

**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 4-21.027-16) describes an alternative audit approach for certain eligible recipients.

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

Note: This program is considered a “higher risk” program for 2024, pursuant to 2 CFR section 200.519(c)(2). Refer to the “Programs with Higher Risk Designation” section of Part 8, Appendix IV, Internal Reference Tables, for a discussion of the impact of the “higher risk” designation on the major program determination process.

Note: Per Part IV, “Other Information,” certain Coronavirus State and Local Fiscal Recovery Funds (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

The SLFRF program is authorized by sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified at 42 USC sections 802 and 803, and as amended by the 2023 CAA. The U.S. Department of the Treasury (Treasury) has implemented the statutory provisions applicable to FY 2024 through the [2021 Interim Final Rule](#), the [2022 Final Rule](#), the [2023 Interim Final Rule](#), and the [Obligation Interim Final Rule](#) at 31 CFR Part 35, Subpart A.

On January 6, 2022, Treasury adopted the 2022 Final Rule to implement the requirements of the SLFRF program. The 2022 Final Rule responded to comments Treasury received on the 2021 Interim Final Rule and took effect on April 1, 2022. Until that time, the 2021 Interim Final Rule remained in effect. 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.

Treasury issued the [Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds 2021 Interim Final Rule and 2022 Final Rule](#) (“the Statement”) that 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.

Recipients must follow the requirements on award funds they expended for their fiscal year 2024 based on the requirements set forth at 42 USC sections 802 and 803, Treasury’s 2021 Interim Final Rule, Treasury’s 2022 Final Rule, Treasury’s 2023 Interim Final Rule, obligation Interim Final Rule, and [Frequently Asked Questions \(FAQs\)](#), as applicable.

Auditors should note that the [Consolidated Appropriations Act, 2023](#) amended Sections 602 and 603 of the Social Security Act to provide state, local, Tribal, and territorial governments the flexibility to use SLFRF funds for additional eligible uses. See Division LL, Section 102 of the Consolidated Appropriations Act, 2021 for the original eligible uses. On September 20, 2023, the [2023 Interim Final Rule](#) implementing these additional eligible uses was published in the Federal Register and became effective. An additional resource that provides information on the 2023 Interim Final Rule is the [Overview of the 2023 Interim Final Rule](#).

Treasury also issued an Interim Final Rule describing an amendment to the definition of obligation in 31 CFR 35.3 and related guidance updates via the “[Obligation IFR](#).” The Obligation IFR was published in the Federal Register on November 20, 2023. See page 6 of the Obligation IFR for the definition of an obligation. Section 17 of Treasury’s [Frequently Asked Questions \(FAQs\)](#) also contains several important clarifications of the Obligation IFR’s definition of an obligation.

### **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 statute, the 2021 Interim Final Rule, 2022 Final Rule, and the 2023 Interim Final Rule, Obligation Interim Final Rule, as applicable, 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; new eligible uses established in the 2023 Interim Final Rule; and the definition of an obligation under the Obligation Interim Final Rule. Treasury intends to update this document periodically in response to new questions received from stakeholders.

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>.

**The Statement clarifies the transition from compliance with the 2021 Interim Final Rule to compliance with the 2022 Final Rule. Recipients should also review the 2022 Final Rule for**

**additional information. Additionally, the [Overview of the 2023 Interim Final Rule](#) provides information regarding the 2023 Interim Final Rule, and Obligation IFRII.**

**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 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, Overview of the 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 [the Overview of the 2022 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)

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. 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.

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” per 2 CFR section 200.1 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. 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 (See 2 CFR 200.1, 200.201(b), and 200.333). 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 that 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**

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**

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). Recipients must liquidate all obligations incurred by December 31, 2024, under the award no later than December 31, 2026, which is the end of the period of performance. As such, program obligations or costs must be incurred from the period beginning on March 3, 2021 and ending on December 31, 2024. 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. 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, 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 per the [Obligation Interim Final Rule](#). 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 incurred by the recipient prior to December 29, 2022 are not eligible under these three eligible use categories.

