# TOWN OF CARRBORO

# POLICIES FOR THE EXPENDITURE OF AMERICAN RESCUE PLAN ACT OF 2021, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

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## PURPOSE AND OVERVIEW

The American Rescue Plan Act (ARPA) signed into law on March 11, 2021, which provides Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) to state and local governments to assist with pandemic rescue and recovery efforts. The Town of Carrboro has received $6,753,198.84 to assist with recovery efforts.

The U.S. Treasury is responsible for implementing ARP/CSLFRF and has enacted a Final Rule outlining eligible uses of these funds. The use of these funds is subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Part 200 (UG), as provided in the Assistance Listing, and requires the governing board to adopt certain policies and procedures to comply with the UG, rules adopted by U. S. Treasury, and other federal rules and regulations.

Using the policy templates developed by the UNC School of Governments, we have drafted the policies that follow Town Council consideration for adoption. A copy of which has been forwarded to the Town Attorney for review.

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**ARPA POLICY No. 2022-01**

# ELIGIBLE PROJECTS FOR THE EXPENDITURE ARPA CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS BY TOWN OF CARRBORO

*This policy defines the permissible and prohibited uses of the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF) funds.*

**WHEREAS** the Town of Carrboro has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

**WHEREAS** U.S. Treasury is responsible for implementing ARP/CSLFRF and has enacted a Final Rule outlining eligible projects; and

**WHEREAS** the funds may be used for projects within these categories, to the extent authorized by state law.

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff.
2. Address negative economic impacts caused by the public health emergency, including economic harms to households, small businesses, non-profits, impacted industries, and the public sector.
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors.
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

**WHEREAS** the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Part 200 (UG), as provided in the Assistance Listing; and

**WHEREAS** U.S. Treasury has issued a Compliance and Reporting Guidance Version 4.0 (June 10, 2022) dictating implementation of the ARP/CSLFRF award terms and compliance requirements; and

**WHEREAS** the Compliance and Reporting Guidance states on page 7 that:

> ***"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."***

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**BE IT RESOLVED** that the Town of Carrboro Town Council hereby adopts and enacts the following Eligibility Determination Policy for ARP/CSLFRF funds.

## I. PERMISSIBLE USES OF ARP/CSLFRF FUNDING

U.S. Treasury issued its **Final Rule** regarding use of ARPA funds on January 6, 2022 to be effective as of April 1, 2022. Until that date, a local government may proceed under the regulation promulgated by U.S. Department of the Treasury in its **Interim Final Rule** or the **Final Rule.)** The Final Rule (and the Interim Final Rule) identify permissible uses of ARP/CSLFRF funds and certain limitations and process requirements. Funds used consistently with the Interim Final Rule while in effect will be in compliance with the ARP/CSLFRF. Treasury will not take action to enforce the interim final rule to the extent that a use of funds is consistent with the terms of the final rule regardless of when the SLFRF funds were used. Local governments must obligate ARP/CSLFRF funds no later than December 31, 2024, and all funds must be spent no later than December 31, 2026. Failure of an entity to expend all funds by December 31, 2026, will result in forfeiture of unspent ARPA funds.

ARP/CSLFRF funds may be used for projects within the following categories of expenditures:

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;

2. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, non-profits, impacted industries, and the public sector;

3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;

4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and

5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

## II. PROHIBITED USES OF ARPA FUNDING

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The ARP/CSLFRF and U.S. Treasury's Final Rule prohibit certain uses of ARP/CSLFRF funds. Specifically, ARP/CSLFRF **funds may not be used** for projects within the following categories of expenditures:

1. To make a deposit into a pension fund that constitutes an extraordinary payment of an accrued, unfunded liability (Note that routine contributions as part of a payroll obligation for an eligible project are allowed.).
2. To borrow money or make debt service payments.
3. To replenish rainy day funds or fund other financial reserves.
4. To satisfy an obligation arising from a settlement agreement, judgment, consent decree, or judicially confirmed debt restricting in a judicial, administrative, or regulatory proceeding (There is an exception to this prohibition if the settlement or judgment requires the local government to provide services to respond to the COVID-19 public health emergency or its negative economic impacts or to provide government services, then the costs of those otherwise ARP/CSLFRF-eligible projects are allowed.).
5. For a project that includes a term or condition that undermines efforts to stop the spread of COVID-19 or discourages compliance with recommendations and guidelines in CDC guidance for stopping the spread of COVID-19.
6. In violation of the conflict-of-interest requirements imposed by the award terms and 2 CFR 200.318(c).
7. For any expenditure that would violate other applicable federal, state, and local laws and regulations.

The Town of Carrboro and any of its contractors or subrecipients, may not expend any ARP/CSLFRF funds for these purposes.

## III. PROCEDURES FOR PROJECT APPROVAL

The following are the procedures for ARP/CSLFRF project approvals. All Town of Carrboro employees and officials must comply with these requirements.

1. Requests for ARP/CSLFRF funding, must be made in writing and include all the following:
    a. Brief description of the project
    b. Identification of ARP/CSLFRF Expenditure Category (EC) (A list of ECs in in the Appendix to the U.S Treasury Compliance and Reporting Guidance.)
    c. Required justifications for applicable projects, according to the requirements in the Final Rule. Employees or any applicant seeking ARP funding should review the Final Rule and Final Rule Overview prior to submitting a proposal.
    d. Proposed budget, broken down by cost item, in accordance with the Town of Carrboro's Allowable Cost Policy.
    e. A project implementation plan and estimated timeline (All ARP/CSLFRF funds must be fully obligated by December 31, 2024, and fully spent by December 31, 2026.)

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2. Requests for funding must be in writing using the Town's *ARPA Project Request and Eligibility Determination Form* and submitted to the Town's Designated Official for approval.
3. All requests will be reviewed by Town Attorney for ARP/CSLFRF compliance and by the Chief Financial Officer for allowable costs and other financial review.
4. No ARP/CSLFRF may be obligated or spent before final written approval by the Carrboro Town Council and adoption of a project ordinance by the Town Council.
5. If a proposal does not meet the required criteria, it will be returned to the requesting party for revision and resubmittal, if necessary.
6. Following approval, employees responsible for implementing the project must conform the actual obligations and expenditures to the pre-approved project budget. Changes in project budgets must be approved by the Town Manager and may require a budget or project ordinance amendment before proceeding. Any delay in the projected project completion date shall be communicated to the Chief Finance Officer immediately upon knowledge of events that may cause a delay.
7. The Designated Town Official must collect and document the required information for each Expenditure Category, for purposes of completing the required Project and Expenditure reports.
8. The Chief Finance Officer must retain written project requests and approvals, all supporting documentation, and financial information at least until December 31, 2031.

