



STATE OF ARKANSAS  
**Department of Finance  
and Administration**

**OFFICE OF THE STATE COMPTROLLER**

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To: Elizabeth Smith, Chair  
CARES Act Steering Committee

From: Paul S. Louthian, CPA, Deputy Director/State Comptroller

Re: Preapproved expenditures for reimbursement

Date: September 23, 2020

At the last CARES Act Steering Committee meeting, the Department of Finance and Administration (DFA) requested approval for DFA and CTEH/Hagerty to review and approve claims filed by the City/Counties for approved PPE items (state agencies list) under \$50,000. At that time, we stated we would have another list for the Committee meeting today of projects that could be preapproved for the City/Counties, if the Committee so desired.

Recent guidance from the Treasury Department for payroll costs of public health and safety employees has eased the documentation requirements of the "substantially dedicated" provision. With this change, we believe these requests should be bundled, reviewed and approved by DFA and CTEH/Hagerty. This would include requests for salary reimbursement for public safety workers, jailers, dispatchers and patrol officers.

I have attached the Treasury guidance for the public safety employees.

A handwritten signature in black ink, appearing to read 'Paul S. Louthian', is written below the text.

**69. How does the CRF audit relate to Single Audit?**

CRF payments are considered to be Federal financial assistance subject to the Single Audit Act (31 U.S.C. sec. 7501-7507). The related provisions of the Uniform Guidance, 2 C.F.R. sec. 200.303 regarding internal controls, sec. 200.330 through 200.332 regarding sub-recipient monitoring and management, and subpart F regarding audit requirements provides detailed information. The results of a prime recipient's Single Audit will be evaluated as part of the Treasury OIG's desk reviews and any audits initiated.

**70. To what level of documentation will a government be held to support the reimbursement of public health and safety payroll that was "presumed" to be substantially dedicated to mitigating the emergency?**

The recipient of CRF payments must maintain and make available to Treasury OIG upon request, all documents and financial records sufficient to establish compliance with subsection 601(d) of the Social Security Act, as amended (42 U.S.C. 801(d)). Documents/records include payroll records for the covered period March 1 through December 30, 2020. Records include, but are not limited to (1) general and subsidiary ledgers used to account for the receipt of CRF payments and subsequent disbursements; and (2) payroll, time, and human resource records to support costs incurred for payroll expenses. Please refer to the Treasury OIG memorandum, Coronavirus Relief Fund Reporting and Record Retention Requirements (OIG-20-021; July 2, 2020). These document requirements apply to supporting payroll reimbursement amounts using CRF proceeds and not to support the presumption that public health and safety payroll is substantially dedicated to mitigating the emergency.

**a. Will a government have to demonstrate/substantiate that a public health or public safety employee's function/duties were in fact substantially dedicated to mitigating the emergency?**

No, the government will not have to demonstrate/substantiate that a public health or public safety employee's function/duties were substantially dedicated to mitigating the emergency but must maintain records and documentation supporting payroll amounts reimbursed using CRF proceeds. As indicated in Treasury's Guidance, as an administrative accommodation, governments may presume that public health and public safety employees meet the substantially dedicated test, unless the chief executive (or

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equivalent) of the relevant government determines that specific circumstances indicate otherwise. Treasury's FAQs add that entire payroll cost of an employee whose time is substantially dedicated to mitigating or responding to the COVID-19 public health emergency is eligible, provided that such payroll costs are incurred by December 30, 2020.

**b. For payroll that was accounted for in the FY2020 budget but was then "presumed" to be substantially dedicated to mitigating the emergency, will the government have to demonstrate/substantiate that a public health or public safety employee's function was a substantially different use?**

No, the government will not have to demonstrate/substantiate that a budgeted public health or public safety employee's function was a substantially different use. As stated in Treasury's Guidance, within the

category of substantially different uses, Treasury has included payroll and benefits expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID19 public health emergency. The Treasury OIG does require the government to maintain budgetary records to support the fiscal years 2019 and 2020 budgets.

***71. Is the government required to perform any analysis or maintain documentation of the “substantially dedicated” conclusion for payroll expenses of public safety, public health, health care, and human service employees?***

No, the government is not required to perform an analysis or maintain documentation of the substantially dedicated conclusion for payroll expenses of public safety, public health, health care, and human service employees. As indicated in Treasury’s Guidance, as an administrative accommodation, governments may presume that public health and public safety employees meet the substantially dedicated test, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise. Please refer to response to question 69.

***72. Treasury’s FAQs indicate a “State, territorial, local, or Tribal government may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise.”***

***a. What level of documentation needs to be maintained to indicate the chief executive did not determine “specific circumstances indicate otherwise?”***

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No documentation of the negative assurance of the chief executive (or equivalent) is required.

***b. Is the absence of documentation indicating “specific circumstances indicate otherwise” sufficient, or does an affirmative decision need to be documented?***

See previous responses.