

DEPARTMENT OF THE TREASURY**ASSISTANCE LISTING 21.027 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS**

This Compliance Supplement section is broken down into two sections. The first section below is relevant to audits of the Coronavirus State and Local Fiscal Recovery Funds performed under subpart F, Audit Requirements, of the Uniform Guidance. The second section (beginning on page 4-21.027-17) describes an alternative audit approach for certain eligible recipients.

SECTION 1 – Audits Performed Under the Uniform Guidance**I. PROGRAM OBJECTIVES**

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

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

1. Respond to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including by providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the recipient that perform essential work or by providing grants to eligible employers that have eligible workers who are performing essential work;
3. Provide government services, to the extent of the reduction in revenue of the eligible entities due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the eligible entities prior to the emergency;
4. Make necessary investments in water, sewer, or broadband infrastructure;
5. Provide emergency relief from natural disasters or the negative economic impacts of natural disasters including temporary housing, food assistance, financial assistance for lost wages, and other immediate needs. Please see pages 4 - 8 of the Overview of the 2023 Interim Final Rule ([SLFRF Overview of the 2023 IFR](#)) for a list of such eligible uses;

6. Use funds for Surface Transportation projects under certain programs administered by the U.S. Department of Transportation. Please see pages 9 - 15 of the [SLFRF Overview of the 2023 IFR](#) for a list of such eligible uses; and
7. Use funds for projects eligible under the programs established in Title I of the Housing and Community Development Act of 1974 (“Title I projects”), subject to certain requirements and limitations. Please see pages 16 - 19 of the [SLFRF Overview of the 2023 IFR](#) for a list of such eligible uses.

II. PROGRAM PROCEDURES

A. Overview

Sections 602 and 603 of the Social Security Act (the “Act”), as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified at 42 USC sections 802 and 803, and as amended by the Consolidated Appropriations Act, 2023 (“2023 CAA”), Pub. L. No. 117-328 (Dec. 29, 2022), authorized the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, respectively (referred to collectively as the “Coronavirus State and Local Fiscal Recovery Funds” or “SLFRF”). SLFRF is administered by the U.S. Department of the Treasury (“Treasury”) and provides assistance in the form of direct payments for specified use. SLFRF provides \$350 billion for payments to eligible entities.

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

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

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

Prior to receipt of award funds, all eligible entities are required to execute a Financial Assistance Agreement, which includes the Award Terms and Conditions that recipients

must comply with in carrying out the objectives of their award, as well as the certification required at 42 USC 802(d)(1). Tribal and local governments are not required to provide such certification as a condition of receiving an award under SLFRF. Eligible entities are required to use their award funds as set forth at 42 USC sections 802(c) and 803(c) and the SLFRF regulations set forth at 31 CFR Part 35, Subpart A, to meet pandemic response needs and rebuild a strong, more equitable economy as the country recovers. Source of Governing Requirements

Federal Criteria	Description
Statutes	Sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 (Pub. L. 117-2), codified at 42 U.S.C. 802 and 803, as amended by section 40909 of the Infrastructure Investment and Jobs Act (Pub. L. 117-58), as further amended by section 102 of Division LL of the Consolidated Appropriations Act, 2023 (P. Law 117-328).
Regulations	See 31 CFR Part 35, Subpart A and the supplementary information in the 2021 Interim Final Rule , the 2022 Final Rule , the 2023 Interim Final Rule , and the Obligation Interim Final Rule .
Certain Other Guidance	Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions
	Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds 2021 Interim Final Rule and 2022 Final Rule (“the Statement”), which clarifies the transition from compliance with the Interim Final Rule to compliance with the Final Rule. Recipients must comply with the 2022 Final Rule beginning on April 1, 2022, when the 2022 Final Rule took effect. Prior to April 1, 2022, recipients may take actions and use funds in a manner consistent with the 2022 Final Rule, and Treasury will not take action to enforce the 2021 Interim Final Rule if a use of funds is consistent with the terms of the 2022 Final Rule, regardless of when the SLFRF funds were used. Please see pages 3-4 of the Statement for specific guidance. For example, a recipient is not required to prepare or submit a written justification as required under the 2022 Final Rule for capital expenditures under the public health-negative economic impact eligible use category if the recipient (i) has taken significant steps toward obligating SLFRF funds for that project prior to January 6, 2022, or (ii) has obligated funds for such project prior to April 1, 2022.

