

MAXIMIZE YOUR OPPORTUNITY FOR CARES ACT CRF FUNDS BY PLANNING FOR ELIGIBILITY AND COMPLIANCE

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The Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Coronavirus Relief Fund (CRF) and appropriated \$150 billion to states, local governments, U.S. territories and Tribal governments. CRF is a significant, flexible source of federal assistance that can go a long way towards helping counties and cities manage COVID-related services while mitigating financial drain.

It is no secret that administrating federal assistance programs is complex and comes with stringent requirements that can delay or derail the application process and produce additional layers of compliance risk. To navigate the application process with minimal friction and ensure appropriate use of CRF funds, counties and cities should plan for eligibility and compliance with a focus on assessment, implementation and compliance.

Mnuchin released further guidance on eligible use of payments from the Fund. A summary of the guidance is provided below.

ASSESSMENT

Local governments should engage in a comprehensive, concurrent assessment effort to help inform a community-wide allocation model that appropriately reserves funding for each programmatic area, while minimizing compliance risk. The assessment initiative should comprise the following activities:

Assess Broader Community Needs to Right-fit Fund distribution

Many counties and cities have additional municipal entities, non-profit organizations, healthcare providers, schools and businesses that seek access to funds from their CRF allocation. These needs may be disproportionate to the entity's size or service area. Prior to committing to a distribution method, the fund administrator must assess needs across service sectors to understand the full impact COVID-19 has had within their community.

It is important to obtain information that can inform each entity's capacity level, its existing and projected funding needs, as well as its associated grant/funding administration capabilities. Developing or purchasing a survey template that is tailored to collect the required data enables local government leaders to make quick, informed decisions regarding their CRF proceeds in a fair, reasoned and transparent manner.

Optimize cost recovery and funding through uniform expense reporting and reimbursement

Counties and cities should work across departments to establish common knowledge of eligibility criteria and best practices for documenting qualified expenses. They should also develop a uniform process for submitting expense payments or reimbursement requests for finance and council/commission approval.

These processes should begin immediately to capture COVID-related costs that have already been incurred. They should also include an estimated assessment of future costs through December 30, 2020. Both incurred costs and future project cost requirements must be aggregated to generate an analysis of the cost exposure. Estimated COVID-19-specific funding requirements from each department should be outlined with consideration for timeliness, eligibility, cash flow and community benefits.

IMPLEMENTATION

Federal assistance funding takes time to process. Some facets of the process are beyond the applicant's control. Below are ways local governments can optimize the steps of the process:

Streamline the funding application process to expedite reimbursement

The application will be used to document program expenses and clearly link costs to COVID-19 responses or impacts. The application must allow county and city staff to understand the entity's capacity and technical proficiency and disclose funding sources already received that can be utilized for the same purpose.

Each application or subsequent expense reimbursement request should have a standardized format for review and approval. Several considerations include:

- Is the requesting entity in good standing?
- What is the necessity as it relates to COVID-19?
- What is the timeline for delivery/use of expense?
- Is there another source of funding available for this expense?
- How will the material/equipment/service be procured? Was it competitively procured?
- Does the contract or purchase order follow local procurement guidelines, and does it include necessary federal, state and local contract provisions?
- Is all information included to make a reasonable eligibility determination?

Application/expense requests should follow a compliant but minimally burdensome process for review, consideration and payment.

COMPLIANCE

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

CRF recipients must implement policies and procedures outlining management of fund disbursements to eligible parties. Further, to ensure compliance, each county/city should employ the following financial management and federal assistance considerations:

Assess subrecipient capacity

Each county/city should obtain enough information in the application process to make a measured assessment of a potential subrecipient's financial and administrative capacity. The applicant's standing related to CRF disbursements should be evaluated continuously and each recipient must sign a subrecipient agreement that outlines capacity, performance and reporting expectations.

Provide technical assistance and monitoring

To mitigate risk of fund mismanagement, counties and cities should provide technical assistance on as-needed basis for entities that may prove to be a compliance risk. Additionally, subrecipients are subject to periodic performance and compliance monitoring.

Review expense eligibility

Federal guidance on CRF use is limited and remains subject to interpretation. Nonetheless, counties and cities must develop a process for evaluating expenditure eligibility. Noting local impacts or COVID-19 characteristics at the time expenses were incurred helps establish that the decision was both necessary and prudent. This will be key when demonstrating why costs may have increased, why emergency procurement provisions were used, or why the use of CRF funds was the most suitable option.

The process should include an Eligibility Review Memo for large or unconventional expenditures to document cost reasonableness, timeliness and necessity as it relates to COVID-19, along with any compliance risk considerations and associated mitigation strategies.

Accurate eligibility review allows government leaders make timely, informed decisions regarding expenses with the appropriate compliance considerations established before an expense is incurred.

Centralize CRF Documentation

Ensure you are keeping all CRF documentation in a centralized location to ease future internal and federal audits. Your projects files should contain not just internal County departmental expense review and reimbursements, but also all eligibility review, policies and procedures, contracts, agreements, applications and disbursement information for all expenses utilizing CRF proceeds.

Get expert help

Even when guidance and best practices are clearly outlined and understood, administering federal assistance programs is complex, time-consuming and prone to risk. Consider soliciting a qualified emergency management and grant administration firm given the expense is an eligible use of your CRF funds.

Local governments that embrace this three-pronged approach of addressing assessment, implementation and compliance will be well positioned to expedite federal assistance funding and sustain their critical COVID-response efforts – keeping their communities healthier and their fiscal strength sound.

STILL HAVE QUESTIONS?

Witt O'Brien's has decades of experience helping State and local governments navigate these complex issues and can certainly assist your community with applying for assistance, evaluating eligibility for incurred or future cost, and with securing critical reimbursements to mitigate strain on your community's cash flow. Contact us to discuss your community's individual needs and learn how we can help support your COVID-19 response: covidhelp@wittobriens.com.

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