

for

Revenue Replacement Expenditures



For more information, refer to [American Rescue Plan Act of 2021: New \(Fewer\) Compliance Requirements for Revenue Replacement Expenditures](#) (Coates Canons Blog, 09.01.22).



1. Establish Financial Management System and Adopt Written Internal Controls

Financial management system must capture obligations and expenditures **by project, per reporting period**.

Five key categories of internal controls:

1. Control Environment
2. Risk Assessments
3. Control Activities
4. Communication / Training
5. Monitoring Activities



2. Adopt and Implement General Compliance Policies

Click on links for sample policies.

- [Records Retention](#)
- [Civil Rights Compliance](#)
- [Eligible Use](#)
- [Conflict of Interest](#)
- [Allowable Cost](#)



3. Identify Eligible Project

A local government should identify the **purpose, scope, and estimated cost** of the project; identify **state law authority** and any state law **process requirements**; and ensure the project is **not** on the **prohibited** list.

REMINDER:

Revenue Replacement ARP/CSLFRF funds may be spent on **almost any expenditure authorized by State Law**, including reimbursements back to March 3, 2021.

ELIGIBLE EXPENDITURE EXAMPLES:

- paying **salaries** and benefits of local government employees
- **contracting** with other local governments or nonprofits to **provide** community **programs** or **services**
- purchasing real **property**, supplies, and equipment
- **contracting** for design, construction, repair, or renovation work
- **reimbursing** a local government for a prior eligible project, as long as the costs were incurred on or after March 3, 2021

PROHIBITED EXPENDITURES

- ARP/CSLFRF Funds **MAY NOT** be spent for:
- NO: Extra pension fund contributions
 - NO: Borrowing costs/debt service
 - NO: Financial reserves / rainy day funds
 - NO: Litigation/Settlement/Judgements
 - NO: Undermines or discourages compliance with CDC guidelines
 - NO: Violates federal conflict of interest provisions
 - NO: Violates state or other federal laws and regulations

4. Document Compliance with Required Policies

- Document eligibility determination and basic allowable cost review, according to procedures in these two policies: **eligible use policy** and **allowable cost policy**. [Click here for template](#)
- Determine and address any **conflicts of interest**, according to the local government's COI policy following both state and federal requirements. [Click here for template](#)



5. Follow State Law Budgeting

ARP/CSLFRF funds must be properly budgeted **before** they can be obligated and expended.

Learn more:
[Click here for Local Government Budgeting blog post](#)
+ [Budget Template](#)



6. Enter Into Obligations & Make Disbursements In Accordance with State Law Requirements

7. Complete Required Treasury Reports

[Click here for reporting requirements & deadlines schedule](#)



8. Retain Documentation

According to ARP/CSLFRF-Specific Retention Policy

REMINDER:
ALL documentation must be **retained** for **at least five years** after all grant funds are expended or returned to US Treasury

9. Prepare for Audit

[Click here for more information on audit requirements and auditor selection process.](#)

