Document, Document, Document!

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MTAP Summer Compliance Series

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DEPARTMENT OF BUDGET AND MANAGEMENT

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Before We Begin

Session Details

- 60-minute interactive webinar
- Questions: Use the Q&A box at any time
- Chat: Share your answers to discussion prompts
- Polls: Three polls throughout, no wrong answers!

Upcoming Summer Series Schedule

Session 4: Procurement Systems and Practice
September 29th

Resources

- Slides will be shared after the session
- MTAP website: dbm.maryland.gov/mtap
- Questions after today: MTAP Question Portal

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Since the Summer Compliance Series began, have you:

A	Requested Closeout
B	Improved Documentation
C	Submitted P&E Report(s)
D	Nothing yet, but planning on it!

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Agenda

1. Why Your Records Decide the Outcome
2. What You Must Keep: The Seven Record Categories
3. The Five-Year Clock: Start, Stop, and Post-Closeout
4. Systems, Reports, and Audit Readiness

A Quick Note: Maryland Rules Apply Too

Today's focus is federal, your SLFRF closeout and recordkeeping. But because you're a Maryland local government, state records rules apply alongside the federal ones. Here's the one thing to know.

Federal money doesn't replace your state obligations, you follow both: As a Maryland public agency, you're subject to state records law (retention schedules and the Public Information Act) and the federal SLFRF rules at the same time. Where they differ, follow the stricter or longer requirement.

Maryland requires approved retention schedules: State law requires local governments to retain records under a disposition schedule approved by the State Archivist, and a public record can't be destroyed without that authorization.

Resource: Maryland State Archives, Records Management https://msa.maryland.gov/msa/intromsa/html/record_mgmt1/laws.html (municipal retention schedules are listed there).

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Opening Poll: How Confident Are You in Your Records?

Respond using the poll panel now. There are no wrong answers!

A Organized and indexed, I could pull any file today

B Complete, but it would take me a while to find things

C I could find things, but I'm not sure it would make sense to anyone else

D Honestly? I'd need to go look

PART 1:

Why Your Records Decide the Outcome

Spending funds correctly and proving it are two different things

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Your Records Are the Evidence File

Federal awards remain subject to audit and oversight for years after the period of performance ends.

What That Means in Practice

- Without organized, complete records, you cannot substantiate an allowable expenditure, demonstrate compliant procurement, or answer an auditor's request for evidence.
- The consequence is not theoretical: repayment demands, compliance findings, and adverse audit outcomes, even for expenditures that were entirely proper when made.

Important: The auditor is asking whether you spent it well AND can prove it using your records.

Two Standards

3

Most Federal Awards: 3 Years

From submission of the final expenditure report

5

ARPA SLFRF: 5 Years

After all funds are expended or returned to Treasury, for most Maryland NEUs, at least through December 31, 2031

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Question: True or False

A compliance gap you find and remediate yourself is treated the same as one an auditor discovers first.

True or False - respond in the poll.

We will discuss the answer before moving on.

A True

B False – a gap you find and remediate is a very different outcome than one an auditor discovers first

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PART 2:
What You Must Keep

Seven categories of records and what changes if you elected Revenue Loss

Seven Categories of Records

These seven groups of records are all critical to retain. However, this list is not exhaustive; if your organization generates other records relevant to the management, use, or oversight of your award, retain those too.