## **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, and 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 Final Rule 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 Final Rule FAQs, which includes FAQs related to procurement and other Uniform Guidance-related topics.

## 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 18-19).

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 is located at: Reporting guidance is on pages 16 through 34 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 Recovery Program's (ORP) reporting portal has built-in functionality to reopen a report and allow recipients to make edits after the reporting deadline. However, it is ORP'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 ORP'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 pages 16 and 17 of the above links.)
  - 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 page 30 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. *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.

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 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 Group 6 "Revenue Replacement." However, projects undertaken via revenue loss do not lose their federal character. [FAQ 13.15](#) specifies which requirements of the Uniformed Guidance apply to revenue loss funds.

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.

#### **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 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.

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 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. Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving SLFRF Awards.

## **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 expending \$750,000 or more during their fiscal year in Federal awards. 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 \$750,000 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 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 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) NEU (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

The SLFRF program is authorized by sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021), codified at 42 USC sections 802 and 803, and as amended by the 2023 Consolidated Appropriations Act (2023 CAA). The U.S. Department of the Treasury (Treasury) has implemented the statutory provisions applicable to FY 2024 through the 2021 Interim Final Rule, 2022 Final Rule, 2023 Interim Final Rule at 31 CFR Part 35, Subpart A, as well as the Obligation Interim Final Rule.

On January 6, 2022, the Treasury adopted the 2022 Final Rule to implement the requirements of the SLFRF program. The Final Rule responded to comments Treasury received on the 2021 Interim Final Rule and took effect on April 1, 2022. Until that time, the Interim Final Rule remained in effect. 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 Interim Final Rule.

Treasury issued the [Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds 2021 Interim Final Rule and 2022 Final Rule](#) (the Statement) that clarifies the transition from compliance with the 2021 Interim Final Rule to compliance with the 2022 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.

Recipients must follow the requirements on award funds expended for their fiscal year 2024 based on the requirements set forth in 42 USC sections 802 and 803, Treasury's 2021 Interim Final Rule, Treasury's 2022 Final Rule, and Frequently Asked Questions (FAQs), as applicable.

Auditors should note that the [Consolidated Appropriations Act, 2023](#) amended Sections 602 and 603 of the Social Security Act to provide state, local, and Tribal governments the flexibility to use SLFRF funds for additional eligible uses. See Division LL, Section 102 of the Consolidated Appropriations Act, 2021 for the original eligible uses. On September 20, 2023, the 2023 Interim Final Rule was published in the Federal Register and became effective. An additional resource that provides information on the 2023 Interim Final Rule is the [Overview of the 2023 Interim Final Rule](#).

Treasury also issued an Interim Final Rule describing an amendment to the definition of obligation in 31 CFR 35.3 and related guidance updates via the "Obligation IFR." The Obligation IFR was published in the Federal Register on November 20, 2023. See page 6 of the Obligation IFR for the definition.

## 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](#).

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

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 statute, the 2021 Interim Final Rule, 2022 Final Rule, and the 2023 Interim Final Rule, as applicable, 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>.

The FAQ documents include existing FAQs that address questions regarding the 2022 final rule, existing FAQs that have been updated to address the new eligible uses discussed in the 2023 interim final rule and the guidance in the Obligation IFR, and new FAQs that address the new eligible uses discussed in the 2023 interim final rule.

See <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.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>.

The Statement clarifies the transition from compliance with the 2021 Interim Final Rule to compliance with the 2022 Final Rule. Recipients should also review the 2022 Final Rule for additional information.

Additionally, the [Overview of the 2023 Interim Final Rule](#) provides information regarding the 2023 Interim Final Rule.

