supplement adds a new program to another cluster listed in Part 5, the determination of whether the resulting other cluster meets the 2-year look back criterion requires additional consideration. During that year, the other cluster cannot qualify as having been audited as a major program in one of the two most recent audit periods unless the auditee’s current-year expenditures for the newly added program were less than or equal to 25 percent (0.25) of the Type A threshold, or all of the programs included in the resulting other cluster met the “2-year look back” criterion. The additional criteria in 2 CFR section 200.518(c) must also be evaluated by the auditor to determine if the other cluster can be considered a low-risk Type A program in the current year.

In years after this Supplement adds a program to another cluster, such addition in a prior year does not require additional consideration for the 2-year look back criterion.

The following examples are intended to illustrate consideration of the addition of a new program to another cluster. They are illustrative only and not based on the contents of the current Supplement.

#### **Background for Examples:**

Type A threshold \$750,000.

Human Services existing other cluster (93.123, 93.125, and 93.127) was audited in 2015 with no audit findings.

Part 5 of the 2017 Compliance Supplement added Assistance Listing 93.129 to form the new other cluster with the following federal awards expended in 2017:

93.123: \$ 500,000

93.125: \$ 300,000

93.127: \$ 400,000

93.129: \$ 300,000

Considerations for 2017 major program determination using these facts:

#### **Example 1**

The Human Services cluster was audited in 2015. However, the auditee’s current year expenditures for newly added Assistance Listing 93.129 exceed 0.25 of the Type A threshold of \$750,000 or \$187,500; therefore, the resulting other cluster fails the 2-year look back criterion and cannot be considered a low-risk Type A program in 2017.

If, however, the auditee's expenditures for newly added Assistance Listing 93.129 were equal to or less than \$187,500, the other cluster would pass the 2-year look back criterion and could be considered to have been audited as a major program in one of the two prior years.

#### Example 2

The Human Services cluster was audited in 2015. The newly added program Assistance Listing 93.129 was audited in 2016. If both the cluster and the newly added program met all criteria in 2 CFR section 200.518(c) to be considered low-risk programs for 2017, the other cluster would be a low-risk Type A program in 2017.

### III. Due Date for Submission of Audit Reports and Low-Risk Auditee Criteria

As provided in 2 CFR Part 200, Subpart F (2 CFR section 200.520), in order to meet the criteria for a low-risk auditee in the current year, the two prior years' audits must have met the specified criteria, including report submission to the Federal Audit Clearinghouse (FAC) by the due date.

The auditor may consider using the following steps to identify FAC submissions that do not meet the due date.

#### *Suggested Steps*

1. Inquire of entity management and review available prior-year financial reports and audits to ascertain if the entity had federal awards expended of \$750,000, in the prior two audit periods and, therefore, was required to have an audit under the uniform guidance and file with the FAC.
2. If the entity was below the \$750,000 threshold in either of the prior two audit periods, and an audit was not required under the uniform guidance obtain written representation from management to this fact and no further audit procedures are necessary as the entity does not qualify as a low-risk auditee.
3. If a prior-year audit was conducted, obtain a copy of the data collection form (Form SF-SAC) and the reporting package.
  - a. Calculate the "Nine Month Due Date" to file with the FAC as the date nine (9) months after the end of the audit period. For example, for audit periods ending June 30, 2022, the audit report would be due March 31, 2023.
  - b.. Access the FAC web page at <https://harvester.census.gov/facweb>.
    - Select the "Find Audit Information" option and using the "Federal Audit Clearinghouse IMS" and "Search for Single Audits" options for the audit year in question, locate the FAC record for the entity. Verify correct record by comparing both the entity name and Entity Identification Number (EIN) number from the entity's copy of the SF-SAC to the FAC web page.

- For this record, located on the FAC web page, compare the “Date Received” to the Nine Month Due Date to determine if the due date was met.

