# Team Introductions

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# Agenda

## 1. Updates and Reminders

- Summary on U.S. Treasury Department April 2024 User Guide updates
- Reminder on ARPA 12/31/2024 obligation deadline

## 2. ARPA Obligation

- ARPA obligation overview
- ARPA obligation updates
- ARPA project obligation examples

## 3. Closeout Best Practices

- General preparation for closeout & best practices
- Common closeout challenges & pitfalls

## 4. Q&A

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# Project & Expenditure User Guide Updates

## New ARPA Closeout Question

- Have you spent your full SLFRF award and are you ready to close out the award?

## Inclusion of Project Start and End Dates

- If a project is reported as "Not Started", project start and end dates are not required.

- If a project is reported as "Completed less than 50%" or "Completed 50% or more", only the project start date is required.

- If a project is reported as "Completed", both the project start date and project end date is required.

## Title I Projects

- If you have previously reported a Title I project (EC 10), there is a new upload requirement based on the Environmental Review response. Treasury states that if "the response to the question 'Indicate the type of environmental review required by the project' was 'Other' there will be a requirement to upload four (4) documents" (Treasury Approved Environmental Certification, Treasury Approved Public Notice, Treasury Approved Proof of Posting Public Notice, Treasury Approved Authority to Use Grant Funds Notice).

# Project & Expenditure User Guide Updates

## New Federal Audit Clearinghouse Questions (FAC)

- **Question #1:** Have you expended $750k or more of federal funding during the most recent Fiscal Year?

- **Question #2:** Have you submitted a single audit or program specific audit report to the FAC? If no, please explain why you did not submit an audit to the FAC.

## New Alternative Compliance Examination Engagement Questions (ACEE)

- **Question #1:** Would you like to submit an ACEE instead of the Single Audit?

- **Question #2:** Is the recipient's total SLFRF award below $10MM?

- **Question #3:** Are other Federal award funds the recipient expended (not including their direct SLFRF award funds) less than $750,000 during the recipient's fiscal year.

# ARPA Obligation Overview

# Obligation Deadline Reminder

**As of April 2024, there are only 8 months to meet the December 2024 obligation deadline.**

- The current budget cycle is the last formal budget cycle before the deadline and these funds must be obligated by **December 31, 2024,** and spent by **December 31, 2026**. Funds that are not obligated by the December 31, 2024, date will need to be returned to Treasury.

- Please note: Having a line item in an internal budget does not qualify as obligated funds.

# Treasury's Definition of an Obligation

- In 2 CFR § 200.71, the Uniform Guidance defines "obligation" as "orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period."
  - Simply put, funds must be obligated to eligible uses by the end of 2024.
  - Funds may be expended after 2024 so long as the payment occurs before December 31, 2026.
- The Final Rule states that recipients "must return any funds not obligated by December 31, 2024. A recipient must also return funds obligated by December 31, 2024 but not expended by December 31, 2026.
- The Obligation IFR expanded the Uniform Guidance's definition of obligation to include administrative expenditures related to carrying out the SLFRF award's terms and conditions.

# ARPA Obligation Definition - April 2024 Updates

Treasury has released an updated FAQ with additional guidance on how to obligate funds. Among other items, the updated FAQs contain three important clarifications:

## Interagency Agreement

Treasury considers an interagency agreement to constitute an obligation for purposes of the SLFRF rule if the agreement satisfies certain conditions.

## Personnel Costs

Treasury considers a recipient to have incurred an obligation with respect to personnel costs for an employee through December 31, 2026, to the extent the employee is serving in a position that was established and filled prior to December 31, 2024.

## Cost Increases

Treasury is clarifying how recipients may cover cost increases associated with contracts or subawards entered into by December 31, 2024.

# Successful Obligation Example

**Budget:** $500,000

**Obligated**: $500,000

## Town: ARPAville

| | |
|---|---|
| **Project** | The town identified broadband expansion in the North part of town as a priority project and obligated $500,000 towards the project. |
| **Design** | Implemented streamlined procedures for fund allocation, involving the signing of a contract with a contractor to fulfill the work. |
| **Obligation** | All $500,000 of project funding has been committed, distributed or is under contract prior to December 31, 2024. |

# Unsuccessful Obligation Example

## Town: Obligation Oasis

**Budget:** $500,000

**Obligated**: $0

| | |
|---|---|
| **Project** | The town identified water line replacement as a priority project and wants to allocate $500,000 towards the project once the details are finalized. |
| **Design** | The town knows how they would like to structure the RFP process and who the probable contract applicants will be. |
| **Unobligated** | On December 31, 2024, the $500,000 had still not been specifically obligated to the water project and no contractor had been selected and no contract had been signed. Since the town has not obligated the funding to a specific project and is also not going to be under any contract for the work prior to December 31, 2024, the $500,000 does not meet Treasury's updated definition of an obligation. |

