



WEBINAR Q&A FOLLOW-UP

Subgranting of CARES Act Funding

The Ohio Township Association, Ohio Municipal League, Ohio Mayors Alliance, and County Commissioners Association of Ohio invited participants to join the Ohio Office of Budget and Management (OBM) to discuss the processes and procedures of subgranting CARES Act funds to other entities. This webinar covered requirements under the CARES Act, how to establish a subgrant, innovative uses of CARES Act funds with other entities, and best practices for local governments looking to share resources or partner with other entities to deliver programs with CARES Act dollars.

Below are Q&As regarding the Subgranting Webinar, with answers provided in consultation with the Ohio Office of Budget and Management.

1. Is there any reporting that political subdivision should be doing as funds are spent either on OBM's or another website?

OBM answered this question during the webinar.

2. Can a political subdivision subgrant money to a school for the purchase of PPE? For the cost of extra cleaning at the school? What is the maximum amount that may be subgranted? Can we provide consumables or sub-grant to local parochial school as well as local public schools?

OBM addressed these questions in the webinar.

3. Would a PRC program allotment require 1099s?

Individual assistance typically does not have tax implications, but you should consult a tax professional or confirm with the IRS. The IRS provided guidance at <https://www.irs.gov/newsroom/cares-act-coronavirus-relief-fund-frequently-asked-questions-regarding-grants-to-businesses>.

4. Can 100 percent of fire, EMS, and police personnel salaries and benefits be paid for by CARES Act monies during the period of Mar. 1 to Dec. 30?

Please see the US Treasury Guidance released on Sept. 2. Specifically, refer to questions 2, 11, and 47.

5. Is it required that a subgrantee expend funds prior to Dec. 30? And does a small business grant have to be spent prior to Dec. 30?

OBM answered this question during the webinar.

6. In anticipation of CARES funding, but prior to legislation, many subdivisions created line-item budgets for cleaning supplies. Prior to Mar. 27. Are they required to expend general fund monies due to this budgeting? Even if the expenditure was after Mar. 1?

The US Treasury Guidance, and the CARES Act, requires costs to not been accounted for in the budget most recently approved as of March 27, 2020. Any cleaning costs that exceed that budgeted amount at that point in time (March 27) would be allowable.

7. Can we help out our local Food Bank? If so, do we just manage the funding that will be set aside for them or as a sub grant?

Yes, an entity may help out organizations like a food bank. You may provide items to the food bank or you may subgrant revenue to the food bank for their use, as long as the use of funds fall under the US Treasury Guidance. Specifically, please see question 46.

8. Some entities are talking about purchasing AED's and placing in parks and buildings that do not have one, since COVID had cardiac implications. Would that be allowable?

The CARES Act provides that payments from the Fund may only be used to cover costs that: 1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); 2) were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and 3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. Due to the perception of this being very loosely tied to COVID, the jurisdiction must document the necessity and provide a strong justification that this is related to response or mitigation of COVID-19.

9. Is there a template of the Notice of Award that is generic in nature of the basic required information that can be provided?

OBM answered this question during the webinar.

10. The Treasury Guidance defines a subrecipient differently than the Uniform Guidance for reporting, but they say the compliance requirements are the same. This makes it seem like every contract/grant greater than \$50,000 has to be monitored following the Uniform Guidance rules. Can you clarify?

OBM answered this question during the webinar.

11. If a political subdivision does not use the complete allotment of CARES Act dollars by Nov. 20, what happens to those funds? Do they go to the county for distribution?

The funds will be redistributed after Nov. 20 to the entities within the county that have encumbered all of their funds.

12. Will county auditors be auditing what villages & townships do?

No, the state auditor will audit entities during their normal audit. If an entity receives and expends more than \$750,000, it will be subject to a single year audit by the federal government. As far as reporting how the money was used, entities will have to provide documentation to OBM.

13. Is it possible to just transfer the funds to the county or the state and have them manage the funds so that entities do not have to deal with the single-year auditing requirements if receiving \$750,000 or more of CARES Act funds?

No, any jurisdiction that expends \$750,000 or more in federal funds to include the CRF monies will be required to have a single audit. This may impact decision making and the return of a portion of the funds to the county based on impacts a single audit may have on a jurisdiction such as additional audit costs, changing from a two year audit to one, etc. Subgranting of funds is still considered an expenditure of federal funds for federal schedule purposes.