Availability of Other Program Information

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

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

The Compliance and Reporting Guidance provides additional detail and clarification for each recipient’s compliance and reporting responsibilities and should be read in concert with the Award Terms and Conditions (Please refer to: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-fund/request-funding>), the authorizing statutes, the 2021 Interim Final Rule, the 2022 Final Rule, the 2023 Interim Final Rule, the Obligation Interim Final Rule, the SLFRF FAQs, and other regulatory and statutory requirements.

The SLFRF FAQs are available on the program webpage on Treasury’s website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>. This document addresses questions regarding the eligible uses established under the 2022 Final Rule; the 2023 Interim Final Rule; and the Obligation Interim Final Rule. Treasury intends to update this document periodically in response to new questions received from stakeholders.

SLFRF and CPF Supplementary Broadband Guidance is available on Treasury’s website at <https://home.treasury.gov/system/files/136/SLFRF-and-CPF-Supplementary-Broadband-Guidance.pdf>.

The Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds 2021 Interim Final Rule and 2022 Final Rule can be found at <https://home.treasury.gov/system/files/136/SLFRF-Compliance-Statement.pdf>.

III. COMPLIANCE REQUIREMENTS

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

being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status Discussion in Part 1 for additional information.

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

A. Activities Allowed or Unallowed

Recipients may use SLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, codified at 42 USC sections 802 and 803, and as amended by the 2023 CAA. Recipients may also use payments subject to the restrictions set forth in the 2021 Interim Final Rule (i.e., Auditors should note that if a recipient obligated funds in accordance with the 2021 Interim Final Rule, then the expenditures follow the requirements of the 2021 Interim Final Rule, 2022 Final Rule, 2023 Interim Final Rule, and Obligation Interim Final Rule at 31 CFR Part 35, and SLFRF FAQs available at <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.pdf>.

1. *Activities Allowed* – In general, recipients may use payments from SLFRF for one or more of the purposes described below. For full details on eligible uses, see 31 CFR 35.6, 2021 Interim Final Rule (and the Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds 2021 Interim Final Rule and 2022 Final Rule, referenced above), 2022 Final Rule, 2023 Interim Final Rule, Obligation IFR, and SLFRF FAQs:
 - a. **Respond to the public health and negative economic impacts of the pandemic**, by supporting the health of communities, and helping households, small businesses, non-profits, impacted industries, and the public sector recover from economic impacts of the pandemic.
 - b. **Replace lost public sector revenue** to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic. Note: Recipients can use SLFRF funds under the revenue loss eligible use category for any service traditionally provided by a government regardless of how the recipient previously budgeted, with documentation that sufficiently supports their funding determinations. This may include

services currently or previously provided by the recipient, an expansion of existing services, or new services or programs.

- c. **Provide premium pay for essential workers**, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors. The SLFRF statute and the 2022 final rule provide that recipients can use SLFRF funds to provide premium pay to eligible workers performing essential work during the COVID-19 public health emergency. The Public Health Emergency and National Emergency declarations terminated effective April 10, 2023. Therefore, recipients may not use SLFRF funds to provide premium pay to essential workers for work performed after April 10, 2023. Recipients may continue to make payments retroactively for premium pay for work performed between the start of the pandemic and April 10, 2023. The obligation to provide such premium pay must not have been incurred by the recipient prior to March 3, 2021.
 - d. **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.
 - e. **Provide emergency relief from natural disasters or the negative economic impacts of natural disasters** including temporary emergency housing, food assistance, financial assistance for lost wages, and other immediate needs. Please see pages 4 - 8 of the [Overview of the 2023 Interim Final Rule](#) (“SLFRF Overview of the 2023 IFR”) for a complete list of eligible uses.
 - f. **Fund projects eligible under certain programs administered by the U.S. Department of Transportation** (“Surface Transportation projects”) through three pathways. Please see pages 9 - 15 of the [SLFRF Overview of the 2023 IFR](#) for a full list of programs; and
 - g. **Fund projects eligible under the programs established in Title I of the Housing and Community Development Act of 1974** (“Title I projects”), subject to certain requirements and limitations. Please see pages 16 - 19 of the [SLFRF Overview of the 2023 IFR](#) for a list of eligible Title I projects.
2. *Activities Unallowed* – The following costs are ineligible uses, restrictions, or limitations. For full details on the general restricted uses, see 31 CFR Part 35, Subpart A, [the Overview of the 2022 Final Rule](#) (page 41), and the Overview of the 2023 Interim Final Rule.
- a. Offset a reduction in net tax revenue (applicable to states and territories)
 - b. Deposits into pension funds (applicable to all recipients except Tribes)