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**ARPA POLICY No. 2022-02**

# ALLOWABLE COSTS AND COST PRINCIPLES FOR EXPENDITURE OF ARPA CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

*This policy addresses the proper classification of both direct and indirect charges to ARP/CSLFRF funded projects and enacts procedures to ensure that proposed and actual expenditures are consistent with the ARP/CSLFRF grant award terms and all applicable federal regulations in the Uniform Grant Guidance (UG).*

**WHEREAS** the Town of Carrboro (Town) has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

**WHEREAS** the funds may be used for projects within these categories, to the extent authorized by state law.

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to households, small businesses, non-profits, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

**WHEREAS** the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Sect. 200 (UG), as provided in the Assistance Listing; and

**WHEREAS** the Compliance and Reporting Guidance for the State and Local Fiscal Recovery Funds provides, in relevant part:

> **Allowable Costs/Cost Principles.** As outlined in the Uniform Guidance at 2 CFR Part 200, Subpart E regarding Cost Principles, allowable costs are based on the premise that a recipient is responsible for the effective administration of Federal awards, application of sound management practices, and administration of Federal funds in a manner consistent with the program objectives and terms and conditions of the award. Recipients must implement robust internal controls and effective monitoring to ensure compliance with the Cost Principles, which are important for building trust and accountability.

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ARP/CSLFRF Funds may be, but are not required to be, used along with other funding sources for a given project. Note that ARP/CSLFRF Funds may not be used for a non-Federal cost share or match were prohibited by other Federal programs, e.g., funds may not be used for the State share for Medicaid.

Treasury's Interim Final Rule and guidance and the Uniform Guidance outline the types of costs that are allowable, including certain audit costs. For example, per 2 CFR 200.425, a reasonably proportionate share of the costs of audits required by the Single Audit Act Amendments of 1996 are allowable; however, costs for audits that were not performed in accordance with 2 CFR Part 200, Subpart F are not allowable. Please see 2 CFR Part 200, Subpart E regarding the Cost Principles for more information.

a. Administrative costs*:* Recipients may use funds for administering the SLFRF program, including costs of consultants to support effective management and oversight, including consultation for ensuring compliance with legal, regulatory, and other requirements. Further, costs must be reasonable and allocable as outlined in 2 CFR 200.404 and 2 CFR 200.405. Pursuant to the ARP/CSLFRF Award Terms and Conditions, recipients are permitted to charge both direct and indirect costs to their SLFRF award as administrative costs. Direct costs are those that are identified specifically as costs of implementing the ARP/CSLFRF program objectives, such as contract support, materials, and supplies for a project. Indirect costs are general overhead costs of an organization where a portion of such costs are allocable to the ARP/CSLFRF award such as the cost of facilities or administrative functions like a director's office. Each category of cost should be treated consistently in like circumstances as direct or indirect, and recipients may not charge the same administrative costs to both direct and indirect cost categories, or to other programs. If a recipient has a current Negotiated Indirect Costs Rate Agreement (NICRA) established with a Federal cognizant agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals, then the recipient may use its current NICRA. Alternatively, if the recipient does not have a NICRA, the recipient may elect to use the de minimis rate of 10 percent of the modified total direct costs pursuant to 2 CFR 200.414(f).

b. Salaries and Expenses*:* In general, certain employees' wages, salaries, and covered benefits are an eligible use of ARP/CSLFRF award funds; and

**WHEREAS** Subpart E of the UG dictates allowable costs and cost principles for expenditure of ARP/CSLFRF funds; and

**WHEREAS** Subpart E of the UG (specifically, 200.400) states that:

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The application of these cost principles is based on the fundamental premises that:

(a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.

(b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

(c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary to assure proper and efficient administration of the Federal award.

(d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles and must provide for adequate documentation to support costs charged to the Federal award.

(e) In reviewing, negotiating and approving cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should generally assure that the non-Federal entity is applying these cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item by the non-Federal entity, the reasonableness and equity of such treatments should be fully considered.

(f) For non-Federal entities that educate and engage students in research, the dual role of students as both trainees and employees (including pre- and post-doctoral staff) contributing to the completion of Federal awards for research must be recognized in the application of these principles.

(g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award;

**BE IT RESOLVED** that the governing board of the Town of Carrboro hereby adopts and enacts the following UG Allowable Costs and Cost Principles Policy for the expenditure of ARP/CSLFRF funds.

## I. ALLOWABLE COSTS AND COSTS PRINCIPLES POLICY OVERVIEW

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Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly called Uniform Guidance (UG), specifically Subpart E, defines those items of cost that are allowable, and which are unallowable. The tests of allowability under these principles are:

(a) the costs must be reasonable.
(b) they must be allocable to eligible projects under the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF);
(c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and
(d) they must conform to any limitations or exclusions set forth in these principles or in the ARP/CSLFRF grant award as to types or amounts of cost items.

Unallowable items fall into two categories: expenses which are by their nature unallowable (e.g., alcohol), and unallowable activities (e.g., fund raising).

The Town shall adhere to all applicable cost principles governing the use of federal grants. This policy addresses the proper classification of both direct and indirect charges to ARP/CSLFRF funded projects and enacts procedures to ensure that proposed and actual expenditures are consistent with the ARP/CSLFRF grant award terms and all applicable federal regulations in the UG.

Responsibility for following these guidelines lies with Town Department Directors and Chief Financial Officer, who are charged with the administration and financial oversight of the ARP/CSLFRF. Further, all local government employees and officials who are involved in obligating, administering, expending, or monitoring ARP/CSLFRF grant funded projects should be well versed with the categories of costs that are generally allowable and unallowable. Questions on the allowability of costs should be directed to Chief Financial Officer. As questions on allowability of certain costs may require interpretation and judgment, local government personnel are encouraged to ask for assistance in making those determinations.

## II. GENERAL COST ALLOWABILITY CRITERIA

All costs expended using ARP/CSLFRF funds must meet the following general criteria:

1. **Be necessary and reasonable for the proper and efficient performance and administration of the grant program.**

   A cost must be *necessary* to achieve a project object. When determining whether a cost is necessary, consideration may be given to:

   - Whether the cost is needed for the proper and efficient performance of the grant project.

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- Whether the cost is identified in the approved project budget or application.
- Whether the cost aligns with identified needs based on results and findings from a needs assessment.
- Whether the cost addresses project goals and objectives and is based on program data.

A cost is *reasonable* if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices. When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the Town of Carrboro or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state, and other laws and regulations; and terms and conditions of the ARP/CSLFRF award.
- Market prices for comparable goods or services for the geographic area.
- Whether individuals concerned acted with prudence in the circumstances considering their responsibilities to Town of Carrboro its employees, the public at large, and the federal government.
- Whether Town of Carrboro significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the ARP/CSLFRF award's cost.