## III. COMPLIANCE REQUIREMENTS

Preconditions for the Compliance Examination Engagement- ACEEs should be performed consistent with, and in addition 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, and 2023 Interim Final Rule at 31 CFR Part 35, and 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 35.6 and the 2022 Final Rule FAQs.
2. *Activities Unallowed* – The following activities are ineligible uses, restrictions, or limitations. For full details on the general restricted uses, see [the Overview of the 2022 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.

[2022 Final Rule 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.

**L. REPORTING**

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

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

**IV. OTHER INFORMATION**

**COMPLIANCE EXAMINATION ENGAGEMENT SUBMISSION INSTRUCTIONS**

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 alternative compliance examination is expected to eventually be the Federal Audit Clearinghouse at [www.fac.gov](http://www.fac.gov). However, at the time of this Supplement's issuance, the FAC is unable to accept the alternative compliance examination engagement submissions. Treasury will be posting



additional instructions for where and how to submit the results of the ACEE on the Coronavirus State and Local Fiscal Recovery Funds' website. The FAC will also include updates on its ability to accept the ACEE on the FAC Web site.

Also, please refer to the related SLFRF certification statement on page 13 of the Single Audit Checklist, Instructions, and Form located at <https://facides.census.gov/Files/2022%20Checklist%20Instructions%20and%20Form.pdf>.

## **APPENDIX IV HIGHER RISK DESIGNATION**

### **INTRODUCTION**

This Appendix includes a listing of programs with a “higher risk” designation and describes how that designation impacts the major program determination process.

### **PROGRAMS WITH “HIGHER RISK” DESIGNATION**

Uniform Guidance section 200.519(c)(2) states that “Federal agencies, with the concurrence of OMB, may identify Federal programs that are higher risk. It also states that OMB will provide this identification in the Compliance Supplement.”

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

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

Funding arising from these sources is referred to as “COVID-19 funding,” or “COVID-19 programs”.

On November 15, 2021, the Infrastructure Investment and Jobs Act (IIJA) was signed into law. It established new programs and provided additional funding for existing programs. Funding arising from the IIJA is referred to as “IIJA funding” or “IIJA program”. The 2024 higher risk list includes one program that includes IIJA funding.

The following table includes a complete list of programs that have been identified as “higher risk” for audits subject to the 2024 Compliance Supplement either because of COVID-19 funding, IIJA funding, or because a Federal agency has identified the program to be higher risk.

Agency	Assistance Listing Number (ALN)	Title
HHS**	93.778/93.777/93.775	Medicaid Cluster
Treasury*	21.023	Emergency Rental Assistance
Treasury*	21.027	Coronavirus State and Local Fiscal Recovery Funds
Interior**	15.252	Abandoned Mine Land Reclamation (AMLR)

*Note:*

\* These programs were created by one of the laws cited at the beginning of this section and are thus considered 100% COVID-19 funding.

\*\* These programs were existing programs that received additional IIJA or COVID-19 funding from one or more of the laws cited at the beginning of this section.

### Impact of “Higher Risk” Status on Major Program Determination

#### *Type A Program Considerations*

A “higher risk” designation will often result in a Type A program or other cluster being audited as a major program. However, an auditor is not precluded from determining that a “higher risk” Type A program or other cluster qualifies as a low risk Type A program if both of the following criteria are met:

1. the program otherwise meets the criteria for a low risk Type A program in section 200.518 of the Uniform Guidance; and
2. the percentage of COVID-19 funding or IIJA funding in the program or other cluster during the non-federal entity’s fiscal year is not material to the program or other cluster as a whole. For example, a recipient’s schedule of expenditures of federal awards may include the Medicaid Cluster but the expenditures relevant to COVID-19 funding included in the program during the June 30, 2024, fiscal year end is not material. Alternatively, a recipient’s schedule of expenditures of federal awards may include Emergency Rental Assistance expenditures for the June 30, 2024, fiscal year end, which would be considered material because COVID-19 funding comprises the entire program.