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# Successful Obligation Example

## Town: Final Rule Paradise

| | |
|---|---|
| **Project** | The town wants to obligate $75,000 under the revenue loss provision for the salary of a manager position (which already exists) within their town for calendar year 2025. |
| **Design** | The town encumbers the funds as an obligation to cover the manager's salary and is awaiting clarification from Treasury as to the best way to report that obligation. |
| **Obligation** | These funds will be considered obligated through December 31, 2026, to the extent the employee is serving in a position that was established and filled prior to December 31, 2024. |

**Budget:** $75,000

**Obligated**: $75,000

# Unsuccessful Obligation Example

**Obligated**: $0

## Town: SLFRF Central

| Project | The town identified wastewater plant updates as a top priority project and want to obligate $200,000 of their ARPA funds to the updates. |
|---|---|
| **Design** | The town added the $200,000 initiative into their budget as a line item. |
| **Unobligated** | The town reports the $200,000 project as obligated in their April 30, 2024, Project and Expenditure Report. |

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# Successful Obligation Example

## Town: Closeout City

| | |
|---|---|
| **Project** | Closeout City has $200,000 that they would like to obligate to their Public Works Department. |
| **Design** | The City completes an eligible interagency transfer memorandum of understanding (MOU) to the Public Works Department prior to December 31, 2024. |
| **Obligation** | The interagency transfer MOU operates as a contract; therefore, the funds are considered obligated. |

**Budget:** $200,000

**Obligated**: $200,000

# Unsuccessful Obligation Example

## Town: Treasury Treasures

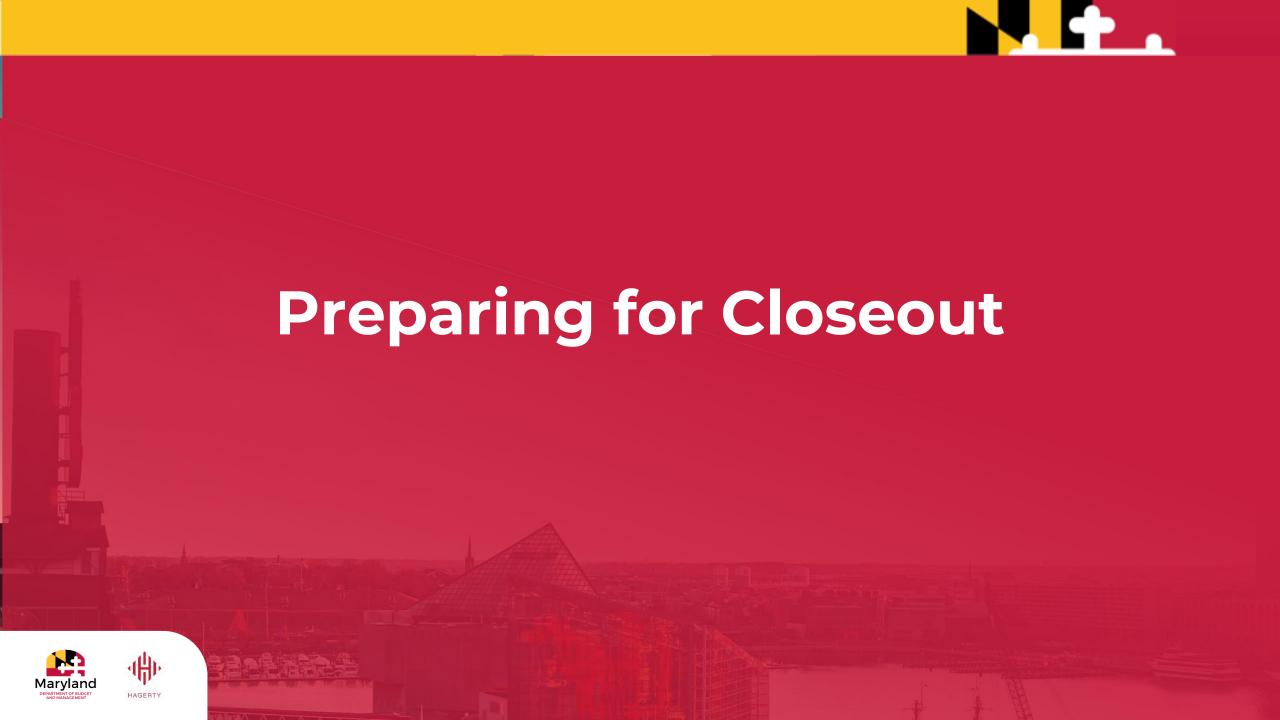| | |
|---|---|
| **Idea** | The Town of Treasury Treasures read in an article that their remaining funds would be considered obligated if they assign those funds to the revenue loss category. |
| **Category** | The town assigned their remaining funds to the category of revenue loss. |
| **Unobligated** | Since the town has assigned their remaining funds to the revenue loss category, they believe that they do not need to take any further action to comply with Treasury's definition of an obligation. |

# Preparing for Closeout

# New Close-Out Readiness Question

Have you spent your full SLFRF award and are ready to close out the award?