- 14.** Are subgrant agreements between a county and another political subdivision required by state and/or federal law if the board of commissioners chooses to "share" its CARES Act allocation? In other words, would the absence of such an agreement when CARES Act funds are shared cause an audit finding of non-compliance for the commissioners during a subsequent grant audit? Or is a subrecipient agreement simply an optional best practice?

OBM answered this question during the webinar.

- 15.** Would OBM be willing to provide a good model subrecipient agreement for counties' or townships' use?

OBM answered this question during the webinar.

- 16.** Is there a max on gross sales generated by a business to provide them grants?

There is no maximum amount listed in the US Treasury Guidance for business grants. The political subdivision must create rules and regulations for the distribution of said grants.

- 17.** Discuss use of subgrants to pay overdue utilities of individuals who are in economic distress due the pandemic. This payment assistance was mentioned in recent OBM handout.

Setting up an economic distress program is not necessarily a subgrant unless you subgrant the funds to an entity like a non-profit to administer the program. If the program is run by the jurisdiction and provides relief directly to individuals or on behalf of an individual, then that is not considered a subgrant.

- 18.** How are administrative costs tracked? Is a log necessary or is it a percentage of salary?

Time and activities must be tracked to support the time and actual activities related to the funding. It is recommended a time report be completed by an employee and approved by a supervisor to document the hours each pay period that are deemed administrative and document the activities that were performed to support the cost charged to the funds. All hours should be represented so the percentage of time logged as administrative can support allocations of fringe and also show no duplication of costs should the employee be funded by other federal sources.

- 19.** If monies are subgranted and misused who is responsible for repaying? What type of record keeping is necessary? Will a simple narrative and/or affidavit of the subgrantee's use of the funds be sufficient?

The original recipient is responsible, not the subgrantee. Documentation, such as invoices and ledgers, to support costs should be reviewed as part of monitoring activities. A narrative and affidavit does not provide monitoring assurances on use of funds.

- 20.** Our Community Improvement Corporation had a considerable loss of income from not being able to operate their concession stand for summer sports. Can we aide them with that loss?

CARES Act money may not be used for revenue replacement. Please see the US Treasury Guidance for acceptable uses of the funds.

- 21.** If we have administrative employees who are spending substantial time documenting payroll and/or researching eligible items that can be purchased using CARES funding, can a part of their payroll/benefit be charged to the CARES fund?

Please see the US Treasury Guidance released on Sept. 2. Specifically, see questions 39 and 47.

- 22.** If a political subdivision offers business grants, does the political subdivision have to make sure the businesses spend the money in an appropriate way?
Yes, a political subdivision would need to have rules and regulations in place to ensure that the business is using the money according to the CARES Act.
- 23.** Can a local government use CARES Act funds to contract with an IPA to assist with reporting and compliance? What about hiring a "Cares Act coordinator" to assist in implementing expenditures? Contracting for legal counsel to ensure funds are spent properly?
See the US Treasury FAQ at <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf> #39. Administrative expenses must be related to the administration of funds and represent an increase over previously budgeted amounts and are limited to what is necessary. Examples in the question may qualify as expenses incurred to disburse funds received.
- 24.** Would a political subdivision be allowed to hire a new staff member that would actually complete sanitization work at the school? The person would be on the local government's payroll, not the school's payroll.
As long as the jurisdiction deems this as necessary.
- 25.** If we are just reimbursing expenses already purchased by a school or other qualifying recipient, can a political subdivision just verify cost and prepare a purchase order as opposed to entering into a subgrant agreement?
No, if funds are provided to another jurisdiction then an agreement is required. If you are reimbursing, then monitoring is limited as you are reviewing the documentation on the front end. The recipient must be provided the federal financial information as they would be required to put the amount on a federal schedule if they qualify for a single audit.
- 26.** Can an entity reimburse a school system, EMS, or volunteer fire department for legitimate COVID-19-related expenses already incurred?
Yes, for expenses incurred during the eligible period from Mar. 1 to Dec. 30, 2020. Please see the answer to question #25 above for the proper way to handle this.
- 27.** What is the definition of a small business? We have a seasonal business that has been closed for this season due to COVID.
This is not defined by the US Treasury. The political subdivision must create rules and regulations for the distribution of said grants.
- 28.** Would an entity be able to reimburse for overtime worked that has been converted to compensatory time, and all the compensatory time has yet to be used?
The comp time has a value once it is used, thus the value at the time of earning can be charged as if it was overtime.