



Porter County
ARPA Fiscal Recovery Funds:
Internal Control Policies and Procedures

Porter County Auditor's Office

Porter County, Indiana

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Introduction

On March 11, 2021, President Joe Biden signed into law the \$1.9 trillion American Rescue Plan Act (ARPA). Included in the ARPA is the Coronavirus State and Local Fiscal Recovery Fund (SLFRF), which provides \$350 billion to state, local, and Tribal governments throughout the country to support their recovery from the COVID-19 pandemic.

Of the \$350 billion, the allocation to U.S. counties totals \$65.1 billion. The amount provided to Indiana's 92 counties totals \$1.3 billion. Of this, \$33,096,066 is allocated to Porter County.

In accordance with the U.S. Treasury's Interim Final Rule, all SLFRF revenues must be obligated by Dec. 31, 2024, and all project expenditures must be completed by Dec. 31, 2026.

The purpose of this document is to state the internal control policies and procedures that the Porter County Auditor's Office uses in tracking, monitoring and reporting the county's SLFRF projects and expenditures ("Porter County's SLFRF program"). This document is in accordance with the following directive from U.S. Treasury's *Compliance and Reporting Guidance*: "Per 2 CFR Part 200.303, your organization must develop and implement effective internal controls to ensure that funding decisions under the SLFRF award constitute eligible uses of funds, and document determinations."¹

Our efforts are taxpayer-centric and compliance-focused grounded in the following principles:

- *Understandability*: The public should have readily accessible information in easy-to-understand terms in order to clearly comprehend Porter County's use of the SLFRF funding and the benefits to the public of the various investments.
- *Transparency*: The SLFRF projects and expenditures should be fully disclosed so the taxpaying public can assess how their tax dollars are being spent.
- *Accountability*: Our responsibility in the Porter County Auditor's Office is to ensure that 1) SLFRF funds are spent in accordance with the U.S. Treasury

¹ *Compliance and Reporting Guidance*, June 10, 2022, p. 7

Final Rule and all other federal and state requirements; 2) that Porter County complies fully with U.S. Treasury reporting requirements; and 3) that Porter County receives a satisfactory audit opinion on the use of its SLFRF allocation.

This document provides a brief summary of each internal control component and a discussion of how the component applies to the Porter County SLFRF program. We state our office policies as they relate to administration of the SLFRF program. We list our control procedures and reference the associated principle as stated in the Government Accountability Office's *Standards for Internal Control in the Federal Government* (the "Green Book").

Just as an effective internal control system is a process that must adapt with new or changing circumstances, this document is intended to be a living document that will be amended as necessary. Each update is summarized in Appendix E. The most updated version of this document is posted online at the County Auditor's website (www.porterco.org/auditor) and is available at the County Auditor's office at 155 Indiana Ave., Suite 204, Valparaiso, Indiana, 46383.

Porter County Auditor's Office: Internal Controls and Procedures

Internal control is a process, effected by management, staff, and other stakeholders, designed to provide reasonable assurance that an entity meets its objectives with respect to the reliability of financial reporting, compliance with laws and regulations, and effectiveness and efficiency of operations.²

The five components of internal control are: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. Each component consists of principles that are required for an effective internal control system.

The five components and 17 principles, as presented in the GOA's Green Book, are presented in Appendix A. Each component, and the required principles, are discussed below as they relate to Porter County's SLFRF program.

² Adapted by the definitions in place by the GAO, State Board of Accounts, and COSO.

Control Environment

The control environment is described as the “tone at the top.” The entity’s environment influences how objectives are defined and control activities are structured. Management maintains an environment that sets a positive attitude toward internal control.³

The Porter County Auditor’s Office strongly believes that the public has the right to know how their SLFRF dollars are being spent locally and that the information should be readily accessible and easy to understand. Our control environment regarding oversight of the county’s SLFRF program is rooted in understandability, accountability, and transparency. We place top priority on strong ethics principles. Our ethical values are reflected in our commitment to develop and maintain a cooperative, professional relationship with all participants involved in the county’s SLFRF program, by treating all parties uniformly, and by emphasizing the need to comply with all federal, state, and local regulations and policies.

Environment controls:

- The Auditor’s Office demonstrates a commitment to integrity and ethical values by clearly communicating our procedures to all participants and by emphasizing compliance in our interactions with participants. (Principle 1)
- The Auditor’s Office periodically reviews our internal control system to identify weaknesses and needed adjustments, as well as strengths that should be sustained and enhanced. (Principle 2)
- The Auditor’s Office establishes an “SLFRF Team” consisting of several staff members who are assigned specific tasks, including verification of each other’s work. By segregating the duties involved in the SLFRF program, we can help ensure accuracy in claims processing, record keeping, and reporting. The team members’ roles are communicated to the SLFRF participants. (Principle 3).
- The Auditor’s Office is committed to ongoing education by attending as many webinars and in-person seminars as feasible and by utilizing published resources in order to gain a complete understanding of the SLFRF program and related regulations, including updates. (Principle 4)
- Accountability is enforced in such ways as communicating instances of non-compliance with the county’s procedures to governing officials and by

³ Adapted from the GAO’s *Standards for Internal Control*.

withholding SLFRF distributions to participants who demonstrate an unwillingness to abide by our procedures. (Principle 5).