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

Under the 2022 Final Rule, recipients can elect a one-time “standard allowance” of \$10 million (not to exceed the recipient’s award amount) to spend on the “provision of government services” during the period of performance. Alternatively, recipients can calculate lost revenue for the years 2020, 2021, 2022, and 2023 based on the formula provided in the 2022 Final Rule to determine the amount of SLFRF funds that can be used for the “provision of government services.” In calculating revenue loss, recipients can choose whether to use calendar or fiscal year dates but must be consistent throughout the period of performance. If calculating revenue loss, recipients must provide auditors with evidence supporting their revenue loss calculation. As discussed in SLFRF FAQ 13.14, Treasury has determined that there are no subawards under this eligible use category. The definition of subrecipient in the Uniform Guidance provides that a subaward is provided for the purpose of “carrying out” a portion of a federal award. Recipients’ use of revenue loss funds does not give rise to subrecipient relationships. Also, while there is no federal program or purpose to carry out in the same way that there is for the other SLFRF expenditure categories, these funds retain their federal character and recipients remain subject to laws and regulations applicable to Federal financial assistance programs. Please see the discussion in SLFRF FAQ 13.15 for additional information on which requirements of the Uniform Guidance apply to funds expended under the revenue loss eligible use category. Please see FAQ 17.15 for additional information about the revenue loss eligible use category.

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

B. Allowable Costs/Cost Principles

SLFRF is considered “other financial assistance” and is administered as direct payments for specified use.

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

For the Surface Transportation projects eligible use category, recipients using SLFRF funds for projects eligible for Urbanized Formula Grants (ALN: 20.507), Fixed Guideway Capital Investment Grants (ALN: 20.500), Formula Grants for Rural Areas (ALN: 20.509), State of Good Repair Grants (ALN: 20.525), or Grants for Buses and Bus Facilities (ALN: 20.526) may not use SLFRF funds for operating expenses of these projects. Operating expenses are those costs necessary to operate and manage a public transportation system, including costs such as driver salaries, the cost of fuel, and the cost of equipment and supplies having a useful life of less than one year. Operating expenses do not include preventive maintenance activities. The limitation on operating expenses does not apply to other Surface Transportation projects or to other uses of SLFRF funds, including under the revenue loss eligible use category.

The 2 CFR Part 200, Subpart E is applicable to expenditures under SLFRF unless stated otherwise. [SLFRF FAQ 13.15](#) outlines that, given the purpose and very broad scope of eligible uses of the revenue replacement funds, only a subset of the requirements in 2 CFR Part 200, Subpart E apply to recipients' use of such funds, as follows:

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

Per the SLFRF and CPF Supplementary Broadband Guidance (II.A.6.), Pages 2 – 3, internet service provider (ISP) subrecipients that receive fixed amount subawards are not required to comply with Subpart E Cost Principles of the Uniform Guidance. See <https://home.treasury.gov/system/files/136/SLFRF-and-CPF-Supplementary-Broadband-Guidance.pdf>. Please see the SLFRF and CPF Supplementary Broadband Guidance for further explanation on what constitutes a “fixed amount award” for broadband infrastructure projects under SLFRF and CPF.

The Uniform Guidance permits agencies to provide an exception from the cost principles in the case of fixed amount subawards. Treasury has provided that recipients may issue fixed amount subawards for broadband infrastructure projects without further Treasury approval regardless of whether the value of the subaward exceeds \$250,000 and those recipients are not required to apply the cost principles of the Uniform Guidance to ISPs receiving such fixed amount subawards. Please see the SLFRF and CPF Supplementary Broadband Guidance for further explanation on what constitutes a “fixed amount award” for broadband infrastructure projects under SLFRF and CPF.

G. Matching, Level of Effort, Earmarking

1. Matching

Generally, SLFRF recipients may use funds available under the revenue loss eligible use category to satisfy non-federal matching requirements. Funds under

any other eligible use category, except as discussed below, may not be used to satisfy non-federal matching requirements.

