



**Internal Audit Committee of
Brevard County, Florida**

**Internal Audit of
The American Rescue Plan Act Grant**

**Prepared By:
Internal Auditors
March 25, 2022**



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Transmittal Letter

March 25, 2022

The Audit Committee of
Brevard County, Florida
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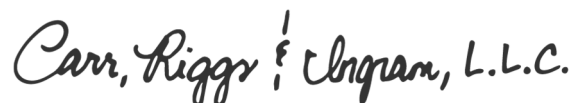
Pursuant to the approved 2021/2022 internal audit plan, we hereby submit our internal audit of the American Rescue Plan Act (“ARPA”) Grant. We will be presenting this report to the Audit Committee at the next scheduled meeting on April 20, 2022.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the observations and testing results related to our internal audit of the ARPA grant.
Background	This provides a general overview of the ARPA grant.
Objectives Approach and Results	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach and the results of our audit procedures.

We would like to thank all those involved in assisting the Internal Auditors in connection with the internal audit of the ARPA grant.

Respectfully Submitted,



INTERNAL AUDITORS

Executive Summary

Overview

The American Rescue Plan Act of 2021 is a \$1.9 trillion coronavirus rescue package designed to facilitate the United States' recovery from the devastating economic and health effects of the COVID-19 pandemic. Brevard County was allocated \$116,920,177, and received its initial tranche of funding in the amount of \$58,460,088.50 on May 18, 2021 and the remainder of the funding will be received in May 2022.

These funds may be used for four categories:

1. Public health emergency with respect to Coronavirus Disease or its negative economic impacts
2. Premium pay to eligible workers
3. Revenue replacement for the provision of government services to the extent of the reduction in revenue of the county
4. Investments in water, sewer, or broadband infrastructure

The Treasury's final ruling detailing the final compliance requirements was published on January 6, 2022.

Objective, Approach and Results

The primary purpose of the internal audit of the ARPA grant function was to test the accuracy and compliance of the lost revenues calculation for 2020 and the quarterly project and expenditure report due January 31, 2022.

We obtained support for the lost revenues calculation and recalculated the lost revenue based on the formula and other grant specifications. See results noted below.

Additionally, we noted that the County has only expended funds under one project, and we agreed the expenditure amount in the report to the general ledger detail without exception for the vaccine incentive program totaling \$1,997,086.

Summary of Results (See within for expanded results)		
Internal Audit Period October 1, 2021 – January 31, 2022		
Lost Revenues Calculation (October 1, 2019 – September 30, 2020) Submitted: January 31, 2022	Quarterly Project and Expenditure Report (March 3, 2021 through December 31, 2021) Submitted: January 31, 2022	Project Allocations
We noted that one account balance for 2020 was missing the revenue amount, and the component units for the County had been excluded from the calculation. All other aspects of the calculation appeared accurate. This matter was resolved by management as expanded upon below.	The report was reviewed and submitted on time.	All of the proposed projects approved through January 31, 2022 were allowable projects based upon the category assignment.

Background

Overview:

ARPA activities are initiated and developed at the local level based upon a community's perceptions of its local needs and priorities. Each entitlement grantee receiving ARPA funds is free to determine what activities it will fund as long as certain requirements are met.

Allowable Activities and Unallowable Activities:

Allowable activities fall under one of four categories:

1. Public Health and Negative Economic Impacts caused by the Public Health Emergency
2. Premium Pay for Essential Workers
3. Water and Sewer and Broadband Infrastructure Improvements
4. Replace lost public sector revenues

Unallowable activities include:

1. Contributions to Pension Plans
2. Debt Payments
3. Contributions for Reserve Funds
4. Paying Settlements of Judgments
5. Programs with requirements that undermine CDC Guidance

Lost Revenues

The lost revenues calculation is detailed in the interim final ruling, and expanded options were allowed for by Treasury's final ruling issued January 6, 2022.

The rate of growth is determined as the higher of either 5.2% standard rate or the actual rate of the county. The actual growth rate is calculated using the average annual revenue growth in the last full three fiscal years prior to COVID -19 public health emergency.

The counterfactual revenue is then calculated for each year utilizing either a fiscal or calendar year for 2020, 2021, 2022, and 2023, utilizing the formula below.

$$\text{base year revenue} \times (1 + \text{growth adjustment})^{\frac{n}{12}}$$

The counterfactual revenue is then compared to the actual revenue, and the difference is the lost revenues for the period.

Background – continued

Schedule of Funding and Period of Performance:

The County received \$58,460,088.50 on May 18, 2021, and will receive the remaining \$58,460,088.50 in May 2022. The funds can be used for expenditures from March 3, 2021 through December 31, 2026. Any funds expended January 1, 2025 - December 31, 2026 must be obligated by December 31, 2024 and can only be spent on what was obligated. Any funds not spent on what was obligated by December 31, 2026 must be returned to the U.S. Department of Treasury.

Procurement:

The procurement guidelines are the same as all other federal grants. Purchases must be made following the requirements in 2 CFR §200.318 through 200.327. Purchases above the simplified acquisition threshold (currently at \$250,000), must be bid or noncompetitive procurement methods should be documented. Quotes should be obtained for small purchases (purchases between the simplified acquisition threshold and the micro-purchases threshold (currently at \$10,000)).