Risk Assessment

The risk assessment component of internal control involves management evaluating the risks that the entity faces that could negatively impact it from achieving its objectives.

The Porter County Auditor's Office believes that risks are greater if personnel lack a thorough understanding of the SLFRF program and if management fails to provide proper oversight of the SLFRF expenditures. Oversight includes thorough recordkeeping needed to meet our objective of accurate reports to U.S. Treasury. Without controls, any of the following could result: Expenditures might not fully comply with the intent of county governance or with the Treasury's Final Rule, reporting to Treasury could be flawed, audit findings of non-compliance could result, and information shared with the public could be incomplete or inaccurate. We are committed to minimizing these risks to the fullest extent possible.

One area of the SLFRF program that could lend itself to higher risk involves distributions to non-county government entities, i.e., subrecipients and beneficiaries. As defined in the final rule, a beneficiary is an end-user of the award and directly benefits by it. Conversely, a subrecipient carries out an enumerated use on behalf of the recipient government.⁴

Because the terms and conditions of the award flow down to subrecipients, the recipient government is responsible for monitoring and overseeing the subrecipient's use of the SLFRF funds and other activities related to the award.⁵

Treasury requires a risk assessment of each SLFRF subrecipient. Because the need for accountability and transparency of the county's SLFRF award extends to all participants, it is the policy of the Auditor's Office that we prepare a risk assessment of subrecipients as well as beneficiaries.

⁴ As explained in the Final Rule, the distinction between subrecipients and beneficiaries is contingent upon why the recipient is providing the SLFRF funds to the entity. Beneficiaries such as non-profits and small businesses that experienced economic harm due to the pandemic may receive direct assistance; the response should be related and reasonably proportional to the harm. Subrecipients must abide by all award terms and conditions including provisions of the Uniform Guidance 2 CFR 200.331 to 200.333. Subrecipients that spend more than \$750,000 in their fiscal year are subject to audit under the Single Audit Act and 2 CFR 200 Subpart F.

⁵ Final Rule, page 4434. See also Final Rule, page 4435, which states that recipients "...are responsible for the actions of their subrecipients."

Risk assessment controls:

- The Auditor's Office has established objectives to properly administer the county's SLFRF program. These objectives will help us identify risks and risk tolerances. Our objectives are:

Operations Objective: All expenditures follow an established process for claims processing, and all claims include supporting documentation that substantiate that the expenditures are appropriate uses of the SLFRF funds and for the use intended.

Reporting Objective: Porter County's quarterly Expenditure and Project Reports are accurate, complete, on time, and well-articulated. Porter County's Schedule of Expenditures of Federal Awards is complete and accurate.

Compliance Objective: All expenditures comply with U.S. Treasury's final Rule and other federal, state, and local regulations in addition to State Board of Accounts guidance. Audit opinions reflect that our internal control system is effective and that our SLFRF program complies with federal regulations.

(Principle 6)

- The Auditor's Office establishes a risk assessment evaluation for each SLFRF subrecipient and beneficiary to evaluate risks, the degree to which the risks may impact our objectives, and the degree to which the risk may involve fraud. Depending on the participant, the risk assessment includes an evaluation of audits, experience with federal awards, tax returns, relationship to governing boards, and degree to which the participants have demonstrated cooperation with the county including the Auditor's Office. (Principle 7)
- The risk assessment includes an evaluation of participants' likelihood for fraud and abuse, misleading or incomplete supporting documentation, and misleading project descriptions. (Principle 8)
- To respond to changes that could impact the internal control system, the Auditor's Office participates in SLFRF training when available and updates the risk assessment evaluation as needed. (Principle 9)
- The Auditor's Office abides by IC 5-11-1-27(l) *Report of Misappropriation of Funds to State Board of Accounts and Prosecuting Attorney* and IC 5-11-1-27(j) *Report of Material Variances, Losses, Shortages or Thefts to the SBOA* in response to fraud. (Principle 8)

Control Activities

Control activities are the actions taken by management, through policies and procedures, to respond to risks that may prevent the entity from meeting its objectives.

The control activities below follow the SLFRF expenditures from start to finish, beginning with the pre-approval analysis to reporting.

Pre-approval analysis

In December, 2021, the Porter County Commissioners opened an online portal to accept public input on spending the county's SLFRF allocation. The portal later included an application process for entities to request a share of the county's SLFRF allocation. In February, 2022, the Commissioners approved an expenditure plan for approximately \$4 million in projects and formed a Steering Committee and four subcommittees to evaluate and recommend the applications.

