COVID-19 Accounting: best practices for reimbursement

September 29, 2020
Outreach

Please reach out to smaller cities - particularly those towns that are very small. Help them budget and upload info into the computer system.
Coronavirus Relief Fund (CRF)

DFA now has the authority to approve the cities/towns budgets and expenses for projects that fit the criteria up to $50K.

Over $50K or not in one of the approved categories, must go to the Executive Steering Committee for approval.

Exception to the $50K: If a project is all personnel, it does not have to go to the Steering Committee even if it is over $50K.

DFA has hired CTEH (NLR Company) and Hagerty, Inc. to manage the application and claims process.

Unique times, unique measures
INTENT of the Law is to address the expenses to combat the COVID-19.
The CARES Act requires that payments from the CRF may only be used to cover costs that:

- Are **necessary** expenditures incurred **due to** the public health emergency with respect to COVID-19;
- Were **not accounted for** in the most recently **approved budget** (as of March 27, 2020) for the state or local government; and
- Were **incurred** between March 1, 2020 and December 30, 2020.

- Chief Executive Officer of the city or town must certify that expenses meet the above criteria.
CRF Eligible* Activities

Some specific examples of ELIGIBLE CRF activities:

- Purchasing additional technology and/or equipment to expand WiFi hotspot access for public employees, students, or others to support social distancing, distance learning, or telework.
- Expanding technology or modifying facilities to alter public service operations to minimize infection spread and promote social distancing.
- Providing non-congregate sheltering for essential employees or at-risk populations (homeless, seniors, survivors of domestic abuse, etc.) who cannot safely practice social distancing or quarantine.
- Disinfection of public areas and other facilities to mitigate the spread of COVID-19.
- Public health education messaging, signage, or other communications related to social distancing and infection control.

* Still must meet the criteria of necessary, unbudgeted, and incurred.
CRF Money **cannot** be used for:

- **REVENUE REPLACEMENT**
  - But you can reclaim previous expenses back to March 1, 2020
  - Money is money at the end of the day
- Covered by insurance
- Expenses that will be reimbursed under any federal program *(No double dipping)*
- Costs already included in the city or town’s budget
- Reimbursement to donors for donated items or services
- Workforce bonuses other than hazard pay or overtime
- Severance pay
- Legal settlements
- Indirect Costs
Cost Recovery Action: Documentation

Documentation is critical for disaster recovery.

- When in doubt, document all costs related to COVID-19 response and recovery.
- Ensure contractors and vendors are providing sufficient detail to describe activities performed or services provided.

- All documentation for costs incurred will be required for reimbursement, and eventually be uploaded and stored in the CTC Application System.

- Be sure to document why expenses are necessary.
- DOCUMENT, DOCUMENT, DOCUMENT
The Portal Support Center

DFA/CTEH Support Center

1-800-268-7907

ARCRFsupport@cteh.com

M – F, 7 AM – 5 PM

ARCRFsupport@cteh.com
CARES Act Project Approval Process

- Cities complete application process through an on-line template within the CTC (City, Town, County) Applicant Portal; CEO certifies
- Subaward agreement (in the system) must be signed by CEO
- City/Town completes project forms in the system
  - Project definition differs from FEMA’s definition – one project per disaster
  - Some preloaded examples to assist with the wording, etc.
- DFA can approve any project up to $50K; over $50K will be aggregated by topic with other cities requests and will be reviewed by the Arkansas CARES Act Executive Steering Committee
- Cities submit reimbursement claims through CTC Application System
- DFA/CTEH reviews reimbursement request. Upon approval DFA will issues payment to city
The Portal Support Center

DFA/CTEH Support Center

1-800-268-7907

ARCRFsupport@cteh.com

M – F, 7 AM – 5 PM

www.arctcportal.com
Cities CARES Act Project Approval Process

- Properly categorize the project into one of the reporting categories for federal reporting. If it falls into the “other” category, additional review will be necessary.

  - Administrative Expenses
  - Public Health Expenses
  - Medical – (no testing)
  - Food Programs
  - Housing Support
  - Facilitating Distance Learning
  - Improve Telework Capabilities of Public Employees
  - Medical Expenses
  - Payroll for Public Health and Safety Employees
  - Personal Protective Equipment
  - Budgeted Personnel and Services Diverted to a Substantially Different Use
  - Economic Support (Other than Small Business, and Food Assistance)
  - **Other – not listed above**
CARES Act Project Approval Process

- Application will be reviewed and properly categorized by DFA/CTEH.
  
  **Approved**  Application falls within allowable CARES Funding requirement - notification to city to proceed

  **Denied**  Application falls outside of allowable CARES Funding requirement – notification to city providing support for denying application

  **Revision/Resubmission** Application, as written, does not provide adequate justification to meet the CARES Funding requirement – Feedback will be provided. DFA/CTEH will continue to work with city to complete if possible.
**Project: Modifying Office Space**

A city office is retrofitting working spaces as part of the reopening plan with additional furniture and fixtures, such as higher cubicle walls or new furniture that will accommodate a socially-distant layout, to meet CDC recommendations to mitigate the spread of COVID-19 and protect city employees.

