



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

**MEMORANDUM**

TO: Counties, Cities, Towns, Townships, Libraries, and Special Districts

FROM: Debbie Gibson, CPA, CFE Director of Audit Services

RE: Financial Reporting and Reimbursement Procedures for CARES Funding

DATE: August 27, 2020

Dear Officials:

The Federal CARES Act Funds are considered other federal financial assistance. \$300,000,000 of these funds have been allocated to Indiana Counties, Cities and Towns (each a "Participant") through the Indiana Finance Authority (IFA) Coronavirus Relief Fund Program. Each Participant must account for CARES Act Funds in accordance with the State Board of Accounts Memorandum titled *COVID Grant Accounting and Appropriations*, dated April 29, 2020 and in accordance with this additional guidance.

For each reimbursement request, each Participant will be making certain certifications, representations, warranties and agreements for which the Participant will be fully and legally responsible, regardless of whether such request is made on behalf of the Participant or another political subdivision.

Each Participant is considered a sub-recipient of IFA for CARES Act Funds received through the Coronavirus Relief Fund Program and is subject to all requirements of the federal financial assistance program.

The Coronavirus Relief Fund Program transactions, including reimbursements passed through to another political subdivision, must be accounted for in a separate fund (please see April 29, 2020 memo) and reported on the Participant's Schedule of Expenditures of Federal Awards (SEFA). Any funds passed through to another political subdivision by the Participant will be shown as pass-through on the Participant's SEFA.

Because only Counties, Cities and Towns are eligible to be a Participant, each Participant may allocate funds for the use of other political subdivisions. Townships seeking reimbursement for eligible expenses should coordinate with their county government. Other political subdivisions should coordinate with their enabling body.

## **Financial Reporting**

When a Participant allocates CARES Act Funds to another political subdivision in accordance with IFA guidance, the Participant will be considered a Pass-through Agency for that political subdivision; the political subdivision will be considered a sub-recipient of the Participant.

Both the Participant and the other political subdivision are subject to all requirements of the program, but the Participant will be held fully and legally responsible for all transactions to the IFA.

Just as the Participant must account for the coronavirus relief fund program in a separate fund, so must the other political subdivision account for all coronavirus relief fund program transactions in a separate fund. (please see April 29, 2020 memo).

The other political subdivision must also report the activity on their Schedule of Expenditures of Federal Awards (SEFA). Guidance should be provided to the other political subdivision by the Participant that these are Federal funds and should be included on that unit's SEFA.

According to the Coronavirus Relief Fund Frequently Asked Questions located at <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf> the proper name and CFDA number to use on the SEFA is Coronavirus Relief Fund, CFDA Number 21.019.

Each Participant and other political subdivision should have internal controls in place to ensure that the reimbursements and related expenses are posted to the separate fund and accurately reported on the SEFA.

## **Agreement between Participant and Other Political Subdivisions**

For proper supporting documentation and internal control the Participant and other political subdivisions should have in place a written agreement.

Such an agreement should set out the responsibilities of each party and include provisions in the event that a request for reimbursement is denied or later determined unallowable.

This is especially important for the Participant as the Participant is responsible to IFA for any monies that are determined unallowable, including those disbursed to the other political subdivision.

The agreement should clearly state that the political subdivision is a sub-recipient, that the reimbursements are federal assistance and subject to the Single Audit Act, and that the reimbursements must be included in the SEFA. The agreement should provide the federal program name and CFDA number.

It should include any other provisions as required by IFA and Federal provisions as noted in 2 CFR 200.331.

Requirements under CARES Act also specifically mention internal control requirements found under 2 CFR 200.303 which you should already be familiar with through SBOA's Internal Control Manual and training.

Other items to consider for the agreement: Maintenance of documentation (including access to records by both the pass-through entity and auditors), expected communication and what form the communication will be in, will warrants be electronic or paper, etc.

The agreement should be approved by both entities' governing bodies.

## **Reimbursements**

Internal Controls should be developed by the Participant to ensure that all reimbursement requests are reviewed for compliance with the terms of program, are made on a timely basis, and contain all of the proper forms, documentation, and certifications required by IFA.

When the Participant processes the reimbursement requests for another political subdivision, the Participant must review all claims for reimbursement submitted by a political subdivision for compliance with the grant terms and for sufficient supporting documentation. The Participant is responsible for completing the request for reimbursement to the IFA along with the proper forms, documentation, and certifications. The Participant must maintain all documentation submitted on the behalf of a political subdivision in such a way that it is easily identifiable with that political subdivision. The Participant will be held fully and legally responsible for all certifications, representations, warranties, and agreements related to the requests for reimbursement.

Reimbursement received from IFA will be made directly to the Participant and must be deposited with the fiscal officer of the Participant in compliance with IC 5-13-6-1. This is the case regardless if the reimbursement is for the Participant or on behalf of another political subdivision.

Internal Controls should be established to ensure that the reimbursement received matches the request and supporting documentation submitted.

If IFA declines all or part of a reimbursement request, this documentation should also be maintained and would be part of the matching reconciliation.

Reimbursements received by the Participant on behalf of another political subdivision must be remitted to that political subdivision by warrant of the Participant.

The Participant must remember that the money that is reimbursed to the other political subdivision is actually a disbursement of the Participant's own funds and so the Participant should follow the appropriate disbursement process which would include verification that the disbursement has proper supporting documentation (receipts for reimbursement, agreement between the two entities, etc.). This would also require proper claims processing, including approval by the governing body. The claim document would be filled out by the Participant based on receipts received from the political subdivision and the reimbursement documentation received from IFA.

If the Participant has denied any of the political subdivision's reimbursement request or IFA has denied any of the political subdivision's reimbursement request, the Participant must communicate the denial to the political subdivision and maintain the documentation of the denial.

The accounting for these funds are contingent to some degree on federal requirements which have been evolving. However, if you remember the basics for accountability and transparency as you would any of your other funds, the utilization of processes that are already in place, including but not limited to: audit of claims, approval procedures, separately identifying and documenting financial activity when there are specific requirements, etc., you will always have the important basics covered.

If you have any questions please do not hesitate to contact the SBOA director that specializes in your unit.