Note that the inclusion of COVID-19 funding or IIJA funding within the Research & Development (R&D) cluster does not create a “higher risk” designation for the R&D cluster.

Auditors should prepare audit documentation supporting the risk considerations and conclusions for “higher risk” programs.

*Type B Program Considerations*

Under section 200.518 of the Uniform Guidance, in certain circumstances the auditor must identify Type B programs that are high risk using professional judgment and the criteria in section 200.519 of the Uniform Guidance, which includes consideration of whether a program has been identified as “higher risk” by a Federal agency with the concurrence of OMB. Thus, there are no changes to the normal risk assessment process for Type B programs identified as “higher risk.” That is, the “higher risk” identification must be considered with the other factors in section 200.519.

Further, the auditor is not required to prioritize the assessment of risk for “higher risk” Type B programs over other Type B programs.

## **APPENDIX VII OTHER AUDIT ADVISORIES**

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

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

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

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

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

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

Funding arising from these sources, both to new and existing programs, is referred to as “COVID-19 funding,” “COVID-19 programs,” or “COVID-19 related awards” throughout this section. Refer also to Appendix IV, Higher Risk Designation, for a listing of programs with a

“higher risk” designation, many of which involve COVID-19 funding, and for information about how that designation impacts the major program determination process.

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

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

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

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

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

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

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

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

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

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

In order to assist recipients and auditors in the identification of all the COVID-19 funds and their related program Assistance Listing numbers, OMB has issued several summaries of federal programs that were created by COVID-19 funding and also existing programs that received COVID-19 funding. A summary of programs that received funding under the CARES Act (and other earlier COVID-19 legislation) as of May 20, 2020, can be accessed at: [M-20-21 FAQ 07312020 UPDATED.pdf \(cfo.gov\)](#). A summary of programs that received funding under the ARP Act as of October 29, 2021, can be found at: [Revised-American-Rescue-Plan-Assistance-Listings\\_10-29-2021.pdf \(cfo.gov\)](#). Each summary includes program Assistance Listing numbers and an asterisk (\*) next to Assistance Listing numbers denoting a new Assistance Listing number.

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

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

- SEFA – On a separate line by Assistance Listing number with “COVID-19” as a prefix to the program name. For example:
  - COVID-19 – Temporary Assistance for Needy Families – 93.558  
\$1,000,000
  - Temporary Assistance for Needy Families – 93.558 – \$3,000,000
  - Total – Temporary Assistance for Needy Families – 93.558 – \$4,000,000
- SF-SAC – On a separate row by Assistance Listing number with “COVID-19” listed in the Additional Award Identification and Federal Program Name column. Example:

A	B	C	D	E	F
Federal Agency Prefix	ALN (CFDA) Three Digit Extension	Additional Award Identification	Federal Program Name	Amount Expended	Federal Program Total
93	558		TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$3,000,000	\$4,000,000
93	558	COVID-19	COVID-19 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$1,000,000	\$4,000,000
					\$0
					\$0
					\$0
					\$0

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

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

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

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

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

**Responsibilities for Informing Subrecipients**

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

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



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

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

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

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

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

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

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

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

One of the criteria for an “other cluster” to be considered a low-risk Type A program is that it must have been audited as a major program in at least one of the two most recent audit periods

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

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

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

**Background for Examples:**

Type A threshold \$750,000.

Human Services existing other cluster (93.123, 93.125, and 93.127) was audited in 2022 with no audit findings.

Part 5 of the 2024 Compliance Supplement added Assistance Listing 93.129 to form the new other cluster with the following federal awards expended in 2024:

93.123: \$ 500,000

93.125: \$ 300,000

93.127: \$ 400,000

93.129: \$ 300,000

Considerations for 2024 major program determination using these facts:

**Example 1**

The Human Services cluster was audited in 2022. However, the auditee’s current year expenditures for newly added Assistance Listing 93.129 exceed 0.25 of the Type A threshold of \$750,000 or \$187,500; therefore, the resulting other cluster fails the 2-year look back criterion and cannot be considered a low-risk Type A program in 2024.