1. **Financial and accounting records:** how SLFRF dollars moved, received, obligated, and spent
2. **Procurement and contract records:** how you selected vendors and what you bought with the award
3. **Programmatic and eligibility records:** proof that what you funded fit an eligible use
4. **Subrecipient monitoring records (if applicable):** your oversight of any entity you passed funds down to
5. **Equipment and property records:** assets purchased with the award and how they're tracked
6. **Program income records:** any revenue the award itself generated
7. **Audit and compliance records:** reporting, audits, and how you resolved any findings

Financial and Accounting Records

- **General ledgers and sub-ledgers**: showing SLFRF receipts, obligations, and expenditures
- **Invoices, receipts, purchase orders, and payment documentation**: including approval/authorization records
- **Bank statements and canceled checks**: tied to SLFRF transactions
- **Chart of accounts or fund accounting documentation**: showing how SLFRF receipts and expenditures are separately identified and tracked
- **Payroll records**: for employees whose salaries were charged to the award
- **Indirect cost rate documentation**: including any Negotiated Indirect Cost Rate Agreement (NICRA) or De minimis rate election

Procurement and Contract Records

- **A full paper trail for every purchase:** the request for bids or proposals, what vendors submitted, how you scored or compared them, why you picked the winner, and the signed contract, plus any changes made to it later
- **A written policy on how your staff handle purchasing:** a document spelling out the rules your procurement staff follow so decisions aren't just made on judgment call
- **Proof you checked that vendors weren't banned from federal work:** before you sign any contract or select any subrecipient, check SAM.gov (or equivalent) to confirm they're not suspended or debarred, and keep proof you ran that check
- **A written explanation any time you skipped competitive bidding:** if you picked one vendor without shopping around, you need a document explaining why that was allowed

Important: We go into detail on procurement requirements and best practices in Session 4 on September 29th.

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Programmatic and Eligibility Records

- **Proof that each project qualifies:** paperwork showing the project fits one of the approved SLFRF spending categories under the law and Treasury's rules
- **Proof that the people or organizations you funded were eligible:** if you gave money to a resident, business, or another organization, keep the documentation showing they actually qualified for it
- **The performance numbers you reported to Treasury:** whatever outcomes or results you reported in your Project and Expenditure Reports, keep the backup that supports those numbers
- **Evidence your program is a "proven approach," if that's the category you used**: some SLFRF spending categories require you to show your program is based on research or evidence of effectiveness, keep that documentation on file if yours does

Subrecipient, Equipment, and Program Income Records

Subrecipient Monitoring
(if you passed funds to another organization)

- If your town gave SLFRF money to another organization to carry out part of your project, keep the agreement, a risk assessment, monitoring visit notes, and proof you followed up on any problems.

Equipment and Property

- For anything you bought that counts as equipment, keep a record of what it is, what it cost, where it is, and, if you ever sell or dispose of it, what happened to it.

Program Income

- If your SLFRF-funded project generated any income (fees, rents, and similar), keep records showing where that money came from and proof it was spent on eligible purposes.

ARPA SLFRF Revenue Loss Funds: A Few Special Rules

What Does NOT Apply to Revenue Loss

- ✗ Subrecipient monitoring paperwork, there’s no such thing as a "subrecipient" under Revenue Loss, so this requirement doesn’t apply
- ✗ Equipment and property requirements (2 CFR 200.310-200.316) do NOT apply
- ✗ Program income requirements do NOT apply

Source: SLFRF Final Rule FAQ 13.15 and 13.16

What DOES Still Apply

- ✓ All your financial records, procurement records, and paperwork showing your spending was an eligible use
- ✓ Your own written policies and procedures, Treasury expects Revenue Loss communities to follow their own existing rules for spending money, which makes those internal policies part of your compliance file

Poll: Your Town Bought a Truck with Revenue Loss Funds

Do you need to keep a federal equipment inventory record for that truck?

A Yes – equipment purchased with federal funds always requires an inventory record

B No – the equipment and property requirements don't apply to Revenue Loss recipients

C Only if the truck cost over $5,000

D Not sure

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PART 3:

The Five-Year Clock

When it starts, when it stops, and what closeout does and doesn't change

Audit Clock

- The five-year period is automatically suspended, if your organization becomes subject to litigation, an audit, a claim, or a negotiation related to SLFRF funds.
- Records must be kept until the matter is fully resolved, all findings are satisfied, and all appeals are exhausted. (2 CFR § 200.334(b))

Clock Starts | December 31, 2026

The later of expended or returned: Your five-year retention clock starts when SLFRF funds are fully expended or returned to Treasury, whichever is later, not the award date and not automatically the period-of-performance end. Most Maryland NEUs spending through the December 31, 2026 expenditure deadline (end of the period of performance) will see the clock effectively start there.