The Porter County Auditor's Office played a key role in the Steering Committee/Subcommittee process. The County Auditor was named the non-voting chair of the Steering Committee, a position that involved coordinating the meetings, the agendas, and the meeting minutes; maintaining communications with applicants and committee members; and serving as a resource in regards to questions about the Final Rule and other guidance. In total, the subcommittees and Steering Committee held 23 meetings before the recommendations were presented to the Steering Committee. All meetings were public, with public notice given on the county's website, in media announcements, and on posted notices at the County Administration Building. Minutes were prepared and posted for each meeting, and all meetings were video recorded. These actions helped achieve our objective of transparency with the public.

As part of the pre-approval process, it is the policy of the Auditor's Office that proposed beneficiaries submit their most recent Form 990 so that our office can review the potential economic harm, a requirement of the SLFRF "Assistance to Nonprofits" category.

Pre-Approval Control Activities:

- The Auditor's Office prepares information about the Final Rule, including handouts and public presentations, in order to help county decision-

makers, participants, and the public familiarize themselves with the rule and how it relates to their proposal. The Auditor's Office continues to be a resource for those with questions about the SLFRF program. (Principle 10)

- For non-profit and small business beneficiaries, our office identifies the economic harm experienced and prepares draft language summarizing the economic harm and the relation of the response to the harm; this control allows us to meet our objective in accurate reporting because the explanations are required in the Project & Expenditure reports. (Principle 10, 12)
- Our office reviews the entity's tax return to help assess economic harm. (Principle 12)

Appropriation process

In accordance with The SBOA's *Accounting Processes for ARP Subtitle M—Coronavirus State and Local Fiscal Recovery Funds*, all expenditures from the SLFRF will be made from a single fund. This fund is established in our ledger as 21.027 ARP COVID Fiscal Recovery Fund (Fund No. 8908).

All expenditures must follow the appropriation process established by the state and local policy. No expenditures will be made without a Porter County Council-approved appropriation from Fund 8908.

Appropriation Control Activities:

- Departments seeking the appropriation from Fund 8908 must submit an additional appropriation form to the Porter County Council within the required time period. Appropriation requests related to awards to subrecipients and beneficiaries will be prepared by the Auditor's Office. (Principle 10, 12)
- The Auditor's Office reviews the proposed appropriation to align the request with the proper budget account code, prepares the legal notice required for the additional appropriation hearing, and once approved, enters the appropriation in our financial ledger. A second staff member provides a verification check. (Principles 10, 12)

Agreements and Supporting Documentation

Written agreements between Porter County and all subrecipients and beneficiaries are prepared. The agreements include the terms and conditions of the award, including the manner of distributions and anticipated expenditure category. All agreements are approved by the Board of County Commissioners and each subrecipient and beneficiary prior to the use of funds.

Each agreement states that the subrecipient and beneficiary are required to provide certain documentation as a condition of the award. It is the policy of the Auditor's Office that all participants are treated in the same manner when it comes to supporting documentation requirements. The documentation requirements are a preventive control that allow us to verify that the projects and expenditures are eligible uses and are in accordance with the originally stated purpose. The documentation also helps us achieve our objective of thorough and accurate reporting.

Supporting Documentation Control Activities:

- County entities, subrecipients, and beneficiaries that enter into contracts provide the Auditor's Office their approved contracts for any portion of their project. (Principle 10)
- If required, subrecipients submit documentation that they sought competitive bids or quotes in accordance with the Uniform Guidance (Principle 10)
- Subrecipients demonstrate compliance with the conflict of the interest requirements in the Uniform Guidance (Principle 10)
- Where applicable, participants provide accompanying documentation outlining the proposed program, service, or capital expenditure. Examples include building plans, project brochure, and job descriptions for new personnel. (Principle 10)

Additional requirements of Nonprofit beneficiaries and subrecipients

The expenditure category of Assistance to Nonprofits and Assistance to Small Businesses requires a two-step analysis: Identify an economic harm caused or exacerbated by the pandemic and develop a response that is related to and reasonably proportional to the harm.

As noted above, the Auditor's Office policy requires entities in these two categories to submit their latest available tax return. Each return is analyzed by the Auditor's Office in order to gain a better understanding of the economic hardship experienced by the entity. The Auditor's Office also reviews the IRS Nonprofit database to evaluate if nonprofit applicants have had revocation of their nonprofit status. These actions help us achieve our compliance and reporting objectives.

As noted in Treasury's *Overview of the Final Rule*, recipients may gauge economic impact in "many" ways, including financial insecurity, capacity to weather financial hardship, and challenges covering operating expenses.⁶ Accordingly, a beneficiary may post an increase in fund balance and still claim economic harm due to

⁶ "Overview of the Final Rule," pp. 21, 23.

difficulties or challenges. In cases in which the economic harm cannot be quantified, beneficiaries must explain the harm they experienced. This explanation is the foundation for the reporting requirements in the Project & Expenditure quarterly reports for approved projects.