If the entity was not in compliance with the Nine Month Due Date or Extended Due Date (if applicable) or did not submit the required audit to the FAC for either of the prior two audit periods, then the entity does not qualify as a low-risk auditee.

4. Contact the FAC at [govs.fac@census.gov](mailto:govs.fac@census.gov) or 866-306-8799 if additional information is needed on using the FAC website or determining the date the FAC accepted the report submission as complete.

#### **IV. Treatment of National Science Foundation and National Institutes of Health Awards**

##### *National Science Foundation*

All awards issued by the National Science Foundation (NSF) meet the definition of “Research and Development” at 2 CFR section 200.87. As such, auditees must identify NSF awards as part of the R&D cluster on the Schedule of Expenditures of Federal Awards (SEFA) and the auditor must use the Research and Development cluster in Part 5 when testing any of those awards. NSF recognizes that some awards may have another classification for purposes of reimbursement of indirect costs. The auditor is not required to report this difference in treatment (i.e., the award is classified as R&D for 2 CFR Part 200, Subpart F purposes, but non-research for indirect cost rate purposes), unless the auditee is charging indirect costs at a rate other than the rate(s) specified in the award document(s). This guidance complies with the NSF Proposal and Award Policies and Procedures Guide (PAPPG), the current and prior versions of which may be found at <http://www.nsf.gov/bfa/dias/policy/>.

##### *National Institutes of Health*

Effective for grants and cooperative agreements with budget periods beginning on or after December 26, 2014, and awards that receive supplemental funding on or after December 26, 2014, all awards issued by the National Institutes of Health (NIH) meet the definition of “Research and Development” at 45 CFR section 75.2. As such, auditees must identify NIH awards as part of the R&D cluster on the SEFA, and the auditor must use the Research and Development cluster in Part 5 when testing any of those awards. NIH recognizes that some awards may have another classification for purposes of reimbursement of indirect costs. The auditor is not required to report this disconnect (i.e., the award is classified as R&D for 2 CFR Part 200, Subpart F, purposes, but non-research for indirect cost rate purposes), unless the auditee is charging indirect costs at a rate other than the rate(s) specified in the award document(s). (See the NIH Grants Policy Statement, the current and prior versions of which may be found at <http://grants.nih.gov/grants/policy/policy.htm>.)

## V. Exceptions to the Guidance in 2 CFR Part 200

OMB does not maintain a complete listing of approved agency exceptions to the uniform guidance in 2 CFR Part 200.

For programs included in the Supplement, the auditor should review the program supplement and, as necessary, agency regulations adopting/implementing the OMB uniform guidance in 2 CFR Part 200 to determine if there is any exception related to the compliance requirements that apply to the program. For programs not included in the Supplement that are audited using Part 7, the auditor should review agency regulations adopting/implementing 2 CFR Part 200 to determine if an exception applies to the program.

Questions about the agency-level rulemakings that adopt/implement 2 CFR Part 200 should be directed to the federal agency key management liaisons specified in Appendix III to the Supplement.

## VI. Audit Sampling

Certain suggested audit procedures in this *Compliance Supplement* lend themselves to testing using sampling. Auditors are reminded that when performing an audit under generally accepted auditing standards (GAAS), including single audits, that AU-C section 530, *Audit Sampling*, <https://www.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/au-c-00530.pdf>, provides auditor requirements and guidance related to an auditor's use of sampling. Failure to follow the standards, including the requirement to determine sample sizes that are sufficient to reduce sampling risk to an acceptably low level, may result in the audit being considered nonconforming by the federal cognizant agency for audit as part of a quality control review.

The guidance in AU-C section 530 primarily addresses sampling considerations when performing a financial statement audit. The AICPA Audit Guide, *Government Auditing Standards and Single Audits*, contains auditor guidance for, among other things, designing an audit approach that includes audit sampling to achieve both compliance and internal control over compliance related audit objectives in a single audit or program-specific audit performed in accordance with the Uniform Guidance. It also includes suggested minimum sample sizes for tests of controls over compliance and tests of compliance based on certain engagement-specific inputs.