2. **Be allocable to the ARP/CSLFRF federal award.** A cost is allocable to the ARP/CSLFRF award if the goods or services involved are chargeable or assignable to the ARP/CSLFRF award in accordance with the relative benefit received. This means that the ARP/CSLFRF grant program derived a benefit in proportion to the funds charged to the program. *For example, if 50 percent of a local government program officer's salary is paid with grant funds, then the local government must document that the program officer spent at least 50 percent of his/her time on the grant program.*

   If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized by the ARP/CSLFRF, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

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3. **Be authorized and not prohibited under state or local laws or regulations.**
4. **Conform to any limitations or exclusions set forth in the principles, federal laws, ARP/CSLFRF award terms, and other governing regulations as to types or amounts of cost items.**
5. **Be consistent with policies, regulations, and procedures that apply uniformly to both the ARP/CSLFRF federal award and other activities of the Town of Carrboro**
6. **Be accorded consistent treatment.** A cost MAY NOT be assigned to a federal award as a direct cost and be charged to a federal award as an indirect cost. And a cost must be treated consistently for both federal award and non-federal award expenditures.
7. **Be determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in the UG.**
8. **Be net of all applicable credits.** The term "applicable credits" refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to and received by the local government related to the federal award, they shall be credited to the ARP/CSLFRF award, either as a cost reduction or a cash refund, as appropriate and consistent with the award terms.
9. **Be adequately documented.**

## III. SELECTED ITEMS OF COST

The UG examines the allowability of fifty-five (55) specific cost items (commonly referred to as Selected Items of Cost) at 2 CFR § 200.420-.475.

The Chief Financial Officer is responsible for determining cost allowability must be familiar with the Selected Items of Cost. The Town must follow the applicable regulations when charging these specific expenditures to the ARP/CSLFRF grant. Finance Department personnel will check costs against the selected items of cost requirements to ensure the cost is allowable and that all process and documentation requirements are followed. In addition, State laws, Town regulations, and program-specific rules may deem a cost as unallowable, and Town personnel must follow those non-federal rules as well. **Exhibit A identifies and summarizes the Selected Items of Cost.**

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## IV. DIRECT AND INDIRECT COSTS

Allowable and allocable costs must be appropriately classified as direct or indirect charges. It is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

*Direct costs* are expenses that are specifically associated with a particular ARP/CSLFRF-eligible project and that can be directly assigned to such activities relatively easily with a high degree of accuracy. Common examples of direct costs include salary and fringe benefits of personnel directly involved in undertaking an eligible project, equipment and supplies for the project, subcontracted service provider, or other materials consumed or expended in the performance of a grant-eligible project.

*Indirect costs* are (1) costs incurred for a common or joint purpose benefitting more than one ARP/CSLFRF-eligible project, and (2) not readily assignable to the project specifically benefited, without effort disproportionate to the results achieved. They are expenses that benefit more than one project or even more than one federal grant. Common examples of indirect costs include utilities, local telephone charges, shared office supplies, administrative or secretarial salaries.

For indirect costs, the Town of Carrboro may charge a 10 percent de minimis rate of modified total direct costs (MTDC). According to UGG Section 200.68 MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance the subawards under the award). MTDC EXCLUDES equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000.

## SPECIAL PROVISIONS FOR STATE AND LOCAL GOVERNMENTS

There are some special provisions of the UG that apply only to states, local governments, and Indian Tribes.

### § 200.444 General costs of government.

**(a)** For states, local governments, and Indian Tribes, the general costs of government are unallowable (except as provided in § 200.475). Unallowable costs include:

**(1)** Salaries and expenses of the Office of the Governor of a state or the chief executive of a local government or the chief executive of an Indian tribe;

**(2)** Salaries and other expenses of a state legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;

**(3)** Costs of the judicial branch of a government;

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**(4)** Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in § 200.435); and
**(5)** Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

**(b)** For Indian tribes and Councils of Governments (COGs) (see definition for *Local government* in § 200.1 of this part), up to 50% of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and his or her staff can be included in the indirect cost calculation without documentation.

***NOTE: Expenditure of ARP/CSLFRF FUNDS in the Revenue Replacement are explicitly authorized in the Final Rule to be spent on General Government Services.***

### § 200.416 Cost allocation plans and indirect cost proposals.

(a) For states, local governments and Indian tribes, certain services, such as motor pools, computer centers, purchasing, accounting, etc., are provided to operating agencies on a centralized basis. Since Federal awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process.
(b) Individual operating agencies (governmental department or agency), normally charge Federal awards for indirect costs through an indirect cost rate. A separate indirect cost rate(s) proposal for each operating agency is usually necessary to claim indirect costs under Federal awards. Indirect costs include:

(1) The indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and
(2) The costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

(c) The requirements for development and submission of cost allocation plans (for central service costs and public assistance programs) and indirect cost rate proposals are contained in appendices V, VI and VII to this part.

### § 200.417 Interagency service.

The cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a pro-rated share of indirect costs. A standard indirect cost allowance equal to ten percent of the direct salary and wage cost of providing the service (excluding overtime, shift premiums,

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and fringe benefits) may be used in lieu of determining the actual indirect costs of the service. These services do not include centralized services included in central service cost allocation plans as described in Appendix V to Part 200.

## V. COST ALLOWABILITY REVIEW PROCESS

### PREAPPROVAL COST ALLOWABILITY REVIEW

Before an ARP/CSLFRF-funded project is authorized, the Chief Financial Officer must review the proposed cost items within an estimated project budget to determine whether they are allowable and allocable and whether cost items will be charged as direct or indirect expenses. This review will occur concurrently with the review of project eligibility and *before* obligating or expending any ARP/CSLFRF funds.

- Local government personnel must submit proposed ARP/CSLFRF projects to the Chief Financial Officer for review. In addition to other required information, all proposed project submissions must delineate estimated costs by cost item.

- Along with a general review of project eligibility and conformance with other governing board management directives, the Chief Financial Officer must review estimated costs for specific allowable cost requirements, budget parameters, indirect rates, fringe benefit rates, and those activities/costs that require pre-approval by the US Treasury.
- If a proposed project includes a request for an unallowable cost, the Chief Financial Officer will return the proposal to the requesting party for review and, if practicable, resubmission with corrected cost items.

- Once a proposed project budget is pre-approved by the Governing Board, the local government personnel responsible for implementing the project must conform actual obligations and expenditures to the pre-approved project budget.