It is the Auditor's Office policy to prepare each written agreements in conjunction with the following control activities:

- The Auditor's Office documents its determination and reasoning for the subrecipient or beneficiary status. (Principle 10)
- The Auditor's Office documents each beneficiary's and subrecipient's compliance with any applicable Uniform Guidance and/or state and local requirements. (Principle 10)

Additional requirements of township assistance to households

The Negative Economic Impacts expenditure category allows recipients to respond to negative economic impacts experienced by households due to the pandemic in such ways as providing cash transfers and assistance for rent, mortgage, and utility aid.

Recipients may presume that households were negatively impacted if they experienced unemployment; increased food or housing insecurity; have low to moderate incomes; or qualify for the Children's Health Insurance Program, childcare subsidies through the Child Care Development Fund Program, or Medicaid.⁷ The final rule provides guidance to determine low-to-moderate incomes. It also defines moderate income as a household at or below 300 percent of the federal poverty guideline; accordingly, the threshold for a family of four is \$79,500.⁸

Porter County's SLFRF program includes allocations to townships, which is the unit of local government in Indiana that assists poor relief recipients. Townships using their SLFRF award for direct household assistance must demonstrate that households receiving assistance are eligible and that they took receipt of the aid.

The following control activities are established for townships or other awardees when using SLFRF funds for direct assistance to households, either in the form of cash or cash-equivalent assistance⁹ or assistance in paying utility, mortgage, or other household expenses:

- The township attests in writing how it determined that each beneficiary is eligible for the assistance in accordance with the final rule and certifies that it can provide substantiation when and if required.
- The township provides the Auditor's Office with a listing of all individuals receiving assistance; such listing should include the date provided, amount provided, and type of assistance.

⁷ "Overview of the Final Rule," p. 17; also, Final Rule, p. 4345.

⁸ Final Rule, p. 4346

⁹ Cash-equivalent assistance can include bus tokens, gas cards, grocery store vouchers, and similar aid.

- The township provides beneficiaries with a numbered receipt; each beneficiary signs the receipt or the assistance list to demonstrate receipt of the aid.
- The township provides the Auditor's Office with a copy of all receipts.
- The Auditor's Office matches the receipts with the assistance listing.
- The township provides any other supporting documentation related to the assistance, such as guidelines for determining eligibility.
(Principles 10, 12)

Townships may prepare the attestation, assistance list, and receipts in a manner that suits the township, provided that the Auditor's Office is able to reasonably establish that the beneficiary is eligible for the aid and received the stated aid. A sample of an attestation and assistance list can be found in Appendix E.

Claims Process

Several auditor staff members ("SLFRF team members") are involved in the processing and recording of each SLFRF claim. The segregation of duties is a control that can help ensure accuracy of recordkeeping. This control also augments each staff member's knowledge of the SLFRF reporting, monitoring, and audit process.

The Auditor's Office policy is that the claims process is the same for all entities (county departments, subrecipients, and beneficiaries).

The Final Rule states that Treasury does not have a position as to the method of distribution, such as advance payments or reimbursements. Except as noted below, it is the Auditor's Office policy that all participants submit their claims for processing in the same manner followed by county departments, i.e., by submitting a claims voucher with acceptable supporting documentation. Alternatively, participants may submit claims, with supporting documentation, on a reimbursement basis.

Claims Process Control Activities:

- Each participant submits expenditure claims on a State Board of Accounts voucher (Accounts Payable voucher Form 17) and includes an invoice and/or other relevant documentation. For award subrecipients and beneficiaries, the Auditor's Office will provide guidance on filling out the form properly. This process will ensure consistency in application and in record keeping.
(Principle 10, 12)
- Claims are forwarded to an Auditor SLFRF team member for an initial review. The team member enters the claim data in the financial software system as well as an internal master file. This procedure is a preventive control to provide a running total of all claims to be paid out of the ARPA fund and

compilation of supplemental information necessary for accurate reporting. (Principle 10)

- The claim/supporting documentation is filed in a separate ARPA file and a copy made and given to a second team member, who maintains copies of all claims for reporting and auditing purposes. This process ensures a segregation of duties that provides added assurance of accuracy. The duplicate claim guards against lost or misplaced documentation. (Principle 10)
- A third team member verifies that the master list data reconciles with the paper claim and will document when verified. One of the team members enters the claims data on a separate worksheet that provides project-level detail. (Principle 10)

Treatment of Advances

Our least preferred method of disbursing SLFRF funds is advance payments, due to the risks that the funding might not be used for the intended purposes or might be released well before the participant is ready to proceed with the expenditure. However, we acknowledge that in some situations, advance payments are efficient and may be necessary.