<table>
<thead>
<tr>
<th>CRF Criteria</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the cost <strong>necessary</strong> for the local government to respond to, mitigate, or prevent the spread of COVID-19?</td>
<td>City is implementing measures to reduce the risk of transmission in public spaces and would not update system if not <strong>due to</strong> COVID-19.</td>
</tr>
<tr>
<td>Is the activity identified to cover medical expenses, public health expenses, facilitating compliance with COVID-19-related public health measures, or economic support?</td>
<td>Activity supports compliance with public health measure and support distancing <strong>due to</strong> COVID-19.</td>
</tr>
<tr>
<td>Can the cost be lawfully funded by an <strong>approved budget</strong> line?</td>
<td>This was <strong>not budgeted/accounted for</strong> prior to COVID-19.</td>
</tr>
<tr>
<td>Will the cost be <strong>incurred</strong> between March 1 – December 30, 2020?</td>
<td>Yes.</td>
</tr>
</tbody>
</table>
**Project: Expanding Internet Access**

A city invests in new technology and equipment to expand internet access and establish community sites as internet hotspots for students who may have limited or no internet access to support distance learning. Installation and launch will be completed by September 30, 2020.

<table>
<thead>
<tr>
<th>CRF Criteria</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the cost <strong>necessary</strong> for the local government to respond to, mitigate, or prevent the spread of COVID-19?</td>
<td>Students may not be able to participate in distance learning without action.</td>
</tr>
<tr>
<td>Is the activity identified to cover medical expenses, public health expenses, facilitating compliance with COVID-19-related public health measures, or economic support?</td>
<td>Activity supports compliance with public health measure and support distance learning <strong>due to</strong> school closings for COVID-19.</td>
</tr>
<tr>
<td>Can the cost be lawfully funded by an <strong>approved budget</strong> line?</td>
<td>This was <strong>not budgeted/accounted for</strong> prior to COVID-19.</td>
</tr>
<tr>
<td>Will the cost be <strong>incurred</strong> between March 1 – December 30, 2020?</td>
<td>Yes.</td>
</tr>
</tbody>
</table>
## Project: Improving Air Quality

A city is contracting with a vendor to replace an existing air filtration system in a public building with an improved air handling system designed to improve ventilation and airflow and reduce spread of contaminants like airborne particles.

<table>
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<tr>
<th>CRF Criteria</th>
<th>Justification</th>
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<tbody>
<tr>
<td>Is the cost <strong>necessary</strong> for the local government to respond to, mitigate, or prevent the spread of COVID-19?</td>
<td>City is implementing measures to reduce the risk of transmission in public spaces and would not update system if not due to COVID-19.</td>
</tr>
<tr>
<td>Is the activity identified to cover medical expenses, public health expenses, facilitating compliance with COVID-19-related public health measures, or economic support?</td>
<td>Activity supports compliance with public health measure recommendations from EDA on indoor air flow and filtration.</td>
</tr>
<tr>
<td>Can the cost be lawfully funded by an <strong>approved budget</strong> line?</td>
<td>No, this was <strong>not budgeted</strong> prior to COVID-19.</td>
</tr>
<tr>
<td>Will the cost <strong>be incurred</strong> between March 1 – December 30, 2020?</td>
<td>Maybe – the City would need to clarify the timeline to purchase and install.</td>
</tr>
</tbody>
</table>
Advances

- Mostly Reimbursement
- Very Limited Advances
  - Only for those who really need it
- CEO must sign statement authorizing turn back funds to be clawed back if expenses not properly documented in time
- To avoid advances, make claims early for other items and then use that $$ for big ticket items
- Process for advances TBD
Timeline

- Arkansas Leg. Council          Friday, Sept. 18
- Grant Portal Live                    TBD Week of Sept. 28
- Last Day to Load Expenses  Monday, Nov. 16
- Last Date for Expenses         Tuesday, Dec. 15
  • But must be loaded by Monday, Nov. 16
Timing of Payments

- Vendor just said that they will only pay at these benchmarks: at least 25%, 50%, 75% and 100% provided project costs are documented.
De-obligate Funds

- Confident will not use all funding, send email to Tammy Dodson, Program Accountant
tdodson@arml.org

- All funds not expended/obligated by Nov. 16 will revert to state for redistribution
Budget Prep By Reporting Category

