

INFORMATIONAL CIRCULAR NO. 22-A-007

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SUBJECT: State Agency American Rescue Plan Act Processing, Tracking, and Reporting
EFFECTIVE DATE: Immediately
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SUMMARY: ARPA Processing, Tracking, and Reporting

This document includes guidance for transaction processing for American Rescue Plan Act (ARPA) funds received by your agency that were approved for distribution from the discretionary money received by the Governor's Office. This funding is referred to as the State Fiscal Recovery Funds (SFRF). Adherence with these guidelines will facilitate consistency of data for internal state reporting as well as compliance with the U.S. Department of the Treasury's Office of Inspector General's reporting requirements relative to ARPA expenditures.

Fund 3756 has been established in SMART as the American Rescue Plan State Relief Fund and will be used for all discretionary funds distributed from the Governor's Office to state agencies. The CFDA (Catalog of Federal Domestic Assistance) number associated with this fund is 21.027. Budget unit 3536 has been established to record state agency spending for each business unit receiving funds.

New Program Code Usage for ARPA

The program code usage is different for ARPA spending than it was under the Coronavirus Relief Fund (CRF) spending. A different program code will be assigned to each state program approved to receive money. This will enhance the ability to track and report on the spending of each different state program, especially for agencies who have multiple programs or when money is transferred to other state agencies as subrecipients.

After the state program is approved by the State Finance Council and the program code is assigned by the Recovery Office, the program code will be included in the agency's Memorandum of Agreement (MOA). The SMART Team will establish the program code for the recipient agency. **Every transaction associated with that particular state program must use the assigned program code. If the program funds are transferred to another state agency, the subrecipient state agency must use the assigned program code on all transactions as well.**

Subrecipient State Agencies

For some programs, the recipient (or prime) state agency may distribute funds to a subrecipient state agency. In order for SMART to be set-up correctly, the subrecipient agency needs to request that the

fund, budget unit, and program code be added to their SMART business unit prior to receiving the funds. The subrecipient agency needs to submit the request via a Kansas Service Desk ticket.

Encumbrance Requirement

As directed by Office of Accounts and Reports (OAR) Policy Manual, Filing Number 10,300, unless specifically exempted by statute, all state agencies must follow the requirements for recording encumbrances in the accounting system. Payments to program recipients are not required to be encumbered. Payments for goods and services are required to be encumbered regardless of the funding source. Creating a purchase order for payment of goods and services meets the encumbrance requirement and links the contract to the voucher, which will assist with federal reporting requirements.

Best Practice for Any Funding of Payments and Funding Changes

It is best practice to use the correct funding chartfields from the beginning of any transaction. A requisition for the purchase of goods and services for ARPA programs should be created with the correct ARPA funding chartfields which will then source to a purchase order (PO) with the correct ARPA funding chartfields, and ultimately to the voucher.

When corrections are needed, it is recommended those transactions be entered in the originating module:

- A requisition that has not been sourced to a PO, should be canceled. A new requisition should then be created with the correct funding chartfields.
- If a PO has been created and **has had no vouchers processed**, the PO should be canceled, and a new requisition should be created with the correct funding chartfields.
- If a PO has been created and **has had a voucher(s) processed**, a change order should be processed to correct the funding chartfields for any remaining vouchers to be processed.
- For vouchers that have processed, an accounts payable journal should be processed (in the AP module) to correct the funding chartfields.

Details from the expenditure transactions become more difficult to accumulate in federal reports when GL journals are entered to change funding because the original details contained in voucher transactions do not carry to the general ledger.

Best Practice for Funding of Payroll

If payroll transactions will be funded by ARPA programs, it is best practice to establish the correct ARPA funding chartfields in SHARP. Details from the payroll transactions become more difficult to accumulate in federal reports when GL journals are entered to change funding because the original details contained in SHARP transactions do not carry to the general ledger.

Reporting

Federal reporting guidance has been released and includes 66 different reporting categories. The appropriate category(s) to be used for a particular program, based on the approved allowable spending, will be included in the agency's MOA and will be established by the SMART Team for your agency in the SMART Chartfield 2 field. New queries will be added in SMART to assist agencies with completing the required reports. The reporting cadence will be monthly.

Guidance for Each Scenario of Award Receipt and Payment

Use the chart in Attachment A to assist your agency with determining the correct chartfield usage and reporting requirements. Your agency will need to determine whether a payment is being made to a subrecipient vs. a beneficiary vs. a contractor in order to code it correctly. Here are the short descriptions that can be used in your determination regarding ARPA SFRF:

- Subrecipient—A subrecipient is an entity that receives a subaward to carry out part of a federal award or program. Some of the program compliance and reporting requirements become the responsibility of the subrecipient.
- Beneficiary—Individuals and organizations that receive State & Local Fiscal Relief Funds (SLFRF) funds as *end users* to respond to the negative impacts of COVID-19 on these organizations.
 - Beneficiaries are not subject to the Single Audit Act and 2 CFR Part 200, Subpart F.
 - Document beneficiary determination in the same manner as subrecipient vs. contractor determinations. Note that additional guidance will be included in both the Subrecipient vs. Contractor Checklist and the Grant Compliance Checklist and Guide ARPA SLFRF.
 - Receiving entity should be notified that it is a beneficiary, and not subject to the audit requirements.
- Contractor—When a payment is being made for goods and services, the payee is a contractor.