For example, a subrecipient or beneficiary may be awarded SLFRF funds to hire personnel and may not have available funds for the additional payroll costs. Also, some subrecipients might use their SLFRF award for direct assistance to residents with mortgage, rent, or utility payments. Distribution of the SLFRF awards on an advance basis in these situations would allow for timely payments to vendors or service providers and reduce administrative burdens for both our office and the subrecipient.

As noted above, written agreements with the subrecipients and beneficiaries state the timing of the distributions. Some advances will be distributed in phases as an added control. Our office pledges a quick turnaround time for the staggered payments so as not to delay the next distribution. This may be especially important for projects that provide direct assistance to individuals in need, such as help with utility or rent payments.

Advance Payment Control Activities:

- Subrecipients and beneficiaries submit a written request to initiate the first advance payment. This will ensure that funds are released only when the participant is ready to proceed with the specific SLFRF project and to guard against the participant not spending the SLFRF funds on a timely basis. (Principle 12)

- For awards providing aid for operating expenses (Assistance to Nonprofit or Small Businesses), the beneficiary provides a signed letter outlining how the funds were spent with any supporting documentation as required by the written agreement. (Principle 10)
- For payroll expenditures, an advance representing a quarterly allocation of the total annual costs will be disbursed. The next quarterly draw will be released after the entity provides payroll documentation confirming the use of the SLFRF funds for the payroll costs. (Principle 10)
- For projects totaling less than \$5,000, advances may be up to 100% of the total award, contingent upon the terms in the agreement. Unless otherwise stated in the agreement, advances for non-payroll expenditures totaling \$5,000 or more may total up to 25% of the total allocation. Before receiving the next draw, participants must provide all supporting documentation verifying the use of the SLFRF funds. The type and form of documentation will depend on the specific use; for example, documentation of a payment for a resident's utility bill could be a receipt marked as paid from the utility company. (Principle 10, 12)

Reporting

As a Tier II county, Porter County submits quarterly Project & Expenditure reports. We are committed to providing accurate and timely reports containing well-written explanations when required. Advance preparation is key so that we are not completing our Project and Expenditure reports under the pressure of deadline and/or without all the information we need for an accurate report. Ongoing compilation of expenditures and supporting documentation is essential for us to meet our reporting objective.

Reporting Control Activities:

- The internally generated claims lists are regularly updated and verified by an Auditor staff member. (Principle 10)
- Auditor staff members initialize when they verify the claims data (Principle 10)
- At least one other SLFRF team member reviews the Project and Expenditure report prior to submission. (Principle 10)

Additional Control Activities:

- The Porter County Auditor is designated as the contact person and authorized agent for purposes of filing Project & Expenditure reports. The log-in information is kept confidential. The process for changing the designation, in

the event of a personnel change or emergency, is articulated to other SLFRF team members to ensure a smooth transition in data (Principle 11)

- The Auditor's Office policies regarding the SLFRF program are incorporated with internal controls in this document. A summary of the policies and procedures is given to all participants. This document, as updated, is posted online and made available upon request (Principle 12).

Information and Communication

The information and communication component of internal control requires the use of quality information for an effective control system. Management must communicate – both internally and externally – the necessary quality information needed to achieve its objectives.

The Porter County Auditor's Office believes that transparency of the SLFRF program results in accountability. Quality information that is accurate, up-to-date, and easily understood must be the foundation of our communications with internal and external parties.

We place a strong emphasis on continuing education, as the laws, guidance, and policies governing our work can frequently change. With respect to the SLFRF and ARPA in general, we place top priority on staff members continually educating themselves on the latest developments related to ARPA and other relevant federal and state regulations.

A successful SLFRF program requires positive interactions between the Auditor's Office and others, as follows:

County governance: The County Commissioners approve all claims and amendments to the SLFRF plan. The County Council approves all SLFRF appropriations.

Participants: The county's SLFRF program has a mix of participants, including county departments, other governmental units, and not-for-profit organizations with different missions and constituencies.

Accounting and audit authorities: The SBOA, the U.S. Treasury, and other state and federal agencies provide vital guidance necessary for Porter County to achieve our objectives.

The public: Taxpayers are interested in the use of the SLFRF dollars and need to have accurate information in order to understand the county's SLFRF program.

Information and Communication controls:

- The Porter County Auditor's Office maintains a separate webpage devoted to federal COVID-19 spending, including ARPA expenditures. The information on the webpage is updated regularly and includes updated spending by project, an audit analysis where needed, and links to other related materials about the projects. This control helps us meet our objective of transparency over the SLFRF program. (Principle 15)
- Our Project & Expenditure reports are posted on the Auditor's website, along with the link to Treasury's website to allow the public to access other reports. (Principle 15)
- The SLFRF team maintains open dialogue with all participants with an emphasis on compliance in our communications. (Principle 14)
- To the extent feasible, Auditor staff members will participate in as many in-person and virtual SLFRF meetings to help us stay up to date and in compliance. (Principle 13)
- Summary reports of the SLFRF projects will be prepared regularly and upon request for the Porter County Commissioners and Porter County Council. (Principle 14)

Monitoring

The monitoring component of internal control requires a periodic or ongoing evaluation of the internal control system in response to changing circumstances and/or new or changing risks.