Another AICPA Audit Guide, *Audit Sampling* also provides additional guidance and technical background, which forms the basis of the practical application of audit sampling to Uniform Guidance audits.

## VII. Federal Audit Clearinghouse Transition from Census to GSA

The provider of the Federal Audit Clearinghouse (FAC) will change from Census to the General Services Administration (GSA) on October 1, 2022. Single audits with a fiscal period ending in 2021 (or earlier) should be submitted to Census. Census will continue to receive and process single audits for a limited period after September 30, 2022, allowing auditees an opportunity to complete remaining in-process submissions.

Single audits with a fiscal period ending in 2022 will be submitted to the GSA FAC beginning on October 1, 2022. Therefore, single audits with a fiscal period ending in 2022 cannot be submitted before that date. The 2 CFR 200.512(1) states that single audits must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If it is not possible to meet the 30-day aspect of that requirement due to the timing of the opening of the GSA FAC for submissions, the audits will not be considered late if they are submitted within nine months after the end of the audit period.

For example, a March 31, 2022, fiscal year-end single audit that is issued on June 30, 2022, would technically be due to the FAC on July 30, 2022 (i.e., 30 calendar days after the auditee's receipt of the auditor's reports). Because the GSA FAC will not be available for submissions until October 1, 2022, if the single audit is submitted to the FAC by December 31, 2022, it would be considered timely and have no impact on the low-risk auditee status of the auditee.

## APPENDIX VIII EXAMINATIONS OF EBT SERVICE ORGANIZATIONS

### Background

States must obtain an examination report by an independent auditor of the state electronic benefits transfer (EBT) service providers (service organizations) regarding the issuance, redemption, and settlement of benefits under the Supplemental Nutrition Assistance Program (SNAP) (Assistance Listing 10.551) in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements (AT) Section 801, *Reporting on Controls at a Service Organization*. Also, states are required to ensure that the service organization has these examinations performed at least annually, that the examinations cover the entire period since the previous examination period, and that the examination reports are submitted to the state within 90 days after the end of the examination period. The examination report must include a list of all states whose systems operate under the same control environment. The auditor of the service organization is required to issue a report on controls placed in operation and tests of operating effectiveness of controls, which is commonly referred to as a “service organization control (SOC) 1 type 2 report” (7 CFR section 274.1(i)).

In performing audits of SNAP under 2 CFR Part 200, Subpart F, an auditor may use these SOC 1 type 2 reports to gain an understanding of internal controls and obtain evidence about the operating effectiveness of controls.

A SOC 1 type 2 report includes (1) a description by the service organization’s management of its system of policies and procedures for providing services to user entities (including control objectives and related controls as they relate to the services provided) throughout the specified period of time; (2) a written assertion by the service organization’s management about whether, in all material respects and based on suitable criteria, (a) the aforementioned description fairly presents the system throughout the specified period, (b) the controls were suitably designed throughout the specified period to achieve the control objectives stated in that description, and (c) the controls operated effectively throughout the specified period to achieve those control objectives; and (3) the report of the service auditor, which (a) expresses an opinion on the matters covered in management’s written assertion, and (b) includes a description of the auditor’s tests of operating effectiveness of controls and the results of those tests.

This appendix is intended to assist service organizations and their auditors by describing illustrative control objectives and controls that service organizations may have in place. When such controls are present and operating effectively, they may enable auditors of user organizations to assess control risk below the maximum for financial statement assertions related to EBT transactions. The illustrative control objectives and controls in this appendix may not necessarily reflect how a specific service organization considers and implements internal control. Also, this appendix is not a checklist of required controls. Service organizations’ controls may be properly designed and operating effectively even though some of the controls included in this appendix are not present. Further, service organizations could have other controls operating effectively that have not been included in this appendix. Service organizations and their auditors will need to exercise professional judgment in determining the most appropriate and cost effective controls in a given environment or circumstance.