Funds available under the revenue loss eligible use category (sections 602(c)(1)(C) and 603(c)(1)(C) of the Social Security Act) generally may be used to meet the non-federal cost-share or matching requirements of other federal programs. However, note that SLFRF funds may not be used as the non-federal share for purposes of a state's Medicaid and Children's Health Insurance Programs (CHIP) because the Office of Management and Budget has approved a waiver as requested by the Centers for Medicare & Medicaid Services pursuant to 2 CFR 200.102 of the Uniform Guidance and related regulations.

If a recipient seeks to use SLFRF funds to satisfy match or cost-share requirements for a federal grant program, it should first confirm with the relevant awarding agency that no waiver has been granted for that program, that no other circumstances enumerated under 2 CFR 200.306(b) would limit the use of SLFRF funds to meet the match or cost-share requirement, and that there is no other statutory or regulatory impediment to using the SLFRF funds for the match or cost-share requirement. SLFRF funds beyond those that are available under the revenue loss eligible use category may not be used to meet the non-federal match or cost-share requirements of other federal programs, other than as specifically provided for by statute. As an example, the Infrastructure Investment and Jobs Act provides that SLFRF funds may be used to meet the non-federal match requirements of authorized Bureau of Reclamation projects and certain broadband deployment projects. Recipients should consult the 2022 Final Rule for further details if they seek to utilize SLFRF funds as a match for these projects.

Under the Surface Transportation projects eligible use category, recipients may use SLFRF funds to satisfy non-federal share requirements for certain programs under Pathway Three. Under the Title I projects eligible use category, recipients may use SLFRF funds to satisfy the non-federal share requirements of a federal financial assistance program in support of activities that would be eligible under the Community Development Block Grant (ALN: 14.218), and Indian Community Development Block Grant (ALN: 14.862).

Per the 2023 IFR, recipients may use SLFRF funds to provide emergency relief from natural disasters with a Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.) (Stafford Act) declaration under the emergency relief from natural disasters eligible use category. If a recipient uses SLFRF funds to cover Stafford Act disaster losses under the emergency relief from natural disasters eligible use category, the Stafford Act's prohibition on duplication of benefits applies. However, emergency relief from natural disasters eligible use category does not permit recipients to use SLFRF funds for non-federal matching requirements for FEMA programs.

2. Level of Effort

2.1 Maintenance of Effort

Not Applicable

2.2 Supplement Not Supplant

Under the Surface Transportation projects and Title I projects eligible use categories, recipients must supplement, and not supplant, other federal, state, territorial, Tribal, and local government funds (as applicable) otherwise available for such uses. Recipients may not: 1) de-obligate funds and replace those previously obligated amounts with SLFRF funds under this eligible use category or 2) use SLFRF to replace federal or non-federal funds identified in a federal commitment, such as an award agreement. This supplement, not supplant requirement does not apply to the eligible use categories described in the 2022 final rule or the emergency relief from natural disasters eligible use category. See the Overview of the 2023 Interim Final Rule for more information.

3. Earmarking

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

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

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

Under the Surface Transportation projects and Title I projects eligible use categories, the total amount of SLFRF funds that a recipient may use for Surface Transportation projects and Title I projects, taken together, cannot exceed the greater of \$10 million and 30% of a recipient’s SLFRF allocation. However, the auditor is not expected to determine whether the recipient exceeded the maximum limits for specified eligible use categories. Treasury will evaluate that the

recipient was within the limits for the eligible use categories through reviewing the recipient's reporting, which is subject to audit.

H. Period of Performance

The SLFRF Award Terms and Conditions provide that the period of performance for each award begins on the date the Award Terms and Conditions were entered into and ends on December 31, 2026. For eligible use categories described in the 2022 Final Rule, recipients may only use funds to cover costs incurred during the period beginning on March 3, 2021 and ending on December 31, 2024, pursuant to the 2022 Final Rule at 31 CFR section 35.5(a). A cost is considered incurred if a recipient has incurred an obligation with respect to such cost. Recipients must obligate program funds by December 31, 2024 and liquidate all obligations under the award no later than December 31, 2026, which is the end of the period of performance. No new obligations or costs may be incurred during the period beginning January 1, 2025 and ending on December 31, 2026. During this two-year period from January 1, 2025, through December 31, 2026, recipients are only permitted to expend funds to satisfy obligations incurred by December 31, 2024.

