

BEST PRACTICES FOR USING LOCAL FISCAL RECOVERY FUNDS

STATE OF NEW JERSEY
OFFICE OF THE STATE COMPTROLLER

OCTOBER 2021



BEFORE WE BEGIN

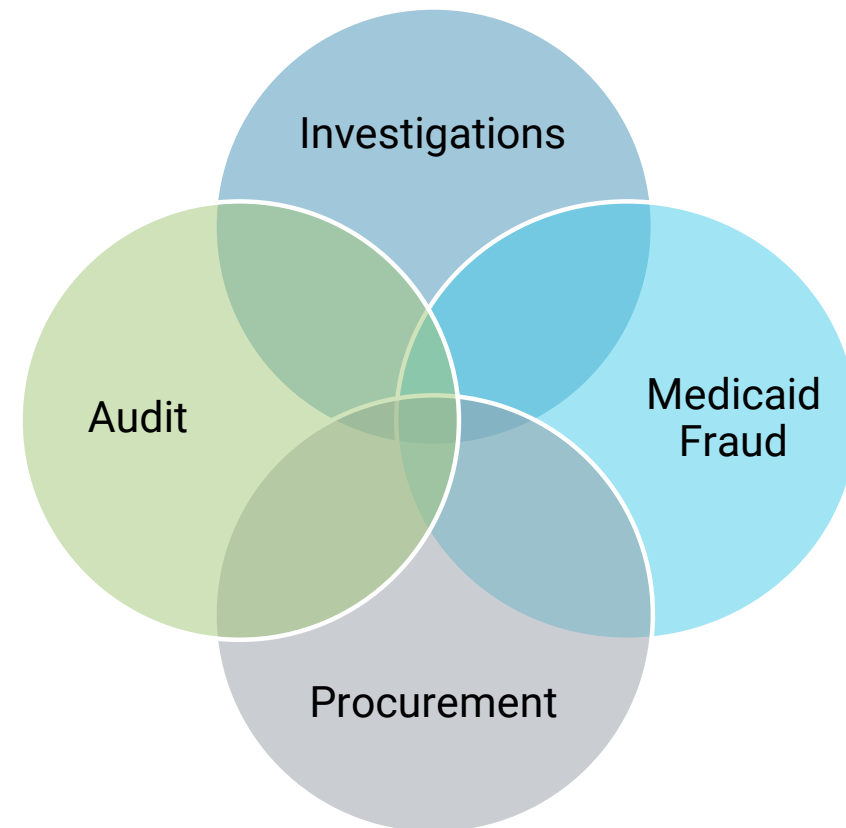
- Sign up for COVID-19 compliance updates by sending an email to COVID.Oversight@osc.nj.gov

Disclaimer: This presentation is intended to be a resource and serve as general guidance for local governments. Local governments should consult with legal counsel as to whether a specific use or expenditure complies with applicable laws and regulations.



OFFICE OF THE STATE COMPTROLLER

- Created in 2007 as an independent agency
- Oversee and audit state agencies, independent state authorities, state colleges and universities, local governments, and boards of education
- Provide technical assistance and training regarding best practices for financial management, internal controls, and preventing misuse of public funds





COVID-19 COMPLIANCE AND OVERSIGHT PROJECT

JILLIAN HOLMES, DIRECTOR

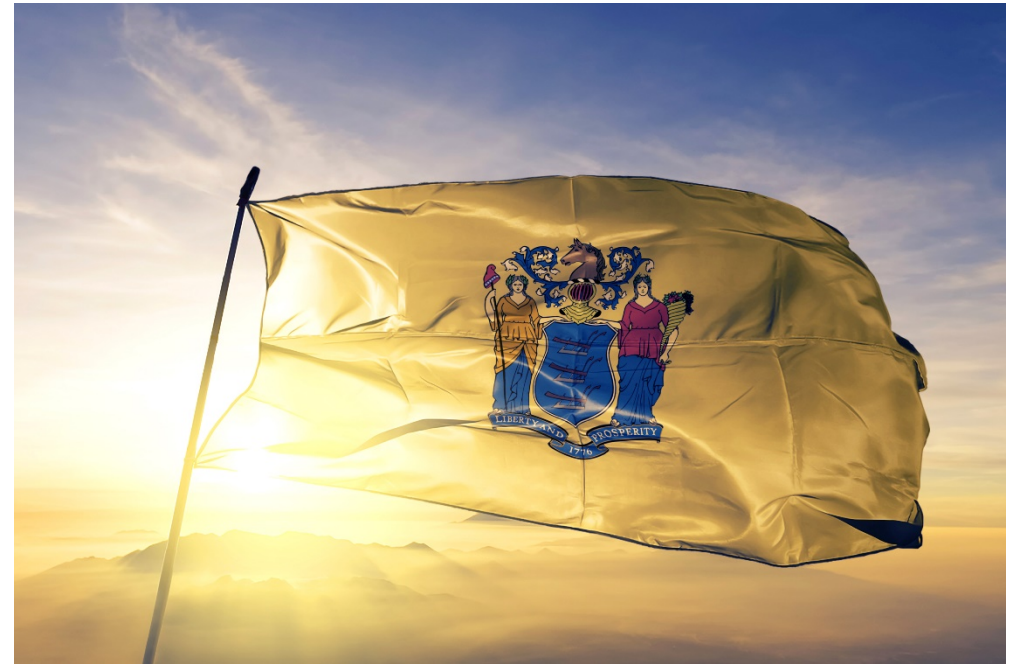
IANNA KHAN, PRINCIPAL DATA AND ANALYTICS COORDINATOR



COVID-19 COMPLIANCE AND OVERSIGHT PROJECT

Special project within OSC dedicated to ensuring proper oversight and accountability over COVID-19 Recovery Funds.