Clock Stops | December 31, 2031

Five years later is the earliest most Maryland NEUs can consider destroying their records. If you return unspent funds to Treasury after the deadline (e.g., at closeout), your clock runs from that later return date, pushing this out further.

Recommendation: Establish an internal litigation hold or audit hold process now, so that notice of any review automatically freezes deletion.

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Closeout Does Not End Your Obligations

- A Notice of Final Closeout ends the award's active administration. It does not start or shorten the retention clock.
- Treasury can still request records, conduct a program-specific review, or initiate an audit for the full retention period.
- Post-closeout, you continue to comply with all Award Terms and Conditions, record retention, federal civil rights statutes, and audit requirements.

CASE STUDY:

The Town of Ellisville

Let's work through what a records gap actually looks like

Meet the Town of Ellisville

Ellisville is a small Maryland town (population 1,100) that elected Revenue Loss for its full $412,000 SLFRF allocation, spent on public safety salaries and a stormwater culvert replacement.

Where Things Stand

- Final Project and Expenditure Report submitted on time; Notice of Final Closeout received in early 2027
- The clerk-treasurer who managed the award retired in the summer of 2027
- In 2029, the town's shared drive hit its storage limit; IT enabled a two-year auto-purge on the finance folder
- In 2030, Treasury's OIG opened a review and issued an Information Document Request for the culvert procurement file

Town of Ellisville: Discussion Question

Take two minutes and drop your thoughts in the chat!

Question

There are three separate failures in Ellisville's story. What are they, and which one was hardest to see coming?

Town of Ellisville: Debrief and Key Takeaways

The Three Failures

- ✗ No records custodian designation - the knowledge left with the retiree; nobody inherited the obligation in writing
- ✗ Auto-deletion was never disabled - check every folder and drive where grant records live and turn off purge rules
- ✗ Closeout was treated as an ending - the 2027 notice created a false sense the file was closed, when the obligation ran to at least 2031

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PART 4:
Systems, Reports, and Audit Readiness

Matching your records to your reports, and staying ready for the unexpected request

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Compliance ≠ Reporting

Reporting	Compliance
• What you told Treasury: obligations, expenditures, project descriptions, performance metrics, and subaward detail, submitted through the Treasury Portal.	• Whether the underlying activity met federal requirements, including eligible use, allowable cost, compliant procurement, adequate documentation.

Remember: Reports and records should tell the same story, and much of an audit lives in that overlap. But not all of it, as reviewers also test compliance areas that never appeared in a report. So your records are the evidence for what you asserted and for what you were required to do.

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Best Practices to Make Your Records Match Your Reports

- **Project-level tie-out:** every project you reported should have its own record folder
- **Expenditure tie-out:** reported cumulative expenditures should reconcile to your general ledger, keep the reconciliation itself
- **Expenditure category tie-out:** keep the documentation supporting the eligible-use category you selected, not just the invoices
- **Performance tie-out:** if you reported outcome metrics, keep the underlying source data
- **Subaward tie-out:** reported subawards should each have an agreement, risk assessment, and monitoring evidence on file

Exercise: The Two-Minute Tie-Out

You have two minutes.

Pick a project from your most recent Project and Expenditure Report, without opening the Portal, and answer:

- What expenditure category did you report it under?
- Where, exactly, is the folder with that project's records? Name the path.
- Could you produce the procurement file for its largest purchase in under an hour?
- Who besides you knows the answers to the first three questions?

Raise your hand if you can answer all the questions!

Poll Question:

You've reached your five-year retention mark, but an audit finding tied to your SLFRF award is still unresolved. Can you destroy your records?