For eligible use categories described in the 2023 Interim Final Rule, recipients may use SLFRF funds for the three new eligible uses for costs incurred beginning December 29, 2022. Consistent with the existing eligible uses, recipients must obligate SLFRF funds for the new eligible uses by December 31, 2024.

Recipients must expend SLFRF funds obligated to provide emergency relief from natural disasters by December 31, 2026. Recipients must expend SLFRF funds obligated for Surface Transportation projects and Title I projects by September 30, 2026. Costs for projects described in the 2023 Interim Final Rule that are obligated by the recipient prior to December 29, 2022 are not eligible under these three eligible use categories.

An "obligation" continues to include an order placed for property and services and entry into contracts, subawards, and similar transactions that require payment. However, under the revised definition provided in the Obligation Interim Final Rule, a recipient is also considered to have incurred an obligation by December 31, 2024, with respect to a requirement under federal law or regulation or a provision of the SLFRF award terms and conditions to which the recipient becomes subject as a result of receiving or expending SLFRF funds. Additionally, as clarified in Treasury's guidance in Section 17: Obligation of the SLFRF FAQs, Treasury considers an interagency agreement to constitute a "transaction requiring payment" similar to a contract or subaward and therefore an obligation for purposes of the SLFRF rule, if it meets the conditions discussed in FAQ 17.6. Furthermore, as discussed in FAQ 17.7, Treasury will consider a recipient to have incurred an obligation with respect to personnel costs for an employee through December 31, 2026, to the extent the employee is serving in a position that was established and filled prior to December 31, 2024. Section 17 of the SLFRF FAQs also provides further discussion and clarification of how recipients may comply with the obligation deadline.

I. Procurement and Suspension and Debarment

Recipients may use award funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in 42 USC sections 802(c) and 803(c) and Treasury's 2021 Interim Final Rule, 2022 Final Rule, and 2023 Interim Final Rule. As such, except as noted in the next paragraph, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance.

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

Recipients may also refer to section 13 of the SLFRF FAQs, which includes FAQs related to procurement.

L. Reporting

1. Financial Reporting

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

2. Performance Reporting

Title of Report: Project and Expenditure Report

PRA Number: 1505-0271

Reporting Cycle: Quarterly and Annual; for more details see section B.1-B.2 in the [SLFRF Compliance and Reporting Guidance](#) (pages 20-22).

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

Recipient Compliance and Reporting responsibilities 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.->

Report Instructions are located at: Reporting guidance is on pages 17 through 51 of <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>.

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

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

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

1. *Obligations and Expenditures*- Quantifiable Objective Criteria: Reported obligations and expenditures. (See page 22 of the Compliance and Reporting Guidance at the above link.)
 - a. Current period obligation
 - b. Cumulative obligation
 - c. Current period expenditure
 - d. Cumulative expenditure

Revenue loss calculation validation – Note-Recipients may elect a “standard allowance” of up to \$10 million to spend on government services through the period of performance instead of using the full formula specified in the final rule. The standard allowance is available to all recipients. See pages 35-36 for when recipients may modify their revenue loss election. Quantifiable Objective Criteria: Recipient's application of the revenue loss calculation is accurate if they did not elect the standard allowance. Specific information regarding the revenue loss formula can be found in [paragraph \(d\)\(2\) of 31 CFR § 35.6](#).

2. *Expenditure Estimates* - Quantifiable Objective Criteria: If the recipient has submitted to Treasury the required explanation of how an estimate was determined if the recipient has reported an obligation involving (1) estimated personnel expenditures in 2025 and 2026; (2) estimated expenditures to cover contract change orders and contingencies in 2025

and 2026; or (3) estimated expenses to cover relevant legal and administrative requirements of SLFRF in 2025, 2026, and award closeout, the recipient has the required reasonable justification for how the estimate was determined in its grant file, as discussed on pages 22-24 and 40 of the Compliance and Reporting Guidance at the above link.

