

BUDGET LETTER

SUBJECT: COVID-19 FEDERAL FUNDS – REPORTING, MONITORING AND AUDITING, ACCOUNTING, AND OTHER NOTIFICATION REQUIREMENTS	NUMBER: 21-28
REFERENCES: BUDGET LETTERS 21-03, 20-32, AND 20-12; STATE ADMINISTRATIVE MANUAL SECTION 912	DATE ISSUED: November 1, 2021
	SUPERSEDES:

TO: Agency Secretaries
Department Directors
Departmental Budget and Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) details instructions related to reporting, auditing, and monitoring requirements, including the submission of monitoring plans and cash flow updates, which primarily applies to departments that received State Fiscal Recovery Funds (SFRF) in the 2021 Budget Act. Departments that have received other federal stimulus or incur direct response costs related to COVID-19 funds are also reminded of reporting requirements.

California has received \$27 billion in SFRF under the American Rescue Plan Act (ARPA) of 2021. ARPA specifies that funds may be used to respond to the public health emergency or its negative economic impacts, replace lost revenue, and make necessary investments in water, sewer, or broadband infrastructure. The Budget framework for the SFRF as reported in the 2021 California Recovery Plan Performance Report includes the following authorized by federal law or guidance:

- Address public health impacts, including COVID-19 response (\$1.3 billion).
- Address negative economic impacts on households, individuals, businesses, and industries (\$5.2 billion).
- Provide services to disproportionately impacted communities (\$7.5 billion).
- Promote access to and affordability of broadband (\$3.8 billion).
- Revenue replacement to support various critical government services (\$8.9 billion).

States are expected to monitor recipients' compliance, verify sub-recipients use funds as intended, and provide data to the public on how the funds are used, including outcomes that are achieved. The following table highlights upcoming deadlines for recipients of SFRF, discussed in further detail below.

Deliverables	Initial Dates Due to Finance
Monitoring Plan	November 19, 2021
SFRF Project Cash Flow	December 10, 2021
Project and Expenditure Report	January 21, 2022

I. SFRF Reporting Requirements

All state departments that have received SFRF and/or are allocating other American Rescue Plan Act funds are collectively considered the “prime recipient.” As the prime recipient, each department will have the responsibility of reporting to Finance all expenditure information, outputs, outcomes, other performance indicators, and demographic data required by the U.S. Treasury for SFRF funds that are distributed to sub-recipients. Sub-recipients are defined as entities that receive an award from the prime recipient for all contracts, grants, transfers, and direct payments, but does not include an individual that is a beneficiary of such award. (Finance will be responsible for reporting requirements related to revenue replacement.)

The following information is required for U.S. Treasury reporting and will need to be collected from each sub-recipient for all SFRF awards of \$50,000 and above. Please reference this list when executing contracts, grants, purchase orders, and other direct payments. Similar information is required when transferring SFRF funds to local government entities if it is done through an allocation schedule.

- Award, contract, purchase order, or transfer number
- Award date, type, amount, and description
- Primary place of performance (physical address, not a P.O. Box)
- Start/end dates
- DUNS number, if available. Departments should collect the DUNS numbers for any governmental agencies (e.g., cities, counties, schools, public colleges and universities, etc.) as part of the award/allocation process.
- Specified programmatic data and output/outcome measures for certain federal expenditure categories.

The following table displays the **deadlines for the quarterly Project and Expenditure Reports (PER)** on the use of SFRF required by the U.S. Treasury.

Report	Reporting Period	Sub-Recipients Due to Recipients	Recipients Due to Finance	State Due to U.S. Treasury
1	Award Date – December 31, 2021	1/10/2022	1/21/2022	1/31/2022
2	January 1 – March 31, 2022	4/8/2022	4/20/2022	4/30/2022
3	April 1 – June 30, 2022	7/8/2022	7/20/2022	7/31/2022
4	July 1 – September 30, 2022	10/7/2022	10/19/2022	10/31/2022

II. Auditing and Monitoring Requirements

State departments spending SFRF, either directly or by distributing funding to a sub-recipient, will be responsible for monitoring and verifying that those expenditures are in accordance with all federal rules and requirements. As the U.S. Treasury has not yet provided the Final Rule for the implementation of the SFRF, departments must rely on the [Interim Final Rule](#) to make decisions regarding program design and implementation. Departments should document how the program design and the criteria for awarding funding, including competitive bidding, are in accordance with the Interim Final Rule. Departments should also establish a five-year record retention policy for all documents related to the expenditure of SFRF.