Ongoing monitoring of the county's SLFRF expenditures is essential to achieve our objectives of compliance with the Final Rule and accurate reporting. A periodic review of our internal control policies and procedures is needed in order to identify weaknesses or failures so that we may adjust when necessary. At the same time, we need to identify the procedures that are effective and, to the extent possible, build on those successes.

Monitoring controls:

- The SLFRF team identifies strengths and weaknesses of the control system and evaluates if changes in controls are needed (Principle 16)

- In response to new or changing risks or weaknesses, amendments are made to the control procedures on a timely basis; written updates are incorporated in this document, which is posted online; changes that result in revised procedures for the SLFRF participants are communicated directly to the participants. (Principle 17)

Our efforts at monitoring the Porter County SLFRF participants incorporate several control activities and communication controls noted above. Our intention is to monitor claim activity and data submitted by beneficiaries and subrecipients on an ongoing basis. This control helps us achieve our compliance objective in a number of ways:

- By monitoring the claims and data submission activity, we will detect if the obligation deadline of December 31, 2024 can be met.
- When and if it is deemed necessary, we will conduct onsite visits to the entity to substantiate how the SLFRF funds are being used.
- By routinely checking expenditures, we can ensure that the total spent does not exceed authorized amounts.
- By committing to ongoing communication with each participant, we can track project status and resolve any outstanding issues.

Appendix A

The Five Components and 17 Principles of Internal Control

From *Standards for Internal Control in the Federal Government*, U.S. Government Accountability Office, September, 2014

Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organization structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Risk Assessment

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Control Activities

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

Information and Communication

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

Monitoring

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.

Appendix B

The following is a sample written agreement between Porter County and a subrecipient/beneficiary.

AMERICAN RESCUE PLAN STATE AND LOCAL FISCAL RECOVERY FUNDS AGREEMENT

**Between Porter County Government, Indiana
and NAME OF SUBRECIPIENT/BENEFICIARY**

THIS AGREEMENT is made and entered into by and between the County of Porter County, Indiana, with its principal offices at 155 Indiana Ave., Valparaiso, Ind., 46383 (the “County”) and the Township of NAME with its principal offices at ADD ADDRESS (the “Subrecipient or Beneficiary”).

WHEREAS, on March 11, 2021, President Joe Biden signed into law the American Rescue Plan Act (ARPA), providing federal funding relief to American workers, families, industries, and states and local governments to respond to and recover from the COVID-19 pandemic; and

WHEREAS, on June 9, 2022 the County received its second tranche for a total allocation of \$33,096,066 of State and Local Fiscal Recovery Funds (SLFRF); and

WHEREAS, on Jan. 6, 2022, U.S. Treasury issued a Final Rule (Final Rule) on eligible uses of SLFRF; and

WHEREAS, the Porter County Commissioners adopted an amended SLFRF plan on ADD DATE and updated it on ADD DATE that included an allocation to NAME OR PROJECT;

WHEREAS, on ADD DATE, the Porter County Council approved the ADD AMOUNT appropriation for SUBRECIPIENT NAME OR PROJECT.

NOW THEREFORE, in consideration of the mutual benefits and covenants contained herein and the terms and conditions set forth below, the parties agree as follows:

1. Effective Date and Term:

This Agreement shall commence when last executed by all parties and remain in effect until all Subrecipient SLFRF funds are expended or through the federal deadline for all project completion of December 31, 2026, whichever comes first.

2. County SLFRF Funds to be Allocated to Subrecipient:

The total amount of County SLFRF funds to be allocated to the Subrecipient under the Agreement shall not exceed AMOUNT.

3. SLFRF Subaward Provisions:

The allocation to the Subrecipient constitutes a subaward of SLFRF funds. As a recipient government, the County is required to manage and monitor subrecipients to ensure compliance with the requirements of the SLFRF award pursuant to 2 CFR 200.332 regarding pass-through entities.

4. Limitations Regarding the Use of the SLFRF Funds:

The Subrecipient shall ensure that all expenditures utilizing the SLFRF funds received in accordance with this Agreement shall be limited to only those eligible uses outlined in Treasury's Final Rule under the expenditure category of STATE INTENDED CATEGORY, specifically for the following project(s):

ADD PROJECT

5. Documentation Required:

The County will release the Subrecipient's allocated SLFRF funds, in a manner outlined below, after the Subrecipient provides all requested supporting documentation relevant to the Subrecipient's project(s). Throughout the duration of the subaward, the Subrecipient agrees to provide the County with any additional requested information necessary for the County to be assured that the expenditures constitute an eligible use of the SLFRF funds.