3. *Capital Expenditures - Quantifiable Objective Criteria:* The recipient has the required written justification in their grant file if the total of the capital expenditures costs for a project within the public health and negative economic impact eligible use category described in the 2022 Final Rule is greater than or equal to \$1 million and less than \$10 million; or, the recipient submitted the required justification to Treasury if (1) a project has total capital expenditures costs greater than \$10 million for capital expenditures enumerated by Treasury in the 2022 Final Rule; or (2) the total of a project's capital expenditures costs is greater than \$1 million for capital expenditures not enumerated by Treasury in the 2022 Final Rule. The recipient has submitted the required written justification to Treasury if the total of the capital expenditure costs for a project that is a mitigation activity within the emergency relief from natural disasters eligible use category described in the 2023 Interim Final Rule is greater than \$1 million. Note: Capital expenditures paid for using revenue replacement funds are not subject to this requirement. Tribal governments are not required to complete the written justification. (See [31 CFR section 35.6\(b\)\(4\)](#))

3. Special Reporting

Not Applicable

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

Not Applicable

- a. Treasury received approval from the Office of Management and Budget (OMB) to increase the subaward reporting threshold outlined in 2 CFR Part 170 from \$30,000 to \$50,000 for CSLFRF.
- b. Although reporting on subaward information is applicable to SLFRF recipients pursuant to the award term set forth in Appendix A to 2 CFR Part 170, which is incorporated by reference in the SLFRF Financial Assistance Agreement, SLFRF recipients' compliance with FFATA reporting requirements is not subject to audit.

M. Subrecipient Monitoring

See Part 3, Section M, “Subrecipient Monitoring” for a general description of the compliance requirements, the related audit objectives, and suggested audit procedures. Note that subrecipient monitoring is not required for entities deemed to be beneficiaries. Because NEUs are considered by Treasury to be direct recipients of SLFRF (and not subrecipients or beneficiaries), states have no subrecipient monitoring responsibilities related to the funds distributed to NEUs. Treasury has also provided additional information on activities it considers to be part of subrecipient monitoring in SLFRF FAQ 17.10.

Subrecipient monitoring is required by pass-through entities for all SLFRF funded projects. For broadband infrastructure investment projects, auditors should refer to Treasury’s [SLFRF and CPF Supplementary Broadband Guidance](#) for special applicability considerations of the following 2 CFR Part 200 requirements to ISP subrecipients implementing broadband projects:

- Program income
- Cost principles, procurement practices and fixed amount subawards
- Ownership of infrastructure
- Audit and monitoring requirements

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

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

Also, as discussed in [SLFRF FAQ 13.14](#), Treasury has determined that there are no subawards under the revenue loss eligible use category because a recipients’ use of revenue loss funds does not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award. Therefore, subrecipient monitoring is not applicable to Expenditure Category 6 “Revenue Replacement.” However, projects undertaken via revenue loss do not lose their federal character. [FAQ 13.15](#) specifies which requirements of the Uniform Guidance apply to revenue loss funds.

As discussed above in Part III, Section H, Treasury considers an interagency agreement to constitute a “transaction requiring payment” similar to a contract or subaward and

therefore an obligation for purposes of the SLFRF rule, if the agreement satisfies certain conditions. If a recipient previously entered into an agreement with a unit of its government and reported that arrangement as a subaward, then the recipient may maintain that treatment or revise its reporting to reflect an interagency agreement, as long as the requirements of FAQ 17.6 are met. If the recipient is reporting the arrangement as a subaward, the subrecipient monitoring and other requirements applicable to subawards at 2 CFR Part 200 continue to apply.

IV. OTHER INFORMATION

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

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

Additionally, because NEUs are considered direct recipients under SLFRF, NEUs that do not elect or are not eligible for the alternative compliance examination engagement discussed below 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.

SECTION 2: Engagements Performed Under the Alternative Approach

I. ALTERNATIVE APPROACH OBJECTIVES

Treasury recognizes that many recipients of SLFRF may newly be required to complete a single audit or a program-specific audit pursuant to the Single Audit Act and its implementing regulations, 2 CFR Part 200, Subpart F, due to their receipt of an SLFRF award which may lead to them exceeding the \$750,000 audit threshold in section 200.501(a) of the Uniform Guidance (or, once the 2024 revisions to 2 CFR Part 200, Subpart F become effective, \$1million for fiscal years beginning on or after October 1, 2024). This may be because the recipient has not received direct federal financial assistance before, or the other federal financial assistance they expended did not exceed the audit threshold set forth at 2 CFR 200.501(a). This section describes an alternative approach for SLFRF recipients permitted by OMB 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 as further described in the Part 8, Appendix VII – Other Audit Advisories and as detailed below. However, an SLFRF recipient may still elect to undergo a single audit or a program-specific audit under 2 CFR Part 200, Subpart F.