- Ongoing monitoring and oversight
- Special projects and targeted reviews
- Technical assistance and training for state and local government units.



GET IN TOUCH

OSC's Hotline is active – and we keep tips confidential.

- Call us: 1-855-OSC-TIPS
- Email us: comptrollertips@osc.nj.gov
- Report online: Complaint form found at www.nj.gov/comptroller



AMERICAN RESCUE PLAN ACT

- \$1.9 trillion economic stimulus bill signed by President Biden on March 11, 2021
- Provides funding for COVID-19 response and recovery:
 - Economic impact payments
 - Expanded child tax credit
 - Assistance for homeowners and renters
 - Extended unemployment assistance
 - Capital projects fund
 - State and Local Fiscal Recovery Fund



LOCAL FISCAL RECOVERY FUNDS

- \$3.6 billion allocation to NJ municipalities and counties
- Flexible funds to support the public health response to COVID 19 and work toward an equitable economic recovery.
- Payments in two tranches, with the second tranche paid twelve months after the first payment
- Incur funds between March 3, 2021 and December 31, 2024, provided that the obligations are expended by December 31, 2026
- Unused funds must be returned to U.S. Treasury



LOCAL FISCAL RECOVERY FUNDS IN NEW JERSEY

\$1.83B to counties

\$1.19B to metropolitan cities

\$578M to non-entitlement units

16 municipalities were allocated over \$25M, with 2 receiving over \$125M

29 municipalities were allocated less than \$100k



APPLICABLE GUIDANCE

- American Rescue Plan Act of 2021
- Interim Final Rule
- FAQs
- FAQs Supplement (Non-Entitlement Units)
- Compliance and Reporting Guidance

The screenshot displays the U.S. Department of the Treasury website. The header includes the Treasury seal and the text "U.S. DEPARTMENT OF THE TREASURY". Navigation links for "ABOUT TREASURY", "POLICY ISSUES", "DATA", "SERVICES", and "NEWS" are present, with "POLICY ISSUES" highlighted. A search bar is on the right. A green banner below the navigation bar reads: "We can do this. Find COVID-19 vaccines near you. Visit Vaccines.gov." The main content area is titled "POLICY ISSUES" and "Coronavirus State and Local Fiscal Recovery Funds". A left sidebar lists categories: "COVID19 Economic Relief" (with sub-items "Assistance for American Families and Workers" and "Assistance for Small Businesses"), "Assistance for State, Local, and Tribal Governments" (with sub-item "State and Local Fiscal Recovery Fund"), and "Request Funding" (with sub-items "Tribal Governments" and "Non-Entitlement Units"). The main text states: "The American Rescue Plan will deliver \$350 billion for eligible state, local, territorial, and Tribal governments to respond to the COVID-19 emergency and bring back jobs." Below this, it says: "The Coronavirus State and Local Fiscal Recovery Funds provide a substantial infusion of resources to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery." On the right, there are two blue buttons: "REQUEST FISCAL RECOVERY FUNDS" and "RECEIVE COVID-19 RELIEF UPDATES". A list of links is provided: "Interim Final Rule", "Fact Sheet", "FAQs", "Quick Reference Guide", "Press Release", "Tribal Government Information", "Non-Entitlement Unit Information", and "Compliance and Reporting Guidance".

<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>

APPLICABLE GUIDANCE (CONT.)

■ Award Terms and Conditions

- Use of funds
- Period of performance
- Reporting
- Maintaining records/access to records
- Pre-award costs
- Administrative costs
- Conflicts of interest policies
- Compliance with other federal laws
- Hatch Act
- Whistleblower protections
- AND MORE

OMB Approved No. 1505-0271
Expiration Date: November 30, 2021

U.S. DEPARTMENT OF THE TREASURY
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Recipient name and address: [Recipient to provide]	DUNS Number: [Recipient to provide] Taxpayer Identification Number: [Recipient to provide] Assistance Listing Number: 21.027
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Sections 602(b) and 603(b) of the Social Security Act (the Act) as added by section 9901 of the American Rescue Plan Act, Pub. L. No. 117-2 (March 11, 2021) authorize the Department of the Treasury (Treasury) to make payments to certain recipients from the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund.

Recipient hereby agrees, as a condition to receiving such payment from Treasury, to the terms attached hereto.

Recipient:

Authorized Representative:

Title:

Date signed:

APPLICABLE GUIDANCE (CONT.)

