

## Navigating the ARPA SLFRF expenditure deadline to secure your funds

EY Forensic & Integrity Services  
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# Recipients must be compliant with funding rules and expend funding by December 31, 2026 to avoid the risk of returning funds to Treasury.

In March 2021, the American Rescue Plan Act (ARPA) was signed into law, providing \$350 billion in State and Local Fiscal Recovery Funds (SLFRF) to help with the economic and public health impacts of COVID-19. As of September 30, 2024, approximately 30% of allocated funds had not been expended.<sup>1</sup> With Treasury's expenditure deadline quickly approaching, there is a critical need for recipients to expend funds timely while making sure they are compliant with Treasury's SLFRF eligible use requirements.

### Key items for recipients to consider

Treasury's Final Rule sets the ARPA SLFRF expenditure deadline as December 31, 2026. The key items for recipients to consider include:

Limited flexibility to reclassify funds after the obligation deadline. If recipients have excess funds that were obligated but ultimately not expended, recipients may reclassify funds to another project if the project is an eligible activity and was obligated by December 31, 2024.

Recipients may use SLFRF funds to cover increased costs for contracts that allow change orders as long as the contracts were obligated by December 31, 2024.

Recipients may expend funding associated with closeout costs after December 31, 2026 if these costs were estimated and obligated by December 31, 2024.

Overlapping programs bring a risk of duplication of benefits. Recipients should review all projects with multiple funding sources to make sure no duplication occurs.

### Key steps to meet the expenditure deadline

With under two years left until the expenditure deadline, recipients should consider these immediate steps to secure SLFRF funds:

**1** Review obligated contracts and amendments to identify contracts that may result in cost increases through change orders. Recipients are responsible for conducting all procurements in compliance with Uniform Guidance.

**2** Review existing projects to identify programs that are not on track to meet the expenditure deadline and consider re-classifying funds to other obligated projects based on state and/or local priorities, which may qualify under eligible uses.

**3** Review project costs for eligibility and compliance with the Uniform Guidance and SLFRF guidance, including the 2022 Final Rule and FAQs.

## Key steps to meet SLFRF compliance requirements

In addition to meeting the expenditure deadline, recipients must make sure that funds are used for eligible purposes and comply with the Uniform Guidance and SLFRF guidance, including the 2022 Final Rule and FAQs. One of the crucial tasks in this process is managing and monitoring projects, subrecipients and contractors.

Ineligible, improperly documented, unreasonable or out-of-scope costs may put funding at risk. Five actions that recipients can take to address the risks of noncompliance include:

- 1 Document project eligibility** based on Treasury's guidance, including reference to the relevant expenditure category and clear demonstration of how the scope of work is supported by the Final Rule and FAQs.
- 2 Maintain complete documentation** for reporting in addition to future requests for information and audits.
- 3 Monitor subrecipients' performance** through regular reviews of contractual documents, financial records, including invoices, and progress reports.
- 4 Review contractual documents** for compliance with Uniform Guidance Procurement Standards and Cost Principles and maintain appropriate oversight of contractors.
- 5 Monitor projects progress** to make sure work performed is within the approved eligible use and scope of work and is on track to be completed during the eligible period of performance.

SLFRF funding can be used to cover costs to comply with administrative and legal requirements. This includes hiring employees or consultants who can assist with the SLFRF compliance monitoring process.

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