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

## Example 2

The Human Services cluster was audited in 2022. The newly added program Assistance Listing 93.129 was audited in 2023. If both the cluster and the newly added program met all criteria in 2 CFR section 200.518(c) to be considered low-risk programs for 2024, the other cluster would be a low-risk Type A program in 2024.

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

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

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

#### *Suggested Steps*

1. Inquire of entity management and review available prior-year financial reports and audits to ascertain if the entity had federal awards expended of \$750,000, in the prior two audit periods and, therefore, was required to have an audit under the uniform guidance and file with the FAC.
2. If the entity was below the \$750,000 threshold in either of the prior two audit periods, and an audit was not required under the uniform guidance obtain written representation from management to this fact and no further audit procedures are necessary as the entity does not qualify as a low-risk auditee.
3. If a prior-year audit was conducted, obtain a copy of the data collection form (Form SF-SAC) and the reporting package.
  - a. Calculate the "Due Date" to file with the FAC as the earlier of (i) nine (9) months after the end of the audit period or (ii) 30 calendar days after the entity received the auditor's report (under 2 CFR §200.512(a)(1)).
  - b. Access the FAC web page at [The Federal Audit Clearinghouse \(fac.gov\)https://www.fac.gov/](https://www.fac.gov/).
    - Select the "Search for audits" option and on the "Search Single Audits reports" page, locate the FAC record for the entity. Verify correct record by comparing both the entity name and Unique Entity Identification (UEI) from the entity's copy of the SF-SAC to the FAC web page.
    - For the entity, compare the initial "FAC Accepted Date" to the earlier of (i) the Nine Month Due Date or (ii) 30 days after the entity received the auditor's report(s) to determine if the Due Date was met.

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

4. Contact the FAC Help Desk at [The Federal Audit Clearinghouse \(FAC.gov\)](https://www.fac.gov) if additional information is needed on using the FAC website or determining the date the FAC accepted the report submission as complete.

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

##### *National Science Foundation*

All awards issued by the National Science Foundation (NSF) meet the definition of “Research and Development” at 2 CFR section 200.1. As such, auditees must identify NSF awards as part of the R&D cluster on the Schedule of Expenditures of Federal Awards (SEFA) and the auditor must use the Research and Development cluster in Part 5 when testing any of those awards. NSF recognizes that some awards may have another classification for purposes of reimbursement of indirect costs. The auditor is not required to report this difference in treatment (i.e., the award is classified as R&D for 2 CFR Part 200, Subpart F purposes, but non-research for indirect cost rate purposes), unless the auditee is charging indirect costs at a rate other than the rate(s) specified in the award document(s). This guidance complies with the NSF Proposal and Award Policies and Procedures Guide (PAPPG), the current and prior versions of which may be found at <http://www.nsf.gov/bfa/dias/policy/>.

##### *National Institutes of Health*

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

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

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

For programs included in the Supplement, the auditor should review the program supplement and, as necessary, agency regulations adopting/implementing the OMB uniform guidance in 2 CFR Part 200 to determine if there is any exception related to the compliance requirements that

apply to the program. For programs not included in the Supplement that are audited using Part 7, the auditor should review agency regulations adopting/implementing 2 CFR Part 200 to determine if an exception applies to the program.

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

## **VI. Audit Sampling**

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

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

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

## **VII. Federal Audit Clearinghouse Transition from Census to GSA and Single Audit Extensions**

### *Federal Audit Clearinghouse Transition from Census to GSA*

The provider of the Federal Audit Clearinghouse (FAC) changed from U.S. Census Bureau (Census) to the U.S. General Services Administration (GSA) on October 1, 2023. At that time, all submissions were to be made through the new FAC hosted by GSA, including all single audits for entities with 2023 FYE dates.