Many of the illustrative controls are stated in relation to the kinds of policies and procedures that are “established” or “in place” at an organization. It would be insufficient for such policies and procedures to merely exist on paper and not be implemented. To meet the criteria of a SOC 1 type 2 examination, the policies and procedures would need to be suitably designed, placed in operation, and operating effectively.

## **1. Control Environment**

### **Illustrative Control Objective:**

Controls provide reasonable assurance that the EBT system functions in a manner consistent with the service organization’s policies and complies with applicable laws and regulations (Food and Nutrition Act of 2008, as amended (7 USC 2011 et seq.) and (7 CFR section 277.18(p)).

### **Illustrative Controls:**

- The service organization has written policies and procedures for the system processing EBT transactions.
- The organization identifies and analyzes relevant risks to the EBT process.
- Policies and procedures regarding acceptable employee practices, conflicts of interests, and codes of conduct have been established and communicated to employees with EBT responsibilities.
- Policies and procedures are established for performing background investigations of employees prior to employment.
- Policies and procedures have been established to segregate incompatible functions (e.g., application programming, systems and operation, financial duties, data storage, government reimbursement payment requests, transaction processing, and reconciliation) so no individual interacting with the system can exercise unilateral control over EBT transactions.
- Policies and procedures are in place for management to monitor the effectiveness of EBT controls and correct deficiencies or weaknesses when found.
- Policies and procedures are in place to prevent management or staff from overriding controls.

## 2. Systems Development and Maintenance

### **Illustrative Control Objective:**

Controls provide reasonable assurance that changes (including emergency procedures) to EBT applications and system software are authorized, tested, approved, implemented, and documented.

### **Illustrative Controls:**

- The service organization follows a system development methodology.
- System documentation for new and existing applications is current and complete in accordance with programming and documentation standards used by the service organization.
- Systems development staff are not responsible for system maintenance.

## 3. Access Controls

### **Illustrative Control Objective:**

Controls provide reasonable assurance that the EBT system is protected against unauthorized physical and logical access.

### **Illustrative Controls:**

- The responsibility for the development and enforcement of a security policy is at an organizational level that facilitates compliance by service organization personnel and enables enforcement of policies and procedures.
- Security policy and procedures are in place and are communicated to appropriate employees and contractors.
- Policies and procedures are in place for reporting security incidents or observed irregularities to an organizational level where such matters can be investigated and resolved.
- Policies and procedures are established for the security over filing, retention, and destruction of EBT system files.
- Policies and procedures are in place for conducting security system training.
- Policies and procedures are in place for discontinuing an employee or contractor's ability to access EBT hardware, software, and data when the employee is terminated or the employee's duties are changed.
- Access to EBT files or processes is limited based upon users' needs.

- Passwords control access to EBT files, personal identification numbers (PIN), and privacy data.
- A password change policy is in place and requires a password change at a specified interval, generally at least every 90 days.
- Firewalls or other procedures prevent unauthorized access to data from an external network.
- Policies and procedures are in place to prevent a state from reviewing or altering data for another state.

#### **4. Computer Operations – Processing**

##### **Illustrative Control Objective:**

Controls provide reasonable assurance that processing is scheduled and deviations from scheduling are identified and resolved.

#### **5. Computer Operations – Data Transmission**

##### **Illustrative Control Objective:**

Controls provide reasonable assurance that data transmissions are complete, accurate and secure.

##### **Illustrative Controls:**

- Policies and procedures require that PINs and data be encrypted throughout processing.
- Encryption keys are stored in a secure manner.
- Maintenance of encryption keys is performed by authorized service center staff.
- Policies and procedures of the service organization require proper identification, validation, and acceptance of EBT transactions processed.

#### **6. Computer Operations – Output**

##### **Illustrative Control Objective:**

Controls provide reasonable assurance that output data and documents are complete, accurate, and distributed to authorized recipients on a timely basis.