6. Compliance with Uniform Guidance

The Subrecipient will demonstrate compliance with the Uniform Guidance, including conflict of interest and procurement provisions. The Subrecipient will forfeit all or part of its SLFRF allocation if, at the County's determination, it fails to comply with the relevant Uniform Guidance provisions.

7. Release of SLFRF Subaward:

The County will release the Subrecipient's SLFRF in the following manner:

Direct Invoicing: The County will process payment on behalf of the Subrecipient upon receiving from the Subrecipient an Accounts Payable voucher, on a form prescribed by the Indiana State Board of Accounts, with supporting documentation such as an invoice, for allowable expenditures as stated in this agreement. The Subrecipient agrees to provide the County with any requested information related to the submitted voucher and supporting documentation. The County agrees to process payment for an accepted claim promptly.

8. Forfeiture of Subrecipient SLFRF Allocation:

The Subrecipient will forfeit all or part of its SLFRF allocation if, at the County's determination, the Accounts Payable vouchers, and/or supporting documentation are incomplete or otherwise unacceptable by the County's July 1, 2024 obligation deadline.

9. Obligation and Potential Forfeiture

Pursuant to the definition contained in the Final Rule, an obligation of SLFRF funds means that the recipient or subrecipient has placed an order for property or services or entered into contracts

or other transactions that require payment. In the event the Subrecipient has an outstanding SLFRF allocation balance and does not inform the County with supporting documentation that it has obligated any remaining balance by July 1, 2024, the County may un-appropriate the Subrecipient's unexpended balance and direct such balance to other uses at the discretion of the County.

10. Appeal Rights:

In the event of a dispute over acceptable documentation or any other relevant dispute, the Subrecipient may file an appeal with the Porter County Commissioners, with the appeal terms to be decided by the Commissioners.

11. Additional commitments by County and Subrecipient

The County, and more specifically, the Porter County Auditor's Office, agrees to support the Subrecipient in such ways as providing guidance regarding compliance with the Final Rule, guidance in submission of an acceptable Accounts Payable voucher and supporting documentation, and guidance on new directives or interpretations that might affect the Subrecipients. In addition, the Subrecipient agrees to allow the County to showcase the funded program or service in such ways as posting on the county website, on social media, or in news releases.

SIGNATURES AND ATTESTATION

Appendix C

The following is a sample risk assessment that the Porter County Auditor's Office will conduct of each subrecipient and not-for-profit beneficiary.

	TRUE	N/A	Assessed Risk Level		
			Low	Moderate	High
CHARACTERISTICS					
The participant:					
Has experience with federal grant awards.					
Appears to have strong staff support and well-run organization.					
Has received positive publicity about its programs and services.					
COMPLIANCE ISSUES					
The participant:					
Has not had its nonprofit status revoked.					
Has timely filed its 990.					
Submitted its 990 to Porter County timely, as requested.					
Has provided thorough description/budget about the proposed use(s) of SLFRF funds.					
Has demonstrated understanding and cooperation with our internal procedures.					
Has shown strong cooperation providing additional supporting documentation.					
Has shown strong cooperation in providing claims voucher and supporting documentation.					
Has provided claims/reimbursement data on a timely basis					
Has not expressed negative feedback regarding compliance.					
Has not had material audit findings.					
Prior audit findings have been resolved.					
Has expressed understanding of, and compliance with, Uniform Guidance conflict of interest provisions.					
Has expressed understanding of, and compliance with, Uniform Guidance procurement provisions.					

Appendix D

Procedures for determining subrecipient or beneficiary status for nonprofit organizations

Per the Final Rule, State and Local Fiscal Recovery Fund subrecipients carry out an eligible use on behalf of the recipient, and beneficiaries are end users of the award. Non-profit organizations may be classified as either.

Nonprofits are beneficiaries if they demonstrate that they were negatively financially impacted due to the COVID-19 pandemic.

Treasury's *Compliance and Reporting Guidance* (June 10, 2022) gives the following example of a nonprofit designated as a subrecipient: "...a recipient may provide a subaward to a nonprofit to provide home services to individuals experiencing homelessness. In this case, the subaward to a nonprofit is based on the services that the recipient intends to provide (assistance to households experiencing homelessness), and the nonprofit is serving as the subrecipient, providing services on behalf of the recipient."

We have not found guidance that makes a distinction for a nonprofit that demonstrates financial harm *and* that receives an SLFRF award for a program or service that falls under an allowable expenditure category. This description applies to most of the nonprofits that awarded SLFRF assistance from Porter County.

Per the final rule, the distinction between subrecipient and beneficiary status is contingent upon *why* a recipient awarded the funds.

In Porter County, the County Commissioners established four subcommittees to review SLFRF proposals received after a well-publicized application process. Each subcommittee was assigned specific topics. The "Non-Profit and Employers" Subcommittee was tasked with evaluating applications from non-profits that experienced financial harm; no specific project "type" was associated with this subcommittee. The "Behavioral Health and Social Services" Subcommittee was tasked with evaluating proposals involving housing, substance abuse, and other programs that assist households. The "Infrastructure" subcommittee was charged with evaluating water proposals and other county capital projects. Even if a nonprofit claimed financial harm, its application was referred to the Behavioral Health or Infrastructure subcommittee if its project fell under the specific topics designated by the Commissioners for these two subcommittees.