To support the state's oversight responsibilities in the expenditure of SFRF, each department distributing SFRF to a sub-recipient is required to develop and **submit a Monitoring Plan to Finance by November 19, 2021**. The Monitoring Plan should address (1) the internal controls being used to identify, communicate, and mitigate risk; (2) how and when sub-recipient monitoring will be conducted; and (3) the process for resolving findings. Guidance on effective risk management practices and monitoring tools can be found on Finance's SFRF [website](#), in addition to the Office of State Audits and Evaluation's State Leadership Accountability Act [website](#).

Additionally, all departments expending SFRF will be subject to the state's Single Audit requirement. California is considered a single, non-federal entity and is automatically subject to an annual audit. For more detailed information regarding the Single Audit, including the roles and responsibilities of all sub-recipients, please refer to the State and Local Fiscal Recovery Fund [webinar](#) and to the California State Auditor's [website](#).

III. Treasury and Other Federal Resources

State departments are responsible for reviewing, understanding, and staying up to date on all federal guidance and requirements which apply to their federal funds. All guidance, webinars, and slide decks are linked on this [website](#), and additional resources are linked below:

- U.S. Department of the Treasury – Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule [\[Link\]](#)
- U.S. Department of the Treasury – Compliance and Reporting Guidance for State and Local Fiscal Recovery Funds [\[Link\]](#)
- U.S. Department of the Treasury – Compliance and Reporting User Guide [\[Link\]](#)
- U.S. Department of the Treasury – Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions (FAQ) [\[Link\]](#)
- U.S. Department of the Treasury – Coronavirus State and Local Fiscal Recovery Funds Quick Reference Guide [\[Link\]](#)
- U.S. Chief Financial Officers Council's [Program Integrity: The Antifraud Playbook](#), which provides an overview of practical and actionable guidance to reduce fraud risk.
- U.S. Government Accountability Office's [Standards for Internal Control in the Federal Government](#) ("Green Book")

IV. Regular Cash Flow Updates

By mid-December, departments will need to **provide a monthly cash flow for the current year and budget year**. Updated current-year and budget-year projections will be due in mid-May and July to reflect decisions made in the May Revision and final budget package, respectively. Finance will provide a template to collect cash flow information.

Cash flow updates should also take into account any changes made to the allocation pursuant to Control Section 11.96 (discussed below). Further, departments must notify their Finance Budget Analyst of any project delays or changes, which will also affect the cash flow as soon as they become aware of the change.

Finance's projections are being produced on a cash basis—that is, when the transaction will be reflected as disbursed by the State Controller's Office. For disbursements, it is the date the State Controller's Office issues a warrant, not the date the claim schedule is submitted by the department to the State Controller's Office or the month the obligation is incurred.

V. Control Section 11.96 of the 2021 Budget Act

Control Section 11.96 was added to the 2021 Budget Act to provide necessary flexibility related to availability and expenditure of SFRF. Key provisions include the following:

- Funds are available for expenditure until June 30, 2024, unless the Director of Finance determines a later deadline is authorized by the federal government or that a department will spend or encumber the funds by December 31, 2024.
- Funds not encumbered by August 1, 2024, may be reallocated.
- All obligations must be liquidated by December 31, 2026.
- Funds may be transferred between state operations, local assistance, and capital outlay items to support implementation for the same programmatic purpose appropriated by the Legislature.
- Finance may authorize the establishment of positions.
- Funds may be allocated to offset or reduce appropriations in 2020-21 and 2021-22 (primarily applies to disaster response).
- Finance may authorize an augmentation to conduct an audit or address audit findings.