Prior to entering in to subawards or contracts with award funds, the County must verify that contractors and/ or subrecipients are not suspended, debarred, or otherwise excluded pursuant to 31 CFR §19.300.

Reporting:

The County has a population that exceeds 250,000 residents; therefore, is subject to the following reporting requirements.

- 1) Interim Report - due August 31, 2021
- 2) Recover Plan Performance Report - due August 31, 2021
- 3) Project and Expenditure reports - due quarterly 30 days after the end of each quarter, beginning with January 31, 2022
- 4) FFATA reporting is being done by the Treasury on behalf of all recipients. The threshold is increased to \$50,000 for subawards, and this information is included in the Project and Expenditure reports for the Treasury to perform the reporting.

The Recovery Plan Performance report is required to be publicly accessible.

Subrecipient Monitoring:

Subrecipients need to be monitored to ensure they are in compliance with the terms and conditions of the subaward and use the funds for authorized purposes. For any subaward agreements, the County would need all the required information in the contracts pursuant to 2 CFR §200.332. Currently, the County does not have any subawards for the ARPA grant.

Staffing

Key personnel involved the ARPA grant include:

Name	Title
Kathy Wall	Central Services Director
Jill Hayes	Budget Director
Fazie Khan	Special Project Coordinator IV

Objectives and Approach

Objectives

The objectives of this internal audit included the following:

- Test the accuracy and compliance of the lost revenues calculation for 2020.
- Test the accuracy and compliance of the quarterly project and expenditure report, due January 31, 2022.
- Determine if approved projects are allowable.

Approach

Our internal audit approach consisted of three phases:

Planning

During the first phase, we discussed with the Budget Department the options they had selected in calculating the lost revenues calculation. Management provided their preliminary planned projects for ARPA spending which consisted of the vaccine incentive program, water and sewer infrastructure, and fire rescue department projects.

Testing

Our procedures included obtaining an understanding of how the lost revenues calculation was performed, testing the accuracy of the calculation and discussing any elections to ensure proper compliance. Our procedures also included reviewing a draft of the project and expenditure report due on January 31, 2022 prior to submission.

Reporting

At the conclusion of our analysis, we summarized the results of our procedures into a report and conducted exit interviews with the Budget Department and the County Manager to discuss the details of our results.

Results

Procedures and Results	Resolution
1. Lost Revenues Calculation	
<p>Initially, the County calculated the lost revenue using both allowable methods resulting in the following lost revenue:</p> <p>Calendar Year 2020: \$24,375,613 Fiscal Year 2020: \$20,749,890</p> <p>During our review of the lost revenues calculation, we noted the following for each respective calculation:</p> <p>Calendar Year: (1) one account balance for 2020 was missing the revenue amount of \$7,044,000; (2) the component units' revenue for the County had been excluded from the calculation.*</p> <p>Fiscal Year: the component units' revenue for the County had been excluded from the calculation.*</p> <p>*Pursuant to the Treasury guidance, the County's component units' revenue should be included in the lost revenue calculation.</p> <p>The effect of excluding the component units' revenue resulted in a lower lost revenue calculation.</p> <p>All other aspects of the calculation appeared accurate.</p>	<p>Management agreed with including the one account balance missing revenue as well as the component units' revenue.</p> <p>These revisions to the lost revenue calculation resulted in the growth adjustment increasing to 5.627% from 5.621%.</p> <p>The revised calculations resulted in the following final lost revenue amounts:</p> <p>Calendar Year 2020: \$19,011,587 Fiscal Year 2020: \$21,735,420</p> <p>Based on the revised results, management submitted the fiscal year lost revenue amount on January 30, 2022 prior to the January 31, 2022 reporting deadline.</p>
2. Quarterly Reporting and Expenditures	
<p>Management prepared the first project and expenditure report that was due January 31, 2022 prior to the due date. The County has expended funds under one project, and we agreed the expenditure amount in the report to the general ledger detail without exception for the vaccine incentive program. The vaccine incentive program falls under the first of the four allowable activities' categories noted in the background section above. The other projects in the report were in the proper project category based upon their descriptions.</p> <p>The report was prepared by the Special Project Coordinator IV and then reviewed and submitted by the Budget Director, ensuring proper internal controls over the compliance for reporting.</p> <p>Further, the portal only provided a space to report the lost revenues amounts on a calendar year basis. We noted that there was a comment box where the County could type in the fiscal year.</p>	<p>Management updated the comment box to state that they calculated the revenue loss for the fiscal year ending September 30, 2020.</p>

Procedures and Results		Resolution
3. Project Allocations		
<p>We reviewed all of the projects that were approved by the Commission at various meetings through January 31, 2022. All of the proposed projects were allowable projects based upon the category assignment.</p> <p>See the table below for approved projects as of January 31, 2022. Funds can be obligated through December 31, 2024.</p>		None needed.
Category	Approved Project Totals	
1. Public Health and Negative Economic Impacts caused by the Public Health Emergency	\$2 million for vaccine incentive	
2. Premium Pay for Essential Workers	\$0 No projects have been approved for this category.	
3. Water and Sewer and Broadband Infrastructure Improvements	\$44 million for various water sewer infrastructure projects	
4. Replace lost public sector revenues	\$1.7M for various nonprofits \$8.5M for Fire Rescue operations and equipment	