For any 2023 submissions with fiscal periods ending between January 1, 2023 and September 30, 2023, the 2 CFR 200.512(a)(1) requirement for Single Audit report to be submitted to the Federal Audit Clearinghouse 30 days after receipt of the auditor's report(s), is waived. These

audits will be considered on time if they are submitted within nine months after their fiscal period end date.

### *Single Audit Extensions*

In 2022, there were two extensions for audit submission.

Single audits with a fiscal period ending in 2022 were scheduled to be submitted to the GSA FAC beginning on October 1, 2022. However, the transition to GSA was delayed for one year and rescheduled to October 1, 2023. Due to the delay in transition, the SF-SAC Data Collection Form used for the fiscal year 2022 audit submission was not available until October 6, 2022. Therefore, single audits with a fiscal period ending in 2022 could not be submitted before that date. The 2 CFR 200.512(1) states that single audits must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. For any 2022 submissions with fiscal periods ending between January 1, 2022 and October 31, 2022, the requirement in 2 CFR 200.512(1) stating that single audits are due to the Federal Audit Clearinghouse 30 days after receipt of the auditor's report(s), is waived. These audits will be considered on time if they are submitted within nine months after their fiscal period end date.

For example, a March 31, 2022, fiscal year-end single audit that was issued on June 30, 2022, would technically be due to the FAC on July 30, 2022 (i.e., 30 calendar days after the auditee's receipt of the auditor's reports). Because the SF-SAC Data Collection Form was not available until October 6, 2022, if the single audit was submitted to the FAC by October 31, 2022, it would be considered timely and have no impact on the low-risk auditee status of the auditee.

### *Hurricanes Fiona and Ian, and the Alaska flood and landslide*

In September and October 2022, the President made the major disaster and emergency declarations under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121 et seq. (the "Stafford Act") for the following: Hurricane Fiona (FEMA-4671-PR), the Alaska storm, flooding, and landslides (FEMA-4672-AK) and Hurricane Ian (FEMA-DR-4673-FL, FEMA-EM-3585-SC, FEMA-EM-3586-NC).

Consistent with these declarations and to assist the affected recipients during these emergencies, OMB granted a six (6) month extension for all single audits that cover recipients in the affected areas and had due dates between September 18, 2022 and December 31, 2022. The recipients in the less affected areas were encouraged to submit their reports as soon as possible. The extension is item 11 of the flexibilities listed in OMB Letter dated December 23, 2022 and published on the CFO Council link at <https://www.cfo.gov/> ([Microsoft Word - 2022 Hurricanes Fiona Ian Alaska Flood Admin Relief \(cfo.gov\)](#)).

## **VIII. 2024 Revisions to OMB's Guidance for Federal Financial Assistance.**

For this 2024 Supplement, auditors must also recognize that OMB recently updated its Guidance for Federal Financial Assistance contained in 2 CFR, including 2 CFR part 200. See 89 FR 30046 (Apr. 22, 2024). Although the government-wide effective date for the 2024 revisions is

not until October 1, 2024, federal agencies may elect to implement the revisions as early as June 21, 2024 to new awards and through amendments to existing awards. Because federal agencies are not required to implement the revisions prior to October 1, 2024, there is likely to be some variation on when federal agencies begin to make the 2024 revisions apply to federal awards. For example, a non-federal entity with a fiscal year beginning on January 1, 2024 may receive an award on June 21, 2024 made subject to the 2024 revisions by the federal agency. Consequently, the auditor should perform reasonable procedures to ensure that compliance requirements identified as subject to the audit are current and determine whether there are any additional or modified provisions of federal awards based on the 2024 revisions. Auditors must not, however, apply compliance requirements from the 2024 revisions in circumstances in which the federal agency has not yet applied the 2024 revisions to the federal award subject to audit. (Note: Among other things, the 2024 revisions increased the audit threshold to \$1,000,000 for auditee fiscal years beginning on or after October 1, 2024.)