- Uniform Guidance 2 CFR Part 200
- Local Finance Notices 2021-11 and 2021-13
- Email: SLFRP@treasury.gov



OVERVIEW OF INELIGIBLE EXPENSES

- Deposit to a pension fund
- Contributions to rainy day funds, financial reserves, or similar funds
- Payment of interest or principal on outstanding debt instruments
- Obligations arising pursuant to a settlement agreement, judgment, etc.
- Reduction to county or municipal tax levy



See FAQs 3.8, 4.1, 4.3, 4.4

OVERVIEW OF ELIGIBLE USES

- Supporting public health expenditures
- Addressing negative economic impacts caused by the public health emergency
- Providing government services to the extent of loss public sector revenue due to pandemic
- Providing premium pay for essential workers
- Investing in water, sewer, and broadband infrastructure



ELIGIBLE USES

1. Supporting public health expenditures

- List of eligible uses; non-exhaustive (FAQ 2.1 2.3, 2.12, 2.18)
- Most CRF eligible expenses are presumed eligible (FAQ 2.2, 2.14)

2. Addressing economic impacts of the pandemic

- Assistance to households, small businesses and non profits; aid to impacted industries (FAQ 2.5, 2.6, 2.8-2.11, 2.13-2.21)



ELIGIBLE USES

3. Providing government services to the extent of loss public sector revenue due to pandemic

- Formula for calculating lost revenue (FAQ Section 3)
- Once calculated, broad latitude (FAQ 3.8)

4. Providing premium pay for essential workers

- Critical infrastructure sectors; prioritize lower-income workers (FAQ 5.1)
- Third-party employers of essential workers are eligible; additional reporting required (FAQ 5.2)
- Can be retroactive (FAQ 5.3)



ELIGIBLE USES

5. Investing in water, sewer, and broadband infrastructure

- Water (FAQ 6.1) and Broadband (FAQ 6.5)
- Costs incurred by 12.31.24. Period of performance runs until 12.31.26 (FAQ 6.2)
- Pre-approval by US Treasury or State not required (FAQ 6.7), BUT – be aware of other federal or state laws or requirements
- Pre-project development costs may be eligible (FAQ 6.12)
- Providing service to unserved/underserved areas (FAQ 6.8, 6.9)



EQUITABLE DELIVERY OF FUNDS

- Promote assistance to individuals and communities in greatest need, that have been historically disadvantaged and experienced disproportionate impacts from COVID-19
- Assess whether programs and policies perpetuate systemic barriers to opportunities and benefits for people of color and other underserved groups



EQUITABLE DELIVERY OF FUNDS - EXAMPLES

Facilitate access to health and social services <ul style="list-style-type: none">• Fund community health workers to help community members access health services and services to address the social determinants of health• Remediate lead paint or other lead hazards• Evidence-based community violence intervention programs	Build stronger communities through investments in housing and neighborhoods <ul style="list-style-type: none">• Services to address homelessness, such as supportive housing and affordable housing• Residential counseling or housing navigation assistance to facilitate household moves to neighborhoods with high levels of economic opportunity and mobility for low-income residents
Address educational disparities <ul style="list-style-type: none">• New, expanded, or enhanced early learning services, including pre-k• Assistance to high-poverty school districts to advance equitable funding across districts and geographies• Evidence-based educational services	Promote healthy childhood environments <ul style="list-style-type: none">• New or expanded high-quality childcare• Enhanced services for child welfare-involved families

EXAMPLES OF PROPOSED USES IN NEW JERSEY

Proposed Uses in New Jersey

- Rental and mortgage assistance, homeowner support
- Small business grant programs
- Tourism/marketing programs
- Downtown/main street events
- Septic upgrades
- HVAC updates
- Hiring grants managers
- Upgrading long term care or living facilities
- PPE and PPE storage
- Overtime costs for public health and safety employees
- Hazard pay for city employees
- Premium pay for essential workers

Disclaimer: This is a list of how some NJ municipalities and counties have proposed using their Local Fiscal Recovery Funds. These may not be allowable in all circumstances. You must check applicable guidance to determine the eligibility of a specific use.

EXAMPLES OF PROPOSED USES IN NEW JERSEY

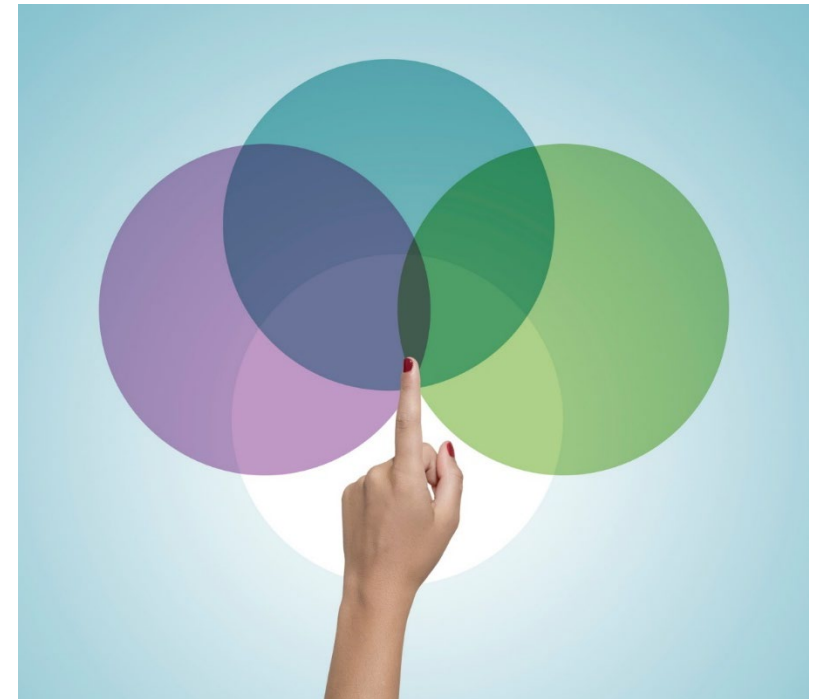
Proposed Uses in New Jersey

- COVID-19 response - contact tracing, testing, PPE
- Increased services for tenant advocate to provide counsel for landlord tenant issues
- Funding increase to ambulance services
- Upgrade broadband service and wifi in public housing and senior centers
- Financial incentives for vaccination
- Youth arts/sports programming
- Mental health and violence prevention program
- Job training and support programs