Any requests to change budget authority pursuant to Control Section 11.96 should be directed to your Finance Budget Analyst.

VI. COVID-19 Cost Reporting

Finance is currently developing an application/web portal for collecting the data required by the U.S. Treasury for SFRF reporting. The portal will reflect clearly defined participant roles for sub-recipients and prime recipients to report their data to state departments acting as prime recipients and Finance, respectively.

Departments **should not** report on the allocation and expenditure of SFRF in the [COVID Federal Tracking Portal](#). The new web portal under development will be used to track the aggregate allocation and expenditure of the SFRF funds for each sub-recipient. Per BL [21-03](#), departments should continue to update the existing COVID Federal Tracking Portal for expenditures and obligations for awards received from all of the federal stimulus bills, as well as create records for tracking any new stimulus awards under the Coronavirus Response and Relief Supplemental Appropriations Act and ARPA, except Coronavirus Relief Funds and SFRF. **The deadline for updating the COVID Federal Tracking Portal is the 3rd Monday of each month—departments should direct any questions to COVIDFederalTracking@dof.ca.gov.**

The Office of Emergency Services is assuming responsibility for collecting and compiling disaster response cost reporting that has previously been reported by departments to Finance pursuant to Budget Letters [20-32](#) and [21-03](#). Departments that have been directed to continue reporting COVID-19 cost information should continue submitting monthly cost reporting to the COVIDCostReporting@dof.ca.gov email address until directed otherwise. Certain departments that have direct response costs that may be eligible for SFRF will be contacted regarding additional reporting requirements.

VII. Accounting Instructions

As outlined in [BL 20-12](#), departments must accurately and consistently track COVID-19 expenditures in the Financial Information System for California (FI\$Cal), regardless of fund source.

BL 20-12 directed departments to use COVID-19 FI\$Cal attributes (or similar coding if not transacting in FI\$Cal) to monitor and standardize the reporting of these transactions using the following project categories/attributes:

- COVID-19 Response—Various activities that support the emergency response undertaken by departments in direct response to the pandemic.
- Testing and Contact Tracing—Activities that support state testing and contact tracing.
- COVID-19 Stimulus Programs—Federal stimulus funds that flow through the state.

For departments with SFRF appropriations, there is a combo rule in place to force the user to **enter a Project with Federal Fund 8506**, similar to Fund 0890, although Fund 8506 is not linked to the Federal Trust Fund Tree. A combo rule is a People Soft feature to filter out incorrect journal entries to ledgers based on specific chartfields and their values. This project should be established in the Project Costing Module with **Project Type as "Federal,"** associating the **Project Custom Attribute – "COVID-19"** and selecting **Attribute value as "State Fiscal Recovery Fund 8506"** from the dropdown. The attached Job Aid provides detailed instructions for the creation of COVID-related projects in FI\$Cal and has been updated to incorporate the Fiscal Recovery attribute to be used for all SFRF expenditures. Any program, funded in part or in whole, by the SFRF must have a project created and tagged with the Fiscal Recovery attribute. It is highly recommended that these projects are created expeditiously to begin tracking in FY 2021-22 and to reduce any need for retroactive reclassification. Departments should follow these instructions in addition to any other method used to track internally (such as service location).

VIII. Questions and Contacts

- Please coordinate with your [Finance Budget Analyst](#) for general questions or program specific questions.
- Contact the Federal Funds Accountability and Cost Tracking Unit for questions regarding federal requirements and reporting responsibilities at FiscalRecovery@dof.ca.gov.
- Contact the Office of State Audits and Evaluations for questions regarding the Single Audit or the State Leadership Accountability Act at SLAAHotline@dof.ca.gov.
- Contact the Fiscal Systems and Consulting Unit Hotline for questions regarding accounting policy and guidance at fscuhotline@dof.ca.gov or (916) 324-0385.

/s/Ryan Miller

Ryan Miller
Program Budget Manager

Attachment