- 18 ALLOWED BY TREASURY
- AVAILABLE TO CITIES/TOWNS
  - Administrative Expenses
  - Public Health Expenses
  - Food Programs
  - Housing Support
  - Facilitating Distance Learning
  - Improve Telework Capabilities of Public Employees
  - Medical Expenses
  - Payroll for Public Health and Safety Employees
  - Personal Protective Equipment
  - Budgeted Personnel and Services Diverted to a Substantially Different Use
  - Economic Support (Other than Small Business, Housing and Food Assistance)
  - Other – not listed above
Suggested Hierarchy Of CRF Spending For The Largest Cities

1. FEMA 25% local share (try to be sure what FEMA will pay)
2. FFCRA expenses
   a) Quarantined employees, etc.
3. Direct Expenses incurred
   a) PPE’s
   b) Cleaning Supplies, etc.
4. Expenses for employees to telework (order today!)
   a) Overtime for IT
   b) Hardware/Software
   c) Extra Security
5. Equipment Usage
Suggested Hierarchy Of CRF Spending For The Largest Cities

6. Distance Learning
   a) LR Hot Spots for students
      Purchase devices from the State Contract
      Data Communications Products and Services
      https://www.transform.ar.gov/state_contracts/computers-2/

   • LR is using Presidio for the Access Points and Cellular Data Solutions for the Cradle Point (these are sued for locations with no internet connectivity.)
   • Pay Internet costs up to December 30, 2020
Suggested Hierarchy Of CRF Spending For The Largest Cities

7. Fill in with Payroll

Substantially Dedicated – Health and Safety

Documented time by hour
Document Payroll (Updated, Easier)

Usual Payroll Records

Time and Effort on Covid-19

(UGG does not apply but illustrative - 2 CFR 200.430)

Must be supported by internal controls which provides reasonable assurances

Can use Personnel Activity Reports

Good to get signed statements by employee and supervisor
Contracts
Coordinate with County
Equipment Usage Rates (Like FEMA)

- [www.fema.gov](http://www.fema.gov)
- By type, not brand
- City/Town owned equipment
- Per hour rate
- **EX:** Fire Truck, Medical ambulance runs

**Note:** Cannot bill insurance, Medicare, etc.

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Description</th>
<th>Pump/Tank Capacity</th>
<th>Rate Per Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>8680</td>
<td>Truck, Fire - Industrial -112Ft Ladder Aerial Platform</td>
<td>3000gpm/1000 gal Water or Foam</td>
<td>600 2-1000gpm Nozzles 1-Each side of Platform</td>
</tr>
<tr>
<td>8681</td>
<td>Truck, Fire, Engine Type-1</td>
<td>1000GPM/300gal</td>
<td>Engine, with Pump &amp; Roll</td>
</tr>
<tr>
<td>8682</td>
<td>Truck, Fire, Engine Type-2</td>
<td>500GPM/300gal</td>
<td>Engine, with Pump &amp; Roll</td>
</tr>
<tr>
<td>8683</td>
<td>Truck, Fire, Ladder(48ft) (Type-III)</td>
<td>150gpm/500gal, 115-149</td>
<td>Hose 1-1/2&quot;D 500' Long</td>
</tr>
<tr>
<td>8684</td>
<td>Truck, Fire, Aerial (Cummins IXL9)100Ft Ladder</td>
<td>2000gpm/500gal</td>
<td>450 1500gpm Monitor/nozzle</td>
</tr>
<tr>
<td>8685</td>
<td>Truck, Fire, Ladder(48ft) (Type-I)</td>
<td>1000gpm/400gal, 500gpm Master Stream</td>
<td>200-250</td>
</tr>
</tbody>
</table>
Procurement

- Follow local procurement
  - ACA § 14-58-303 – bid over $20k

- Emergency Procurement Procedures
  Require Ordinance
  - Specify why bidding isn’t feasible or situation is exceptional
    - (Court has said if the council waives bidding, then that’s exceptional circumstances)
  - Purchase from a state contract if possible
Misc. Accounting Info

Do not comingle federal funds with city funds
Should be in a separate fund
Does not have to be in a separate bank account
CFDA# 21.019
Record Retention is 5 years
CLAW BACK provisions – No Safe Harbor
AUDIT

Compliance Audit is required if city’s total federal expenses > $750K

TIP: If your city or town is paying for an Audit, arrange for the CARES ACT CRF funds to be audited the last part of December 2020 if it will be a major program. That way, the portion of the audit that covers the CARES Act can be paid from the CRF funds.

If funding is not spent in compliance, the funds must be paid back.

CARES Act Law Controls over the Treasury Guidance Documents inconsistencies, broad framework, proceed with caution

Local auditors + OIG can audit subrecipients
Outreach

Please reach out to smaller cities - particularly those towns that are very small. Help them budget and upload info into the computer system.
On-line CRF Support Group Meeting

Wednesdays at 3:30 PM

First Look at the CTC Application Portal
In This Together

With gratitude to the many folks at AML, DFA, CTEH, and Hagerty, who have worked very hard

Stay in touch. Let us know what is happening.

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