Disclaimer: This is a list of how some NJ municipalities and counties have proposed using their Local Fiscal Recovery Funds. These may not be allowable in all circumstances. You must check applicable guidance to determine the eligibility of a specific use.

DUPLICATION OF BENEFITS (DOB)

- When a person, household, business, government, or other entity receives financial assistance from multiple sources for the same purpose, and the total assistance received for that purpose is more than the total need for assistance.
- Prohibited under ARPA and Uniform Guidance
- Funds found to be distributed in excess of need may be subject to clawback
- Significant risk of duplication if local or county program overlaps with existing state or federal program



DUPLICATION OF BENEFITS (DOB) BEST PRACTICES

Recommendations

- Coordinate with other state, local, and non-profit partners to determine other sources of assistance
- Develop policies and procedures to address DOB
- Ensure appropriate contractual language
- Develop a checklist for reviewers



DOCUMENTATION

- Retention policy: 5 years after all funds have been expended or returned to U.S. Treasury, whichever is later
- Obtain documentation from subrecipients and other third-party contractors
- In the eyes of auditors/OIGs, if it isn't documented, IT DIDN'T HAPPEN!



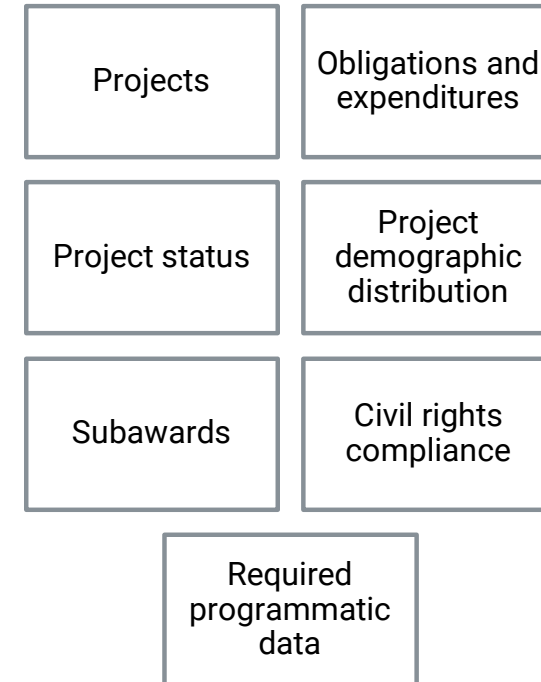
INTERIM REPORT

- All metropolitan cities and counties
- One-time report
- Initial overview of status and uses of funding
 - Expenditures by Expenditure Category from the date of award to July 31, 2021
- Must have been submitted by August 31, 2021



PROJECT AND EXPENDITURE REPORT

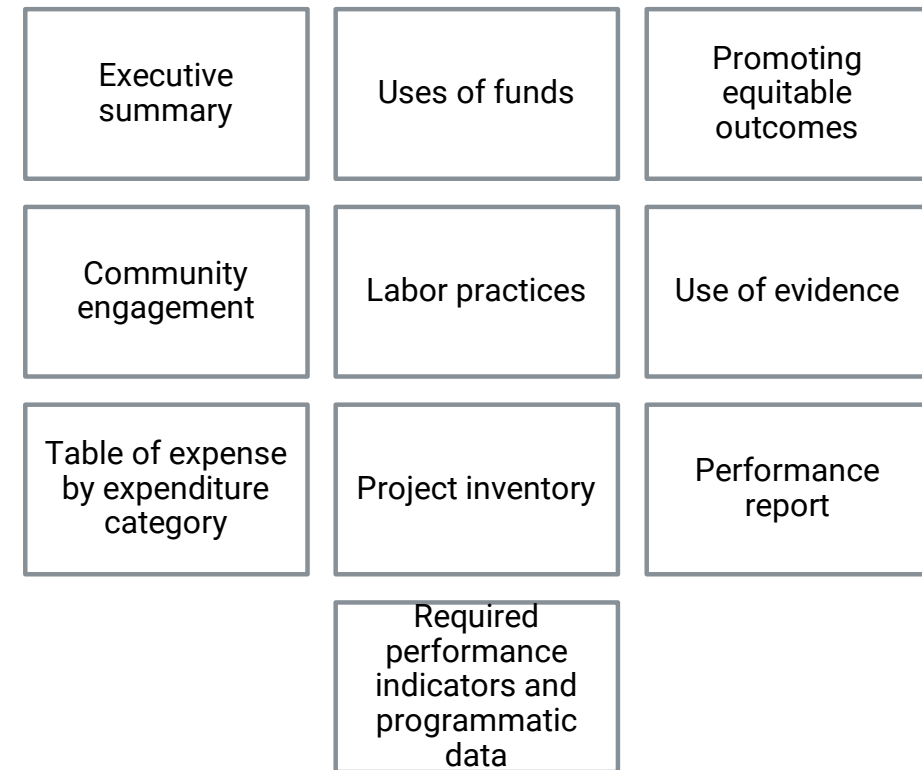
- Report on projects funded, expenditures, and contracts and subawards over \$50,000, and other information
 - Quarterly: Metropolitan cities and counties that received more than \$5M
 - Annually: Non-entitlement units and metropolitan cities and counties that received less than \$5 million