If you are ready to close out, please be aware that this is not your final report. Included in forthcoming guidance will be information on how to close out your SLFRF award, including completion of final report information.

No     Yes

- Beginning in Reporting Period Q1 2024 there will be a new question to determine if the recipient is ready for Close Out
- Answering "Yes" to the question regarding ready for Close Out will still require continued reporting.
- **This is not actual close out.** This question is for informational purposes only.

# Key Documents

**1. Final Financial Report**

- Detailed breakdown of project expenses, revenue, and budget variances.

**2. Final Programmatic Report**

- Summary of project goals, activities, outcomes, and impact.

**3. Property Inventory Report**

- Comprehensive list of all acquired property items with descriptions and costs.

**4. Equipment Inventory Report**

- Detailed list of equipment purchased with descriptions, costs, and conditions.

**5. Closeout Certification**

- Formal confirmation of completing all grant requirements, signed by authorized officials.

# General Compliance Requirements

- Submit all required reports accurately and timely, including financial and programmatic reports, within 120 calendar days after the period of performance.

- Follow grant agreement terms, federal regulations, and maintain thorough documentation to support fund usage.

- Return any unused money within 120 days after the project ends.

- Account for acquired property in accordance with federal regulations and complete all closeout actions within one year after the period of performance.

- Maintain comprehensive documentation of all project-related activities, expenditures, and outcomes. This documentation serves as evidence of compliance with grant requirements and may be subject to audit or review by a federal funding agency.
  - This is dependent on whether an entity has met the $750,000 single audit threshold. If they have met this threshold, the entity is required to have a single audit performed for that fiscal year.

# Potential Closeout Pitfalls

- Single Audit requirements – A single audit is required if an agency expends $750,000 or more during the fiscal year in Federal awards.

- Alternatively; Treasury, with approval from OMB, has released guidance approving the use of Alternative CLFRF Compliance Examination Engagement (ACEE). Recipient's eligibility to use this alternative approach is as follows:

  1. The recipient's total CLFRF award received directly from Treasury or received (through states) as a non-entitlement unit of local government is at or below $10 million; and

  2. Other federal award funds the recipient expended (not including their CLFRF award funds) are less than $750,000 during the recipient's fiscal year.

# Potential Closeout Pitfalls

- Submitting all financial, performance, and other reports required under the grant within 90 days (typically) after the grant award expires or is terminated.

  - Additional challenge of learning a new reporting system provided by the Grantor.

- Record Retention - typically required to retain your grant records for at least three (3) years from the date of the final expenditure report.

  - For Treasury ARPA Funding records must be retained for five (5) years.

- Non-compliance with grant terms and regulations.

  - Continual monitoring throughout the project is a best practice to ensure compliance.

- Failure to properly document programmatic outcomes and achievements.

- The closeout process can take several months, ensure the agency has allotted enough time for all reporting and audit requirements.

# Best Practices for Successful Closeout

## Centralizing Documentation

- In every phase of the grant lifecycle, one of the most important things you can do is document. Second to that, have a central repository so that you and your team know where to find these documents.
- Document retention can utilize electronic or paper documents, as long as the documents are easily accessible and sharable upon request.

## Read The Fine Print

- Keeping up with the Grant requirements and guidance will keep you from scrambling and help keep your timeline in check, as well as program requirements.

## Set Internal Deadlines

- Setting internal deadlines helps keep your timeline in check, the project manager overseeing the grant should create internal deadlines with related tasks and leave enough wiggle room for flexibility.

## Request Technical Assistance

- Technical assistance may be available through federal funding entity upon request.

# Q&A

# How to Engage with MTAP's Services

# Upcoming MTAP Events + Reminders

- The next MTAP Office Hours Session will be on Monday, April 22 at 2:00pm EST.

- Per Treasury's guidance, the ARPA obligation deadline is December 31, 2024. Be on the lookout for additional guidance from our team to assist you with meeting Treasury's obligation deadline.

# Engage with MTAP

- **Complete a Project Intake Form** - we can assist your municipality in finding IIJA programs that support your project ideas.

- **Subscribe to our newsletter** and forward it to colleagues.

- **Watch the recording** of the MTAP Intro to IIJA Webinar.

- **Attend Office Hours** on **April 22, 2024** at 2:00pm EST.

- **Submit a Question** on ARPA or IIJA.

- **Visit our Website** and **IIJA Resources Page**.

**Share Feedback with MTAP at arpa.neuadmin@maryland.gov – and let us know how we can help!**

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