### POST-EXPENDITURE COST ALLOWABILITY REVIEW

Once an expenditure is incurred related to an eligible project, and an invoice or other demand for payment is submitted to the local government, the Accounts Payable staff in the Finance Department must perform a second review to ensure that actual expenditures comprise allowable costs.

- All invoices or other demands for payment must include a breakdown by cost item. The cost items should mirror those presented in the proposed budget for the project. If an invoice or other demand for payment does not include a breakdown by cost item, the Chief Financial Officer will return the invoice to the project manager and/or vendor, contractor, or subrecipient for correction.

- The Accounts Payable staff in the Finance Department must review the individual cost items listed on the invoice or other demand for payment to determine their allowability and allocability.

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- If all cost items are deemed allowable and properly allocable, the Accounts Payable staff in the Finance Department must proceed through the local government's normal disbursement process.

- If any cost item is deemed unallowable, the Finance Department will notify the project management and/or vendor, contractor, or subrecipient that a portion of the invoice or other demand for payment will not be paid with ARP/CSLFRF funds. The Chief Financial Officer may in the Officer's discretion, and consistent with this policy, allow an invoice or other demand for payment to be resubmitted with a revised cost allocation. If the local government remains legally obligated by contract or otherwise to pay the disallowed cost item, it must identify other local government funds to cover the disbursement. The Town's governing board must approve any allocation of other funds for this purpose.

- The Finance Department must retain appropriate documentation of budgeted cost items per project and actual obligations and expenditures of cost items per project.

## VI. COST TRANSFERS

Any costs charged to the ARP/CSLFRF federal award that do not meet the allowable cost criteria must be removed from the award account and charged to an account that does not require adherence to federal UG or other applicable guidelines.

Failure to adequately follow this policy and related procedures could result in questioned costs, audit findings, potential repayment of disallowed costs and discontinuance of funding.

**EXHIBIT A**

| Selected Items of Cost | Uniform Guidance General Reference | Allowability |
|---|---|---|
| Advertising and public relations costs | 2 CFR § 200.421 | Allowable with restrictions |
| Advisory councils | 2 CFR § 200.422 | Allowable with restrictions |
| Alcoholic beverages | 2 CFR § 200.423 | Unallowable |
| Alumni/ae activities | 2 CFR § 200.424 | Not specifically addressed |
| Audit services | 2 CFR § 200.425 | Allowable with restrictions |
| Bad debts | 2 CFR § 200.426 | Unallowable |

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| Bonding costs | 2 CFR § 200.427 | Allowable with restrictions |
| Collection of improper payments | 2 CFR § 200.428 | Allowable |
| Commencement and convocation costs | 2 CFR § 200.429 | Not specifically addressed |
| Compensation – personal services | 2 CFR § 200.430 | Allowable with restrictions; Special conditions apply (e.g., § 200.430(i)(5)) |
| Compensation – fringe benefits | 2 CFR § 200.431 | Allowable with restrictions |
| Conferences | 2 CFR § 200.432 | Allowable with restrictions |
| Contingency provisions | 2 CFR § 200.433 | Unallowable with exceptions |
| Contributions and donations | 2 CFR § 200.434 | Unallowable (made by non-federal entity); not reimbursable but value may be used as cost sharing or matching (made to non-federal entity) |
| Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements | 2 CFR § 200.435 | Allowable with restrictions |
| Depreciation | 2 CFR § 200.436 | Allowable with qualifications |
| Employee health and welfare costs | 2 CFR § 200.437 | Allowable with restrictions |
| Entertainment costs | 2 CFR § 200.438 | Unallowable with exceptions |
| Equipment and other capital expenditures | 2 CFR § 200.439 | Allowability based on specific requirement |
| Exchange rates | 2 CFR § 200.440 | Allowable with restrictions |
| Fines, penalties, damages, and other settlements | 2 CFR § 200.441 | Unallowable with exceptions |

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| Fund raising and investment management costs | 2 CFR § 200.442 | Unallowable with exceptions |
| Gains and losses on disposition of depreciable assets | 2 CFR § 200.443 | Allowable with restrictions |
| General costs of government | 2 CFR § 200.444 | Unallowable with exceptions |
| Goods and services for personal use | 2 CFR § 200.445 | Unallowable (goods/services); allowable (housing) with restrictions |
| Idle facilities and idle capacity | 2 CFR § 200.446 | Idle facilities - unallowable with exceptions; Idle capacity - allowable with restrictions |
| Insurance and indemnification | 2 CFR § 200.447 | Allowable with restrictions |
| Intellectual property | 2 CFR § 200.448 | Allowable with restrictions |
| Interest | 2 CFR § 200.449 | Allowable with restrictions |
| Lobbying | 2 CFR § 200.450 | Unallowable |
| Losses on other awards or contracts | 2 CFR § 200.451 | Unallowable (however, they are required to be included in the indirect cost rate base for allocation of indirect costs) |
| Maintenance and repair costs | 2 CFR § 200.452 | Allowable with restrictions |
| Materials and supplies costs, including costs of computing devices | 2 CFR § 200.453 | Allowable with restrictions |
| Memberships, subscriptions, and professional activity costs | 2 CFR § 200.454 | Allowable with restrictions; unallowable for lobbying organizations |
| Organization costs | 2 CFR § 200.455 | Unallowable except federal prior approval |

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| Participant support costs | 2 CFR § 200.456 | Allowable with prior approval of the federal awarding agency |
| Plant and security costs | 2 CFR § 200.457 | Allowable; capital expenditures are subject to § 200.439 |
| Pre-award costs | 2 CFR § 200.458 | Allowable if consistent with other allowable and with prior approval of the federal awarding agency |
| Professional services costs | 2 CFR § 200.459 | Allowable with restrictions |
| Proposal costs | 2 CFR § 200.460 | Allowable with restrictions |
| Publication and printing costs | 2 CFR § 200.461 | Allowable with restrictions |
| Rearrangement and reconversion costs | 2 CFR § 200.462 | Allowable (ordinary and normal) |
| Recruiting costs | 2 CFR § 200.463 | Allowable with restrictions |
| Relocation costs of employees | 2 CFR § 200.464 | Allowable with restrictions |
| Rental costs of real property and equipment | 2 CFR § 200.465 | Allowable with restrictions |
| Scholarships and student aid costs | 2 CFR § 200.466 | Not specifically addressed |
| Selling and marketing costs | 2 CFR § 200.467 | Unallowable with exceptions |
| Specialized service facilities | 2 CFR § 200.468 | Allowable with restrictions |
| Student activity costs | 2 CFR § 200.469 | Unallowable unless specifically provided for in the federal award |
| Taxes (including Value Added Tax) | 2 CFR § 200.470 | Allowable with restrictions |
| Termination costs | 2 CFR § 200.471 | Allowable with restrictions |
| Training and education costs | 2 CFR § 200.472 | Allowable for employee |

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| | | development |
| Transportation costs | 2 CFR § 200.473 | Allowable with restrictions |
| Travel costs | 2 CFR § 200.474 | Allowable with restrictions |
| Trustees | 2 CFR § 200.475 | Not specifically addressed |

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**ARPA POLICY NO. 2022-03**

# PROGRAM INCOME RELATED TO THE EXPENDITURE OF ARPA CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

**WHEREAS,** the Town of Carrboro has received an allocation of funds from the Coronavirus "State Fiscal Recovery Fund", or "Coronavirus Local Fiscal Recovery Fund" (together "CSLFRF") established pursuant to Sections 602 and 603 of the Social Security Act, as added by Section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 ("ARPA").