A Yes, five years is the maximum, you're clear

B Yes, but keep only the financial records

C No, if an audit, claim, or litigation is open, keep everything until it's resolved

D No, SLFRF records must always be kept for ten years

Five Digital Recordkeeping Practices

- Save in common, widely readable formats: PDF for documents, Excel or CSV for financial data, JPEG or TIFF for scans
- Build one folder structure and stick to it: [Project Name] > [Year] > [Document Type]
- Control who can edit or delete: set permissions and keep a history of who accessed what
- Keep a separate backup and test it, a backup you cannot open is not a backup
- Turn off auto-delete: check every folder and drive holding grant records for purge settings
- Still on paper? Consider digitizing as part of closeout prep, scan clearly and file it using the same folder structure as your digital records

Another 48-Hour Test

File the supporting documentation within 48 hours of the expenditure or programmatic action.

- Receipts get lost. Email chains get buried. Staff change roles. The longer documentation sits uncaptured, the greater the chance it disappears.
- For every payment, contract action, or significant program decision, **aim to have the supporting documentation organized and filed within 48 hours.** This one discipline eliminates most of the last-minute scramble before closeout.

When Records Are Missing

Do not wait for an audit to surface the gap.

- Document what is missing: a written log of which records, when the gap was found, what they should have contained
- Reconstruct what you can from bank statements, vendor invoices, email, or accounting exports, keep the notes
- Report the matter to leadership in writing to enable management to evaluate the extent of the gap.
- Contact MTAP - the Question Portal is open for technical assistance
- Do not destroy anything that remains, and fix the process that caused it

Remember: Documented, good-faith remediation reduces audit risk. It does not eliminate it.

Responding to an Information Documentation Request

An IDR is a formal written notice from Treasury requesting additional records or clarification. For SLFRF, IDRs are issued and answered through the Treasury Portal. Failure to respond can delay final closeout and may result in compliance findings.

If You Receive an IDR:

- Read the request carefully
- Upload responsive documents in the Portal
- Submit and save your response
- Confirm the uploads appear correctly

Your 30-Day Documentation Action Plan

- Designate a records custodian in writing and file the designation with your award file
- Build a record index: category, project, storage path, retention deadline, responsible staff
- Check every folder for auto-delete settings and turn them off
- Run a records review against the seven categories covered today and repeat it at least annually, not just before closeout
- Write down your financial policies if they aren't written, especially if you elected Revenue Loss
- Confirm your retention end date and put it on a calendar someone will see in 2031

Coming Up Next in the MTAP Summer Compliance Series

Today's procurement file is only half the story. Session 4 covers how that file gets built in the first place.

Session 4: Procurement Systems and Practice

- Micro-purchase and simplified acquisition thresholds - what applies to your town
- The five procurement methods, and choosing correctly
- Written procurement policies: what yours has to say
- Suspension and debarment verification, step by step
- Sole-source justifications that hold up

Session 4: September 29, 2026
Watch for the MTAP registration link

We Want to Hear From You!

Which topics would you like to learn more about?

A	Internal Controls
B	Cost Reasonableness / Cost Analysis
C	Procurement
D	Other

MTAP Resources for Your Closeout Journey

- SLFRF Closeout Quick Guide - step-by-step checklist for NEUs
- SLFRF Closeout and Post-Closeout Responsibilities Guide - detailed post-award obligations
- SLFRF Compliance Guide for Maryland Municipalities - comprehensive compliance reference
- SAM.gov Registration How-To Guide - step-by-step registration and renewal
- Federal Documentation Retention Guide - five-year retention requirements and best practices
- Internal Controls General Guidance - building your control framework
- SLFRF Revenue Loss Compliance and Audit Readiness Guide

All resources available at: dbm.maryland.gov/mtap

Questions after today? Submit through the MTAP Question Portal

Questions?

Use the Q&A panel to submit your questions now.

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Thank you!

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