A. Alternative Compliance Examination Engagement

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

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

1. A financial statement audit is not required for those eligible recipients that expend award funds from other Federal programs.
2. A compliance examination engagement simplifies the engagement for both recipients and practitioners.

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

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

B. Recipient Eligibility

Recipient eligibility to use this alternative approach is as follows: SLFRF recipients that expend \$750,000 or more (or \$1 million or more for fiscal years beginning on or after October 1, 2024—see subsection I above) during the recipient’s fiscal year in federal awards and which meet **both** criteria listed below have the option to follow the alternative SLFRF compliance examination engagement:

1. The recipient’s total SLFRF award received directly from Treasury or received (through states) as an NEU is at or below \$10 million; and
2. Other federal award funds the recipient expended (not including their direct SLFRF award funds) are less than \$750,000 (or \$1 million for fiscal years beginning on or after October 1, 2024—see subsection I above) during the recipient’s fiscal year.

C. Program Objectives

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

1. Respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including by providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the recipient that perform essential work or by providing grants to eligible employers that have eligible workers who are performing essential work;
3. Provide government services, to the extent of the reduction in revenue of the eligible entities due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the eligible entities prior to the emergency;
4. Make necessary investments in water, sewer, or broadband infrastructure;
5. Provide emergency relief from natural disasters or the negative economic impacts of natural disasters including temporary emergency housing, food assistance, financial assistance for lost wages, and other immediate needs. Please see pages 4 - 8 of the Overview of the 2023 Interim Final Rule ([SLFRF Overview of the 2023 IFR](#)) for a complete list of eligible uses;
6. Use funds for projects eligible under 26 programs administered by the U.S. Department of Transportation (“Surface Transportation projects”). Please see pages 9 - 15 of the [SLFRF Overview of the 2023 IFR](#) for a full list of programs; and
7. Use funds for projects eligible under Title I of the Housing and Community Development Act of 1974 (“Title I projects”). Please see pages 16 - 19 of the [SLFRF Overview of the 2023 IFR](#) for a list of eligible Title I projects.

II. PROGRAM PROCEDURES

A. Overview

Sections 602 and 603 of the Social Security Act (the “Act”), as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified at 42 USC 802 and 803, and as amended by the Consolidated Appropriations Act, 2023 (“2023

CAA”), Pub. L. No. 117-328 (Dec. 29, 2022), authorized the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, respectively (referred to collectively as the “Coronavirus State and Local Fiscal Recovery Funds” or “SLFRF”). SLFRF is administered by the U.S. Department of the Treasury (Treasury) and provides assistance in the form of direct payments for specified uses. SLFRF provides \$350 billion for payments to eligible entities.

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

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

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

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

Source of Governing Requirements

Federal Criteria	Description
Statutes	Sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 (Pub. L. 117-2), codified at 42 U.S.C. 802 and 803, as amended by section 40909 of the Infrastructure Investment and Jobs Act (Pub. L. 117-58), as further amended by section 102 of Division LL of the Consolidated Appropriations Act, 2023 (P. Law 117-328).
Regulations	See 31 CFR Part 35, Subpart A and the supplementary information in the 2021 Interim Final Rule , the 2022 Final Rule , the 2023 Interim Final Rule , and the Obligation Interim Final Rule .
Certain Other Guidance	Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions
	Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds 2021 Interim Final Rule and 2022 Final Rule (“the Statement”), which clarifies the transition from compliance with the Interim Final Rule to compliance with the Final Rule. Recipients must comply with the 2022 Final Rule beginning on April 1, 2022, when the 2022 Final Rule took effect. Prior to April 1, 2022, recipients may take actions and use funds in a manner consistent with the 2022 Final Rule, and Treasury will not take action to enforce the 2021 Interim Final Rule if a use of funds is consistent with the terms of the 2022 Final Rule, regardless of when the SLFRF funds were used. Please see pages 3-4 of the Statement for specific guidance. For example, a recipient is not required to prepare or submit a written justification as required under the 2022 Final Rule for capital expenditures under the public health-negative economic impact eligible use category if the recipient (i) has taken significant steps toward obligating SLFRF funds for that project prior to January 6, 2022, or (ii) has obligated funds for such project prior to April 1, 2022.

Availability of Other Program Information

Additional information on the requirements for SLFRF is available through the program webpage on Treasury’s website at: [Coronavirus State and Local Fiscal Recovery Funds | US Department of the Treasury](https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-fund/request-funding).