The Porter County Steering Committee was formed to act upon the recommendations presented by the subcommittees. It established "General Priority Considerations," which stated that priority would be given to proposals that "are an eligible use of ARPA funds as stated in Treasury's Final Rule." The intent of this directive was that the county would not need to establish additional allowable uses, as the final rule allows, but that proposed projects clearly were allowable.

To determine the proper classification of nonprofits, the Porter County Auditor’s Office developed the following procedures. We first evaluated which of the three following descriptions best applied to each nonprofit:

- The nonprofit experienced financial harm and applied for SLFRF funding for general operational support. The nonprofit is a beneficiary.
- The nonprofit did not experience financial harm and applied for SLFRF funding to carry out an enumerated use. The nonprofit is a subrecipient.
- The nonprofit experienced financial harm and applied for SLFRF funding for a specific project enumerated in the final rule. The following considerations are used to determine whether the county awarded the funds primarily in response to the nonprofit’s financial harm or primarily because of the proposed project.

	Potential Classification	Rationale
The project is currently provided by the nonprofit or a reasonable extension of the nonprofit’s mission.	Beneficiary	The county did not award the grant so that the nonprofit could carry out the project on its behalf because the nonprofit currently provides the program or service.
The project was planned or begun by the nonprofit prior to or during the SLFRF application	Beneficiary	The county did not award the grant so that the nonprofit could carry out the project because the nonprofit previously planned the project as part of its core service.
The nonprofit included the SLFRF assistance as part of its fundraising efforts for the project.	Beneficiary	The nonprofit demonstrated that it sought SLFRF assistance specifically to help supplement its budget for the stated project.
The county has no current involvement in the project or the county did not indicate that it wanted to initiate the project in conjunction with the nonprofit.	Beneficiary	The SLFRF award is best described as financial support for an impacted nonprofit carrying out an allowable project.
The county provides, funds, or otherwise has an involvement in projects similar to the one for which the nonprofit requested SLFRF funding, and the county’s award is an extension of its support for the programming.	Subrecipient	Although the nonprofit experienced financial harm, the primary reason the county awarded the funds was to carry out the specific project proposed, not to assist the nonprofit financially.

The Auditor’s Office documents the determination for each nonprofit’s status and the rationale. These procedures were applied to the nonprofits awarded SLFRF assistance as of November, 2022. It is envisioned that these procedures will be applied to any future nonprofit proposal as well.

Appendix E

Sample attestation and assistance list for townships or others providing direct assistance to households

SAMPLE ATTESTATION

ABC Township has provided \$5,000 of State and Local Fiscal Recovery Funds awarded by Porter County to assist negatively impacted households in the form of bus tokens, grocery store vouchers, and fuel cards.

ABC Township awarded the assistance only to individuals who experienced unemployment or housing insecurity or those who are deemed low income. To determine eligibility, the township applied the following procedures:

- For those experiencing unemployment, each applicant provided a copy of a recent unemployment check.
- For those experiencing housing insecurity, the township contacted ABC Homeless Shelter to confirm that the applicants are a shelter resident.
- Low-income applicants are ABC Township poor relief recipients.

ABC Township can provide additional verification upon request.

I, the duly elected township trustee of ABC Township, attest that the statements above are true and complete.

Signature line and date

SAMPLE ASSISTANCE LIST

<i>Applicant Name</i>	<i>Date</i>	<i>Assistance</i>	<i>Amount</i>	<i>Fuel card, voucher #</i>	<i>Receipt No.</i>
Sue Johnson	11/12/2022	Fuel card	\$25	23456	01234
Mary Smith	11/20/2022	Bus tokens, fuel card	\$50, \$25	23459	01235
John Wilson	11/20/2022	Grocery store voucher	\$50	102444	01236
Sam Adam	11/30/2022	Fuel card	\$25	23465	01237
Peter White	12/02/2022	Bus tokens, fuel card	\$50, \$25	23470	01238
TOTAL FOR MONTH:			\$250		

Appendix F

The following updates have been made to previously published versions of this document. These updates reflect only substantive changes and do not include minor corrections or edits:

November, 2022	<p>Renamed Appendix D to “Procedures for determining subrecipient or beneficiary status for nonprofit organizations” and added the procedures.</p> <p>Added Appendix E, “Sample attestation and assistance list”</p> <p>Added Appendix F for updates table</p> <p>Added control activities under “Additional requirements of nonprofit beneficiaries and subrecipients”</p> <p>Added control activities under “Additional requirements of townships providing assistance to households”</p> <p>Added monitoring controls language</p>
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