See pages 15-23 of U.S. Treasury's Compliance and Reporting Guidance

RECOVERY PLAN PERFORMANCE REPORT

- Metropolitan cities and counties with a population greater than 250,000 residents
- Provides information on the projects and how recipients plan to ensure outcomes are achieved in an effective, efficient, and equitable manner
 - Includes key performance indicators identified by the recipient and U.S. Treasury
 - Must be posted on recipient's website and provided to U.S. Treasury



See pages 23-28 of U.S. Treasury's Compliance and Reporting Guidance

REPORTING ON EQUITABLE DELIVERY OF FUNDS

- Reports
 - Project and Expenditure Report
 - Recovery Plan Performance Report
- Consideration of equity at various program stages
- Prioritization of economic and racial equity
- Data disaggregated by race, ethnicity, gender, income, etc.



REPORTING RESOURCES AND UPCOMING DEADLINES

- SLFRF Compliance and Reporting Guidance
- User Guide: Treasury's Portal for Recipient Reporting
- Reporting templates and webinars are available on U.S. Treasury's website
- Project and Expenditure Report deadline extended
 - Metropolitan cities and counties: January 31, 2022
 - Non-entitlement units: April 30, 2022



PROCUREMENT DIVISION

BARBARA GEARY, DIRECTOR



PROCUREMENT: AGENDA

- Agenda for today
 - OSC review thresholds
 - Procurement requirements under the Uniform Guidance
 - Procurement scenarios using Local Fiscal Recovery Funds (LFRF)



PROCUREMENT: OSC CONTRACT REVIEW THRESHOLDS

Contracts valued at \$12.5 million or more

- Submit to OSC for review at least 30 days prior to proposed advertisement date

Contracts valued at more than \$2.5 million but less than \$12.5 million

- Submit to OSC 20 business days after the award

Emergency contracts valued at \$2.5 million or more

- Submit to OSC 30 business days after the award

PROCUREMENT: UNIFORM GUIDANCE OVERVIEW

- Local Fiscal Recovery Funds
 - Must comply with 2 CFR 200.318-200.327
 - And the Local Public Contracts Law
 - Most restrictive rule
- Comply with terms and conditions of funding agreement
- Use the appropriate procurement method
- Carefully review bid documents to ensure all federally required contract provisions have been included (2 CFR Part 200, Appendix II)
 - As of 11/2020 new federal contract provisions:
 - Preference for the purchase, acquisition, or use of domestically produced goods [2 CFR 200.322]
 - Prohibition on the purchase of certain telecommunications and video surveillance services or equipment [2 CFR 200.216]

PROCUREMENT

Uniform Guidance – 2 CFR 200.317-200.327

Local Public Contracts Law: *N.J.S.A. 40A:11-1 et seq.*

“Fair and Open” *N.J.S.A. 19:44A-20.7*

PROCUREMENT: BIDDING THRESHOLDS

LPCL Bid thresholds

- Quote Threshold = more than \$6,600 but less than or equal to \$44,000
- Bid Threshold = more than \$44,000
- Pay to Play compliance = over \$17,500

Federal Bid thresholds

- Micro Purchase = less than \$10,000
- Small Purchase = greater than \$10,000 and less than \$250,000
- Simplified Acquisition Threshold (SAT) = over \$250,000

PROCUREMENT: UNIFORM GUIDANCE

Prior to Bidding & Contracting

- Adopt written purchasing procedures that conform to the federal rules
- Adopt written standards of conduct for conflicts of interest and governing the actions of employees and public officials involved in the selection, award or administration of the contract
- Exclude contractors that develop or draft specifications, requirements, statements of work invitations for bids or requests for proposals from competing for such procurements.

PROCUREMENT: UNIFORM GUIDANCE

Prior to Bidding & Contracting

- Conduct a price or cost analysis for every procurement in excess of the SAT
- Avoid the acquisition of unnecessary or duplicative items
- Document the procurement method rationale

PROCUREMENT: UNIFORM GUIDANCE

Bidding & Contracting

- Full and open competition
- Use authorized procurement methods
- Avoid unreasonable requirements to qualify bidders
- Bid Bond is limited to 5%
- Use brand name “or equal”
- No geographic limitations on bidders

PROCUREMENT: UNIFORM GUIDANCE

Bidding & Contracting

- Take affirmative steps to ensure MBE/WBE and small business participation
- Specifications/scope of work must be clear
- RFPs must include all evaluation criteria
- Avoid time and materials contracts
- Include all federally required contract clauses 2 CFR Part 200, Appendix II

PROCUREMENT: UNIFORM GUIDANCE

Exceptions from Competition

- Item is only available from a single source
- Public exigency
- After solicitation of a number of sources, competition is determined to be inadequate
- Your federal award expressly allows noncompetitive procurement