**WHEREAS,** the Town shall comply with the terms of ARPA, and the U.S. Department of Treasury's ("Treasury") federal regulations governing the spending of CSLFRF funds, including the Final Rule, and Treasury's regulations governing expenditures of CSLFRF funds, including the Award Terms and Conditions, Compliance and Reporting Guidance for the State and Local Fiscal Recovery Funds (together the "Federal regulations"), and any additional guidance Treasury has issued or may issue governing the spending of CSLFRF funds.

**WHEREAS**, the Town of Carrboro shall comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part § 200 (the "Uniform Guidance"); and

**WHEREAS**, the Town shall account for program income per the requirements set forth in the UG, including, but not limited to, 2 C.F.R. § 200.307, and as stipulated in Compliance and Reporting Guidance for the State and Local Recovery Funds, which provides: "*Recipients of CSLFRF funds should calculate, document, and record the organization's program income. Additional controls that your organization should implement include written policies that explicitly identify appropriate allocation methods, accounting standards and principles, compliance monitoring checks for program income calculations, and records.*"[1]

Now, therefore, be it **RESOLVED**, That the governing board of the Town of Carrboro hereby adopts and enacts the following policies and procedures for the use of program income earned from the expenditure of CSLFRF funds pursuant to the ARP/CSLFRF award.

## I. PURPOSE AND SCOPE

The Town enacts the following procedures for its use of program income earned from the expenditure of CSLFRF funds to ensure compliance with the UG, including, but not limited to, 2 C.F.R. § 200.307, the ARP/CSLFRF award, and all applicable Federal regulations governing the use of program income. The Town agrees to administer program income according to the requirements set forth in this policy and as required by the Federal regulations and State law.

[1] Compliance and Reporting Guidance, p. 9.

The responsibility for following this policy lies with the Chief Financial Officer, who is charged with the administration and financial oversight of the ARP/CSLFRF award. Questions on the use and/or reporting of program income should be directed to the Chief Financial Officer.

## II. DEFINITIONS[2]

a. *ARP/CLSFRF award* means the Federal program governing the use of Coronavirus State and Local Fiscal Recovery Funds as provided in the Assistance Listing and as administered by the U.S. Department of Treasury pursuant to the American Rescue Plan Act of 2021 ("ARPA"), Pub. L. No. 117-2 (Mar. 11, 2021).
b. *CSLFRF funds* means the portion of Federal financial assistance from the Coronavirus State Fiscal Recovery Funds and Coronavirus Local Fiscal Recovery Funds (collectively "CSLFRF") awarded to the Town of Carrboro pursuant to ARPA.
c. *Federal award* means the Federal financial assistance that a recipient receives directly from a Federal awarding agency or indirectly from a pass-through entity, as described in § 200.101. The Federal award is the instrument setting forth the terms and conditions of the grant agreement, cooperative agreement, or other agreement for assistance.
d. *Federal awarding agency* means the Federal agency that provides a Federal award directly to a non-Federal entity.
e. *Federal financial assistance* means the assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions, direct appropriations, food commodities, or other financial assistance, including loans.
f. *Federal program* means all Federal awards which are assigned a single Assistance Listings Number.
g. *Non-Federal entity* means a State, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.
h. *Period of performance* means the total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions, or budget periods. The period of performance for the ARP/CSLFRF award ends December 31, 2026.
i. *Program income* means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in § § 200.307(f).

[2] Excluding the first two, the definitions in this section are found in 2 C.F.R. 200.1.

## III. PROGRAM INCOME OVERVIEW

For purposes of this policy, program income is the gross income earned by the Town that is directly generated by a supported activity or earned as a result of the ARP/CSLFRF award during the period of performance, which closes December 31, 2026. 2 CFR 200.1.

Program income includes, but is not limited to, the following sources of income:

- The collection of fees for services performed.
- Payments for the use or rental of real or personal property.
- The sale of commodities or items fabricated under the Federal award.
- The payment of principal and interest on loans made under the Federal award.

Program income does not include fees or revenue from the following:

- The use of rebates, credits, discounts, and interest earned on any of them.
- Governmental revenues, such as taxes, special assessments, levies, or fines.
- Proceeds from the sale of real property, equipment, or supplies.[3]

## IV. USE OF PROGRAM INCOME

Program income earned pursuant to expenditures of ARP/CSLFRF is the property of US Treasury and shall be accounted for in one of three ways pursuant to 2 C.F.R. § 200.307(e).

**Deduction Method**: Program income must be deducted from total allowable costs to determine net allowable costs. Program income shall be used to reduce Treasury's obligation under the ARP/CSLFRF award rather than to increase the funds committed to a project. Program income shall be used for current costs. The Town shall track and account for program income during the period of performance and shall reimburse Treasury, as required. 2 C.F.R. § 200.307(e)(1).

**Addition Method**: With prior approval, program income may be added to the total amount of the ARP/CSLFRF award, thereby increasing the total amount of the award. Program income must be expended on an eligible project or program. 2 C.F.R. § 200.307(e)(2). Pursuant to the terms of the ARP/CSLFRF award, the repayment of principal and interest on loans made with ARP/CSLFRF funds that will mature or be forgiven on or before December 31, 2026, may be accounted for using the addition method (see Section VI).

[3] 2 C.F.R. 200.1 and 2 C.F.R. 200.307 each define and limit the sources of program income.

**Matching or Cost Sharing Method**: With prior approval, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award shall not change.[4] 2 C.F.R. § 200.307(e)(3).

Unless the ARP/CSLFRF award otherwise stipulates, or the Town has received prior approval, the Town **shall apply the deduction method** to account for the use of program income.