**7. EBT Controls – Transactions Received from Authorized Sources****Illustrative Control Objective:**

Controls provide reasonable assurance that transactions are received only from authorized sources.

**Illustrative Controls:**

- Policies and procedures are in place to ensure that updates of point of sale (POS) device parameters are restricted to authorized personnel.
- Policies and procedures require that POS transactions be properly validated.
- Policies and procedures for direct data entry, such as adjustments, require proper review and approval.
- Policies and procedures are in place to approve voucher transactions.
- Policies and procedures for voucher transactions prevent unauthorized access to recipient or retailer accounts.

**8. EBT Controls – Transaction Amounts and Recording****Illustrative Control Objective:**

Controls provide reasonable assurance that transactions are for authorized amounts and are recorded completely and accurately.

**Illustrative Controls:**

- Records identify the activity and events in client accounts (e.g., deposits, withdrawals, charges, and type of transactions).
- Records identify client accounts for which benefits have not been withdrawn or used beyond pre-established periods (i.e., identify inactive accounts for which deposits are still made).
- System edits prevent individual client accounts from being credited with benefits in excess of authorized amounts.

**9. EBT Controls – Processing****Illustrative Control Objective:**

Controls provide reasonable assurance that transactions are processed completely and accurately.

**Illustrative Controls:**

- Policies and procedures of the service organization include controls to:
  - monitor and investigate any unsuccessful file transfers,
  - recover or reproduce lost or damaged data,
  - examine edit checks for unusual conditions,
  - reconcile input and output of transactions processed,
  - log and store transactions, and
  - monitor rejected transactions and account adjustment actions.

**10. EBT Controls – Settlement****Illustrative Control Objective:**

Controls provide reasonable assurance that settlement of funds received from benefit providers and distributed to benefits acquirers for SNAP benefit purchases and withdrawals is performed timely and accurately.

**Illustrative Controls:**

- Policies and procedures are in place to perform reconciliations (at least weekly) of:
  - account balances,
  - net settlements, and
  - government funds.
- Policies and procedures are established for resolution of disputed transactions.
- Policies and procedures are established for requesting federal and state reimbursements.

**11. Physical Environment****Illustrative Control Objective:**

Controls exist to provide reasonable assurance that physical assets are protected.

**Illustrative Controls:**

- Policies and procedures are established for environmental controls (e.g., maintenance schedules, fire suppression equipment, water detection and protection considerations, and the availability of an uninterruptable power system designed to protect and ensure continued operations).
- Policies and procedures call for periodic facility inspections.

- Policies and procedures for proper maintenance of hardware have been established.

## 12. Contingency Planning

### **Illustrative Control Objective:**

Controls exist within the data center to provide reasonable assurance of continuity of operations.

### **Illustrative Controls:**

- Disaster recovery and business continuity plans exist for the system processing EBT transactions.
- The business continuity plan provides for periodic testing at the backup facility and the service organization has performed such testing.
- The service organization has a contractually protected access right to the backup facility.
- Backup arrangements for key applications, processes, and files are in place.

## 13. Card Controls

### **Illustrative Control Objective:**

Controls are established to provide reasonable assurance that users of EBT benefit cards are authorized.

### **Illustrative Controls:**

- Each transaction is validated with a unique account number and PIN.
- For benefit card issuance services provided by the EBT service organization policies and procedures are in place to:
  - prevent unauthorized assignment and replacement of PINs;
  - properly deliver benefit cards to participants;
  - activate cards by only authorized users;
  - deactivate damaged, lost, or stolen cards;
  - record and destroy active cards returned to the service organization; and
  - control access to and inventory levels of pre-printed unused card stock.

**APPENDIX IX**  
**COMPLIANCE SUPPLEMENT CORE TEAM**

The Compliance Supplement Core Team is responsible for the annual production of the Office of Management and Budget (OMB) Compliance Supplement with the assistance of a support contractor. The Core Team is composed of audit and program representatives from the federal grant-making agencies, OMB, and the Census Bureau. The support contractor is CP2S.

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