PROCUREMENT: UNIFORM GUIDANCE

Prior to Award

- Award only to responsible contractors
- Do not contract with a debarred or suspended vendor or contractor
- Document the award based on:
 - Lowest responsible bidder
 - Most advantageous, price and other factors considered

PROCUREMENT

Cooperative Purchasing Programs

- **FEMA** Guidance states that you must:
 - comply with allowable procurement methods in 2 CFR 200.320
 - Take affirmative steps to assure MBE/WBE participation
 - Not include geographic preferences
 - Include Federal contract provisions
 - Conduct a cost or price analysis
- See N.J.S.A. 52:34-6.2 and LFN 2011-35 for State requirements for national cooperative contracts

PROCUREMENT

Uniform Guidance – 2 CFR 200.317-200.327

Local Public Contracts Law: *N.J.S.A. 40A:11-1 et seq.*

“Fair and Open” *N.J.S.A. 19:44A-20.7*

PROCUREMENT: CONSTRUCTION SCENARIO

- Example: Municipality seeks to upgrade its water and wastewater systems at an estimated cost of \$20 million
- Before bidding:
 - Ensure that this use of funds is eligible under the LFRF
 - Prepare a cost analysis
 - Avoid conflicts of interest
 - Document procurement rationale
 - Sealed bid for a lump sum
 - Submit to OSC for pre-advertisement review



PROCUREMENT: CONSTRUCTION SCENARIO

- Example: Municipality seeks to upgrade its water and wastewater systems at an estimated cost of \$20 million
 - Avoid unreasonable qualifications for bidders
 - Use brand name “or equal”
 - Bid bond limited to 5% of bid price under Uniform Guidance
 - No geographic limitations on bidders
 - Take affirmative steps to ensure MBE/WBE and small business participation
 - Include federal contract provisions
 - Do not contract with debarred or suspended contractor
 - Davis Bacon or NJ Prevailing Wage?



PROCUREMENT: STATE LAW REQUIREMENTS



- Example: Municipality seeks to upgrade its water and wastewater systems at an estimated cost of \$20 million
- Also must comply with LPCL and State statutory requirements for public works contracts:
 - Prompt Payment Act – *N.J.S.A. 2A:30A- 1 et seq.*
 - Public Works Contractor Registration Act – *N.J.S.A. 34:11-56.48 et seq.*
 - Affirmative Action and Equal Employment Opportunity – *N.J.S.A. 10:5-31; N.J.A.C. 17:27;*
 - Include “Exhibit B” in all construction contracts
 - Mandatory Anti-Discrimination Language – *N.J.S.A. 10:2-1*
 - Federal Debarment Certification – *N.J.S.A.52:32-44.1*
 - N.J. Prevailing Wage Act – *N.J.S.A. 34:11-56.25 et seq.*
 - Bid Guarantee – *N.J.S.A. 40A:11-21* (superseded by UG - use 5%)

PROCUREMENT: STATE LAW REQUIREMENTS



- More State requirements for ALL contracts types
 - OSC Record Retention Language – *N.J.A.C.17:44-2.2*
 - Statement of Corporate Ownership – *N.J.S.A.52:25-24.2*
 - Business Registration Certificate – *N.J.S.A.52:32-44*
 - Disclosure of Investment Activities in Iran – *N.J.S.A. 52:32-55 et seq.; N.J.S.A. 40A:11-2.1*
 - Annual Political Contribution Disclosure – *N.J.S.A. 19:44A-20.27*
 - Acknowledgement of Addenda – *N.J.S.A. 40A:11- 23.1*
 - Set-Aside Contracts, if applicable, must be in the advertisement – *N.J.S.A. 40A:11-41 to 49*
 - Buy American – *N.J.S.A. 40A:11-18*

PROCUREMENT: ENGINEERING SCENARIO

Example: Municipality seeks to hire an engineering firm to develop specifications for that water and wastewater project at an estimated cost of \$300,000

- What are procurement methods available under LPCL?
 - Exempt from bidding under as professional services under *N.J.S.A. 40A:11-5*
 - Subject to Pay to Play unless the “fair and open” process is followed
 - Competitive Contracting – may be used for any service that is exempt from bidding under *N.J.S.A. 40A:11-5* (*N.J.S.A. 40A:11-4.1(i)*)

CAUTION! Uniform Guidance does not allow for non-competitive procurements for professional services



PROCUREMENT

COMPETITIVE CONTRACTING

N.J.S.A. 40A:11-4.1 et seq.

- May be used for specialized goods or services or any service exempt for bidding
- Methodology for awarding shall be based on evaluation and ranking of technical, management and cost related criteria
- **At option of the local unit, disclose weighting of criteria**
- Awarded to the proposal that is most advantageous, price and other factors considered
- Evaluation report shall become part of the public record

REQUEST FOR PROPOSALS

2 CFR 200.320(b)(2)

- Used for a fixed price or cost reimbursement type contract
- Must be publicized
- **Identify all evaluation factors and relative importance**
- Must have a written method for conducting technical evaluations and making selections
- Awarded to the responsible offeror whose proposal is most advantageous, price and other factors considered

PROCUREMENT: CONSULTANT SCENARIO

- Example: County seeks to hire a Grants Manager for its LFRF funds. The estimated cost of these services is \$275,000
- For consulting services, do not use:
 - Extraordinary Unspecifiable Services – narrowly construed
 - Professional Services – must meet statutory definition
- Use a procurement method that complies with the Uniform Guidance
 - Competitive Contracting?