## V. ALLOCATION OF PROGRAM INCOME

The Town shall only expend program income on costs that are reasonable, allocable, and allowable under the terms of the ARP/CSLFRF award.[5] To adhere to these requirements, the Town shall comply with the cost principles included in 2 C.F.R. § 200, as outlined in the Town's allowable cost policy. The Town shall allocate program income to the ARP/CSLFRF award in proportion to the pro rata share of the total funding (e.g., if ARP/CSLFRF funds cover half of a project's cost, with general revenue covering the other half, the unit shall allocate 50% of any program income earned to the ARP/CSLFRF award and account for its use pursuant to § 200.307).

## VI. REPAYMENT OF PRINCIPAL AND INTEREST ON LOANS MADE WITH ARP/CSLFRF FUNDS

Treasury expects that a significant share of loans made with ARP/CSLFRF funds will be repaid. Accordingly, it has issued guidance on how to appropriately account for the repayment of principal and interest. The Town agrees to appropriately account for the return of loan funds according to the ARP/CSLFRF award terms, as follows:

- **For Loans that mature or are forgiven on or before December 31, 2026**: The Town of Carrboro may add the repayment of principal and interest (program income) to the ARP/CSLFRF award. When the loan is made, the Town of Carrboro shall report the principal of the loan as an expense. The Town of Carrboro shall expend the repayment of principal only on eligible uses and is subject to restrictions on the timing of the use of ARP/CSLFRF funds pursuant to the ARP/CSLFRF award. Interest payments received prior to the end of the period of performance will be considered **an addition** to the total award and may be used for any purpose that is an eligible use. *The Town is not subject to restrictions under 2 CFR 200.307(e)(1) (the deduction method) in accounting for the use of program income.*[6]

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[4] The Final Rule provides that a non-Federal entity may expend up to the amount of its reduction in revenue due to the pandemic to meet the non-federal cost-share or matching requirements of other federal programs. However, the Final Rule does not mention whether *program income* may be used to meet cost-sharing or matching requirements. A non-Federal entity should not allocate program income to cost share or matching requirements unless it receives prior approval from Treasury.

[5] 2 C.F.R. § § 200.404, 408.

[6] Final Rule, p. 4436

- **For Loans with maturities longer than December 31, 2026**: The Town is not required to separately account for the repayment of principal and interest on loans that will mature after the ARP/CSLFRF award's period of performance. The Town may use ARP/CSLFRF for only the projected cost of the loan. The Town may estimate the subsidy cost of the loan, which equals the expected cash flows associated with the loan discounted at the Town's cost of funding. The cost of funding can be determined based on the interest rates of securities with a similar maturity to the cash flow being discounted that were either (i) recently issued by the Town or (ii) recently issued by a unit of state, local, or Tribal government similar to the Town. If the Town has adopted the Current Expected Credit Loss (CECL) standard, it may also treat the cost of the loan as equal to the CECL-based expected credit losses over the life of the loan. The Town may measure projected losses either once, at the time the loan is extended, or annually over the covered period. *Under either approach, the Town is not subject to restrictions under 2 CFR 200.307(e)(1) (the deduction method) and need not separately track repayment of principal or interest.* [7]

- **Revolving Loan Funds**: The Town shall treat the contribution of ARP/CSLFRF funds to a revolving loan fund according to approach described above for loans with maturities longer than December 31, 2026.[8] The Town may contribute ARP/CSLFRF funds to a revolving loan only if the loan is determined to be for eligible use and the ARP/CSLFRF funds contributed represent the projected cost of loans made over the life of the revolving loan fund.

## VII. ADDITIONAL PROGRAM INCOME REQUIREMENTS

(a) **Identifying, Documenting, Reporting, and Tracking.** To ensure compliance with the requirements of program income as outlined by the Federal regulations, the terms and conditions of the ASP/CSLFRF award, and the requirements set forth herein, each department shall identify potential sources of program income and properly report the program income for the period in which it was earned and dispersed.

*Program income shall be accounted for separately. The Town shall not comingle program income earned from programs supported by ARP/CSLFRF funds with the general award of ARP/CSLFRF funds the Town received from Treasury. Any costs associated with generating program income revenue shall be charged as expenditures to the ARP/CSLFRF award.*

(b) **Program Income Earned After the Period of Performance**. The Town shall have no obligation to report program income earned after the period of performance (December 31, 2026). However, the Town shall report program income expended after the period of performance if that program income was earned on or before December 31, 2026.

[7](See question 4.11 in Treasury's Interim Final Rule FAQ document.)
[8]See question 4.11 in Treasury's Interim Final Rule FAQ document.)

(c) **Subawards.** The Town agrees to ensure that any subrecipient of ARP/CSLFRF funds abides by the award of the terms and conditions of this policy and is aware that the subrecipient is responsible for accounting for and reporting program income to the Town on a monthly basis.

(d) **Compliance with State law.** Program income shall not be expended for purposes prohibited under State law.

(e) **Subject to Audit.** The Town recognizes that its use of program income may be audited and reviewed for compliance with Federal laws and regulations, State law, and the terms of the ARP/CSLFRF award.

## VIII. IMPLEMENTATION OF POLICY

The Chief Financial Officer will adopt procedures to identify potential program income during the project eligibility and allowable cost review, document actual program income, and follow the requirements in this policy related to the treatment of program income.

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**ARPA POLICY NO. 2022-04**

**RECORDKEEPING**
**RELATED TO THE EXPENDITURE OF ARPA CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS**

Recordkeeping and Annual Project and Expenditure Reports. [Section VIII, Reporting, Interim Final Rule, and 9.2 Treasury FAQs 6/17/2021]

What records must be kept by governments receiving payment?

> *"A government should keep records sufficient to demonstrate that the amount of Fund payments to the government has been used in accordance with section 601(d) of the Social Security Act."*

Financial records and supporting documents related to the award must be retained for a period of 5 years after all funds have been spent or returned to Treasury, whichever is later. This includes those that demonstrate the award funds were used for eligible purposes in accordance with ARPA, Treasury's regulations implementing those sections, and Treasury's guidance on eligible uses of funds.

Annual Project and Expenditure Reports

Non-entitlement units of local government must file Annual Project and Expenditure Report with Treasury by October 31. The initial annual Project and Expenditure report will cover activity from the date of award to September 30, 2021 and must be submitted to Treasury thereafter by October 31, 2021.

Annual Project and Expenditure Reports are to include:

> Financial data, information on contracts and sub-awards over $50,000, types of projects funded, and other information regarding a recipient's utilization of award funds.
>
> The reports will include the same general data as those submitted by recipients of the Coronavirus Relief Fund (e.g. obligations, expenditures, contracts, grants, and sub-awards). Some modifications will be made to expenditure categories and the addition of data elements related to specific eligible uses.

Treasury will provide further guidance and instructions on the reporting requirements for program at a later date.