SLFRF’s Compliance and Reporting Guidance can be found at: [Recipient Compliance and Reporting Responsibilities | US Department of the Treasury](https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-fund/request-funding).

The Compliance and Reporting Guidance provides additional detail and clarification for each recipient’s compliance and reporting responsibilities and should be read in concert with the Award Terms and Conditions. (Please refer to: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-fund/request-funding>), the authorizing statutes, the 2021 Interim Final Rule, the 2022 Final Rule, the 2023 Interim Final Rule, the Obligation Interim Final Rule, the SLFRF FAQs, and other regulatory and statutory requirements.

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

This document addresses questions regarding the eligible uses established under the 2022 Final Rule; the 2023 Interim Final Rule; and the Obligation Interim Final Rule. Treasury intends to update this document periodically in response to new questions received from stakeholders.

SLFRF and CPF Supplementary Broadband Guidance is available on Treasury’s website at: <https://home.treasury.gov/system/files/136/SLFRF-and-CPF-Supplementary-Broadband-Guidance.pdf>.

Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds 2021 Interim Final Rule and 2022 Final Rule can be found at: <https://home.treasury.gov/system/files/136/SLFRF-Compliance-Statement.pdf>.

III. COMPLIANCE REQUIREMENTS

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

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

3. management evaluates the entity's compliance with the compliance requirements in this section.

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

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

A. Activities Allowed or Unallowed

Examination Objective: Determine whether the recipients used SLFRF funds for ineligible uses. For full details on the general restricted uses, see SLFRF Final Rule Overview (page 41) and Overview of the 2023 Interim Final Rule (pages 11, 13, and 19). Recipients may use SLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, as codified by 42 USC sections 802 and 803, and as amended by the 2023 CAA. Recipients may also use payments subject to the restrictions set forth in the 2021 Interim Final Rule, 2022 Final Rule, 2023 Interim Final Rule, and Obligation Interim Final Rule at 31 CFR Part 35, and SLFRF FAQs available at <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.pdf>.

1. *Activities Allowed* – Suggested Examination Procedures
 - a. Obtain an understanding of the design of relevant portions of internal control over compliance regarding unallowable activities by performing some or all of the following:
 - (1) Inquiries of appropriate management, supervisory, and staff personnel
 - (2) Inspection of the entity's relevant documents
 - (3) Observation of the entity's activities and operations

- b. Review a sample of SLFRF expenditures to determine if recipients used SLFRF funds for ineligible uses. For full details of eligible uses, see 31 CFR Part 35, Subpart A and the SLFRF FAQs.
 2. *Activities Unallowed* – The following activities are ineligible uses, restrictions, or limitations. For full details on the general restricted uses, see 31 CFR Part 35, Subpart A, [the Overview of the 2022 Final Rule, and the Overview of the 2023 Interim Final Rule](#) (page 41).:
 - a. Offset a reduction in net tax revenue (applicable to states and territories)
 - b. Deposits into pension funds (applicable to all recipients except Tribes)
 - c. Debt service or replenishing financial reserves (e.g., “rainy day funds”) (applicable to all recipients)
 - d. Satisfaction of settlements and judgments (applicable to all recipients)
 - e. Programs, services, or capital expenditures that include a term or condition that undermines efforts to stop the spread of COVID-19 (applicable to all recipients)

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.

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

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

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

1. Suggested Examination Procedures

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

IV. OTHER INFORMATION

COMPLIANCE EXAMINATION ENGAGEMENT SUBMISSION INSTRUCTIONS

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

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

The submission deadlines for the alternative compliance examination engagement (ACEE) are the same as those for single audits and program specific audits due in accordance with 2 CFR Part 200, Subpart F. Therefore, the results of the alternative compliance examination engagement must be submitted by the auditee 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. The repository of the ACEE is expected to eventually be the Federal Audit Clearinghouse at www.fac.gov. However, at the time of this Supplement's issuance, the FAC is unable to accept the ACEE submissions.

Auditees are required to follow the most up-to-date version of the State and Local Fiscal Recovery Funds (SLFRF) Project and Expenditure Report User Guide for step-by-step instructions on how to submit an ACEE using Treasury's Portal into Salesforce. The Reporting User Guides can be at: <https://home.treasury.gov/system/files/136/july-2024-PE-Report-User-Guide.pdf> - please refer to Section IV entitled "Alternative Compliance Examination Engagement (ACEE)."