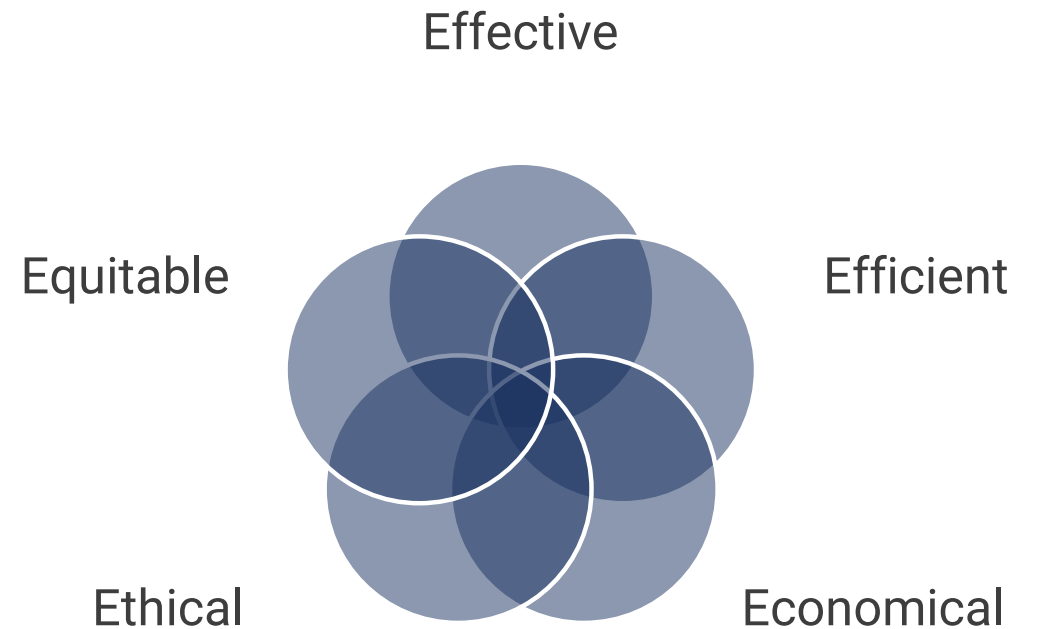
AUDIT DIVISION

YVONNE TIERNEY, DIRECTOR



GOVERNANCE RESPONSIBILITIES

- Accountability
- Transparency
- Five E's



COMPONENTS OF ACCOUNTABILITY AND TRANSPARENCY

- Accountability
 - Transparency
 - Answerability
 - Compliance
 - Enforcement
- Transparency
 - Openness
 - Communication - Availability of Information
 - Accountability



INTERNAL CONTROLS

- Internal control is a process to aid an organization to meet its objectives for:
 - Operational effectiveness and efficiency;
 - Reliable financial reporting; and
 - Compliance with laws, regulations, and policies.
- Five Components
 - Control Environment
 - Communication and Information
 - Risk Assessment
 - Control Activities
 - Monitoring



RISK ASSESSMENT

- Assess internal controls
- Evaluate those areas and functions to identify risk of errors, weaknesses, noncompliance, fraud, waste or abuse
- Assess the likelihood that those risks negatively impact the entity, the public, or the success of the program goals
- Modify existing or institute new internal controls that will mitigate the identified risks
- Perform ongoing assessment that requires regular evaluation
- Refer to the template available on OSC's website

[https://nj.gov/comptroller/doc/Risk%20Assessment%20Template%20\(002\).docx](https://nj.gov/comptroller/doc/Risk%20Assessment%20Template%20(002).docx)



INTERNAL RISK FACTORS TO CONSIDER

- Internal controls
- Staffing
- Segregation of duties
- Prior audit findings or prior problem areas
- Data security, cybercrime, or privacy concerns
- Grant management oversight
- Subrecipient monitoring



NEW RISK FACTORS TO CONSIDER

- Public health and safety
- Remote or hybrid work environments
- Substantial change in agency workload
- Compliance with new regulations and guidance
- Staffing needs / experience to comply with:
 - Grants management and oversight
 - Federal reporting
 - Procurement
- Automated system needs
- Less transparency due to remote public meetings or delayed record requests
- Ability to disseminate funding quickly to meet immediate recipient needs
- Staff handling new or additional responsibilities
- New and differing documentation requirements; remote settings (e.g. electronic signatures/documents)
- Subrecipient monitoring

OSC'S INTERNAL CONTROL CHECKLIST

- Available on OSC's website

https://nj.gov/comptroller/covid19/06302021_checklist.shtml

- Assists in the evaluation of internal controls and identification of internal control weaknesses
- Ongoing evaluation is required to ensure controls are working effectively and as designed
- Requires monitoring and revisions to control activities for changes in risk, new circumstances such as remote work, etc.