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**ARPA POLICY NO. 2022-05**

# PROPERTY MANAGEMENT RELATED TO THE EXPENDITURE OF ARPA CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

**WHEREAS** the Town of Carrboro has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

**WHEREAS** the funds may be used for projects within these categories, to the extent authorized by state law.

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to households, small businesses, non-profits, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

**WHEREAS** the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Sect. 200 (UG), as provided in the Assistance Listing; and

**WHEREAS** the Compliance and Reporting Guidance for the State and Local Fiscal Recovery Funds (v4.1 June 2022) provides, in relevant part:

> **Equipment and Real Property Management.** Any purchase of equipment or real property with ARP/SLFRF funds must be consistent with the Uniform Guidance at 2 CFR Part 200, Subpart D. Equipment and real property acquired under this program must be used for the originally authorized purpose. Consistent with 2 CFR 200.311 and 2 CFR 200.313, any equipment or real property acquired using ARP/SLFRF funds shall vest in the non-Federal entity. Any acquisition and maintenance of equipment or real property must also be in compliance with relevant laws and regulations.

**WHEREAS** Subpart D of the UG dictates title, use, management, and disposal of real property, equipment, and supplies acquired in whole or in part with ARP/CSLFRF funds;

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**BE IT RESOLVED** that the governing board of the Town of Carrboro hereby adopts and enacts the following UG Property Management Policy for the expenditure of ARP/CSLFRF funds.

## I. POLICY OVERVIEW

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly called Uniform Guidance (UG), specifically Subpart D, details post award requirements related to property management of property acquired or updated, in whole or in part, with funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF).

2 CFR 200.311 through 2 CFR 200.316, as modified by US Treasury ARP/CSLFRF Final Rule FAQs 13.15 & 13.16, detail property standards related to the expenditure of ARP/CLSFRF funds. The Town of Carrboro, hereinafter Town shall adhere to all applicable property standards, as detailed below. **Note that pursuant to ARP/CSLFRF Final Rule FAQ 13.15, the Uniform Guidance property standards do not apply to real property, equipment, or supplies purchased or improved with Revenue Replacement ARP/CSLFRF funds.**

## II. DEFINITIONS

The definitions in 2 CFR 200.1 apply to this policy, including the following:

> **Computing devices**: machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing electronic information. See also the definitions of supplies and information technology systems in this section.
>
> **Equipment:** tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the Town for financial statement purposes, or $5,000.
>
> **Information technology systems**: computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. See also the definitions of computing devices and equipment in this section.
>
> **Intangible property**: property having no physical existence, such as trademarks, copyrights, patents and patent applications and property, such as loans, notes and

other debt instruments, lease agreements, stock and other instruments of property ownership (whether the property is tangible or intangible).

**Personal property**: property other than real property. It may be tangible, having physical existence, or intangible.

**Property**: real property or personal property.

**Real property**: land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment.

**Supplies**: all tangible personal property other than those described in the definition of equipment in this section. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the local government for financial statement purposes or $5,000, regardless of the length of its useful life. See also the definitions of computing devices and equipment in this section.

## III. REAL PROPERTY

**Title to Real Property:** Title to real property acquired or improved with ARP/CSLFRF funds vests with the Town (2 CFR 200.311(a)).

**Use of Real Property:** During the period of performance of the ARP/CSLFRF award, the Town may use real property purchased or improved with ARP/CSLFRF funds for a purpose other than the purpose for which it was purchased or improved if such other purpose is also consistent with the ARP/CSLFRF eligible use requirements.

If the Town changes the use of the real property to an ineligible use or sells the real property prior to the end of the period of performance, then it must follow the disposition procedures detailed in the Disposition of Real Property section below.

After the period of performance of the ARP/CSLFRF award, the Town must use the real property consistent with the purpose for which it was purchased or improved or for any other eligible purpose in the same category as the purpose reported to US Treasury as of the final reporting period, as set forth in the table below:

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| Category | Use Requirements |
|---|---|
| Public Health and Assistance to Households and Individuals | Property, supplies, or equipment last reported as being used to respond to the public health impacts of the public health emergency, as outlined in 31 CFR 35.6(b)(3)(i), or being used for the provision of services to households provided in 31 CFR 35.6(b)(3)(ii)(A), are authorized to fulfill any eligible use of funds provided in these subparagraphs of the Final Rule. |
| Assistance to Small Businesses, Nonprofits, and Impacted Industries | Property, supplies, or equipment last reported as being used for the provision of services to small businesses, nonprofits, and impacted industries outlined in 31 CFR 35.6(b)(3)(ii)(B)-(D) are authorized to fulfill any eligible use of funds outlined in the public health and negative economic impacts eligible use category. |
| Water, Sewer, or Broadband Infrastructure | Property, supplies, or equipment last reported as being used to make investments in water, sewer, or broadband infrastructure pursuant to 31 CFR 35.6(e) are authorized to fulfill any eligible use of funds outlined in the water, sewer, and broadband infrastructure eligible use category. |
| Government Services/Revenue Loss | N/A |
| Premium Pay | N/A |

If the real property's use shifts outside the parameters of the eligible purpose according to this table above after the period of performance, then the Town (and any subrecipients) must follow the disposition procedures in the Disposition of Real Property section below. The Town is responsible for being able to substantiate its determination on whether the use of the real property is authorized and maintain a record of that determination in accordance with the requirements set forth in the financial assistance agreement accepted in connection with the ARP/CSLFRF award.
The Town is not required to seek or obtain the approval of U.S. Treasury prior to changing the use within the parameters of these authorized purposes.

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**Insurance of Real Property:** The Town must provide the equivalent insurance coverage for real property acquired or improved with ARP/CSLFRF funds as provided to property owned by the Town. 2 CFR 200.310.

**No Encumbrance of Real Property:** The Town may not encumber the real property unless authorized by US Treasury. 2 CFR 200.311(b).

**Disposition of Real Property:** If the Town changes the use of real property to an ineligible use or sells the asset during the period of performance of the ARP/CSLFRF award or changes the use of the asset outside the eligible category after the period of performance ends, then the Town must obtain disposition instructions from U.S. Treasury. The instructions must provide for one of the following alternatives:

1. The Town retains title after compensating U.S. Treasury. The amount paid to U.S. Treasury will be computed by applying U.S. Treasury's percentage of participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property. However, in those situations where the Town is disposing of real property acquired or improved with ARP/CSLFRF funds and acquiring replacement real property under the ARP/CSLFRF, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.

2. The Town sells the property and compensates US Treasury. The amount due to US Treasury will be calculated by applying US Treasury's percentage of participation in the cost of the original purchase (and cost of any improvements) to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the ARP/CSLFRF award has not been closed out, the net proceeds from sale may be offset against the original cost of the property. When the Town is directed to sell property, sales procedures must be followed that provide for competition to the extent practicable and result in the highest possible return.