EXAMPLES OF INTERNAL CONTROLS

- Written policies and procedures
- Formal Code of Conduct and Conflicts of Interest Policy
- Written program guidelines and eligibility requirements
- Appropriate training to staff
- Timely reporting
- Segregation of job responsibilities/duties
- Approvals and authorizations
- Physical safeguards (locks, safe, key cards)
- System access controls (passwords, back-up, retention, etc.)
- Financial reconciliations
- Subrecipient monitoring activities
- Additional review of higher-risk projects
- Record maintenance and retention
- Ongoing risk assessment
- Periodic assessment of internal controls
- Mechanisms for reporting misconduct, ethical issues, and suspicious behavior in the workplace
- Systems in place for the public to report fraud, waste, or abuse
- Timely actions on issues and corrective action to audit findings

EXTERNAL MONITORING ACTIVITIES

- Various federal and state oversight agencies
 - Federal Awarding Department
 - Federal IG and GAO
 - State Agency
 - OSC, OSA
- Audit Requirements
 - Grant Award Terms and Conditions
 - Uniform Guidance (2 CFR Part 200, Subpart F)
 - Single Audit



SINGLE AUDIT REQUIREMENTS

- Audit requirements outlined in 2 CFR Part 200, Subpart F
- Required when federal funds expended exceed **\$750,000** during the fiscal year
- Will include review of the Local Fiscal Recovery Funds grant funds
 - Awardee management and compliance with applicable rules were followed
- Awardee Responsibilities
 - Procure independent auditor
 - Prepare appropriate financial statements and schedule of expenditures
 - Address all issues noted and take corrective action on reported audit findings
- Common Findings



SUBRECIPIENTS

What is a subrecipient?

A non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal award; NOT an individual who is a beneficiary of such award.

Applicable Regulations and Guidance:

- 2 CFR 200.332
- U.S. Treasury Compliance and Reporting Guidance



NOTIFICATION REQUIREMENTS TO THE SUBRECIPIENTS (2 CFR 200.332)

- Specific notice of the subaward to the subrecipient must include the information at 2 CFR 200.332(a), including, but not limited to:
 - Federal Award details
 - Federal award terms and conditions including any additional requirements imposed by the awardee to ensure that the funds are used in accordance with federal statutes, regulations, federal and subaward terms
 - Reporting requirements and appropriate deadlines that facilitate the awardee to meet its reporting responsibilities
 - Closeout of the subaward including record retention requirements
 - Access to all performance and financial records, staff and locations for monitoring and audit activities



RESPONSIBILITIES FOR THE OVERSIGHT OF SUBRECIPIENTS (2 CFR 200.331)

- Ensure compliance with federal and subaward grant terms
 - The awardee is responsible for the successful performance and appropriate/allowable use of ALL funds
- Evaluate the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the federal and subaward grants
 - Include the risk factors identified in 2 CFR 200.332(b)
 - Consider imposing specific subaward requirements as appropriate per 2 CFR 200.208
- Implement a subrecipient monitoring program

SUBRECIPIENT MONITORING REQUIREMENTS

- Implement effective monitoring activities to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations (cost principles), and the terms and conditions of the subaward; and that the subaward performance goals are achieved
- Monitoring must include elements listed in 2 CFR 200.332(d)1-4
 - Review financial and performance reports
 - Follow-up to ensure timely and appropriate action on all deficiencies
 - Issue a management decision for audit findings
 - Resolve audit findings
- Use Monitoring Tools listed in 2 CFR 200.332(e)
 - Provide training and technical assistance
 - Perform on-site reviews
 - Arrange for other audits as appropriate



INTERNAL CONTROL RESOURCES

- The Committee of Sponsoring Organizations of the Treadway Commission (COSO)
 - <https://www.coso.org/Pages/default.aspx>
- The U.S. Government Accountability Office (GAO)
 - <https://www.gao.gov/>
 - Standards for Internal Control in the Federal Government (Green Book)
 - <https://www.gao.gov/assets/gao-14-704g.pdf>
 - Internal Control Management and Evaluation Tool
 - <https://www.gao.gov/assets/gao-01-1008g.pdf>

TOP TEN TAKEAWAYS

1. Know the rules
2. Document, document, document
3. Plan for your procurements
4. Monitor subrecipients
5. Consider how to distribute funds equitably
6. Conduct a risk assessment (internal and external)
7. Assess internal controls and implement appropriate and effective control activities to mitigate risks
8. Coordinate to avoid duplication of benefits and efforts
9. Meet reporting deadlines
10. Report suspected fraud, waste, or abuse



REPORTING FRAUD, WASTE, AND ABUSE

If you have any information about the fraud, waste, or abuse of Local Fiscal Recovery Funds or other COVID-19 relief funds, you can contact the New Jersey Office of the State Comptroller through:

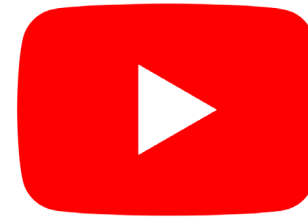
- Online complaint form found at www.nj.gov/comptroller
- By email at ComptrollerTips@osc.nj.gov
- By calling the toll-free hotline, **1-855-OSC-TIPS**

KEEP IN TOUCH

COVID.Oversight@osc.nj.gov



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KEVIN D. WALSH
ACTING STATE COMPTROLLER

Update (February 2022):

The information in this documentation or presentation pertains to the Interim Final Rule, which is in effect until April 1, 2022. The Final Rule, effective April 1, 2022, can be found here: <https://www.govinfo.gov/content/pkg/FR-2022-01-27/pdf/2022-00292.pdf>.