3. The Town transfers title to US Treasury or to a third party designated/approved by US Treasury. The Town is entitled to be paid an amount calculated by applying the Town's percentage of participation in the purchase of the real property (and cost of any improvements) to the current fair market value of the property. 2 CFR 200.311(c).

## IV. EQUIPMENT

**Title to Equipment:** Title to equipment acquired or improved with ARP/CSLFRF funds vests with the Town. 2 CFR 200.313(a).

**Use of Equipment:** During the period of performance of the ARP/CSLFRF award, the Town may use equipment purchased or improved with ARP/CSLFRF funds for a purpose

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other than the purpose for which it was purchased or improved if such other purpose is also consistent with the ARP/CSLFRF eligible use requirements.

If the Town changes the use of equipment to an ineligible use or sells the equipment prior to the end of the period of performance, then it must follow the disposition procedures detailed in the Disposition of Equipment section below.

After the period of performance of the ARP/CSLFRF award, the Town must use equipment consistent with the purpose for which it was purchased or improved or for any other eligible purpose in the same category as the purpose reported to US Treasury as of the final reporting period, as set forth in the table below:

| Category | Use Requirements |
|---|---|
| Public Health and Assistance to Households and Individuals | Property, supplies, or equipment last reported as being used to respond to the public health impacts of the public health emergency, as outlined in 31 CFR 35.6(b)(3)(i) or being used for the provision of services to households provided in 31 CFR 35.6(b)(3)(ii)(A), are authorized to fulfill any eligible use of funds provided in these subparagraphs of the Final Rule. |
| Assistance to Small Businesses, Nonprofits, and Impacted Industries | Property, supplies, or equipment last reported as being used for the provision of services to small businesses, nonprofits, and impacted industries outlined in 31 CFR 35.6(b)(3)(ii)(B)-(D) are authorized to fulfill any eligible use of funds outlined in the public health and negative economic impacts eligible use category. |
| Water, Sewer, or Broadband Infrastructure | Property, supplies, or equipment last reported as being used to make investments in water, sewer, or broadband infrastructure pursuant to 31 CFR 35.6(e) are authorized to fulfill any eligible use of funds outlined in the water, sewer, and broadband infrastructure eligible use category. |
| Government Services/Revenue Loss | N/A |
| Premium Pay | N/A |

If the equipment's use shifts outside the parameters of the eligible purpose according to the table above after the period of performance, then the Town (and any subrecipients) must follow the disposition procedures in the Disposition of Equipment section below.

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The Town is responsible for being able to substantiate its determination on whether the use of equipment is authorized and maintain a record of that determination in accordance with the requirements set forth in the financial assistance agreement accepted in connection with the ARP/CSLFRF award.

The Town is not required to seek or obtain the approval of US Treasury prior to changing the use within the parameters of these authorized purposes.

During the time that equipment is used on the project for which it was acquired, the Town must also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that such use will not interfere with the work on the project for which it was originally acquired. First preference for other use must be given to other programs or projects supported by US Treasury and second preference must be given to programs or projects under Federal awards from other Federal awarding agencies. Use for non-federally funded programs or projects is also permissible. User fees should be considered if appropriate. 2 CFR 200.313(c)(2).

**Noncompetition:** The Town must not use equipment acquired with the ARP/CSLFRF funds to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by Federal statute for as long as the Federal Government retains an interest in the equipment. 2 CFR 200.313(c)(3).

**No Encumbrance:** The Town may not encumber the equipment without approval of U.S. Treasury. The Town may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property. 2 CFR 200.313(c)(4).

**Management of Equipment:** The Town will manage equipment (including replacement equipment) acquired in whole or in part with ARP/CSLF funds according to the following requirements.

1. The Town will maintain sufficient records that include
   a) a description of the property,
   b) a serial number or other identification number,
   c) the source of funding for the property (including the Federal Award Identification Number (FAIN)),
   d) who holds title,
   e) the acquisition date,
   f) cost of the property,
   g) percentage of Federal participation in the project costs for the Federal award under which the property was acquired,
   h) the location, use and condition of the property, and
   i) any ultimate disposition data including the date of disposal and sale price of the property.

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2. The Town will conduct a physical inventory of the property and reconcile results with its property records at least once every two years.

3. The Town will develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft will be investigated by the Town.

4. The Town will develop and implement adequate maintenance procedures to keep the property in good condition.

5. If the Town is authorized or required to sell the property, it will establish proper sales procedures to ensure the highest possible return, in accordance with state and federal law.

**Insurance of Equipment:** The Town must provide the equivalent insurance coverage for equipment acquired or improved with ARP/CSLFRF funds as provided to property owned by the Town. 2 CFR 200.310.

**Disposition of Equipment:** If the Town changes the use of the equipment to an ineligible use or sells the equipment during the period of performance of the ARP/CSLFRF award or changes the use of the equipment outside the eligible category after the period of performance ends, then the Town may either make the equipment available for use in other activities funded by a Federal agency, with priority given to activities funded by US Treasury, dispose of the equipment according to instructions from US Treasury, or follow the procedures below. 2 CFR 200.313(e).

1. Equipment with a per-item fair market value of less than $5,000 may be retained, sold or transferred by the Town, in accordance with state law, with no additional responsibility to US Treasury.

2. If no disposal instructions are received from US Treasury, equipment with a per-item fair market value of greater than $5,000 may be retained or sold by the Town. The Town must establish proper sales procedures, in accordance with state law, to ensure the highest possible return. The Town must reimburse US Treasury for its federal share. Specifically, US Treasury is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the ARP/CSLFRF funding percentage of participation in the cost of the original purchase. If the equipment is sold, US Treasury may permit the Town to deduct and retain from the Federal share $500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

3. Equipment may be transferred to US Treasury or to a third-party designated by US Treasury in return for compensation to the Town for its attributable compensation for its attributable percentage of the current fair market value of the property.

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## V. SUPPLIES

**Title to Supplies.** Title to supplies acquired with ARP/CSLFRF funds vests with the Town upon acquisition. 2 CFR 200.314(a).

**Use of Supplies:** During the period of performance of the ARP/CSLFRF award, the Town may use supplies purchased or improved with ARP/CSLFRF funds for a purpose other than the purpose for which it was purchased or improved if such other purpose is also consistent with the ARP/CSLFRF eligible use requirements.

If the Town changes the use of supplies to an ineligible use or sells the supplies prior to the end of the period of performance, then it must follow the disposition procedures detailed in the Disposition of Supplies section below.

After the period of performance of the ARP/CSLFRF award, the Town must use supplies consistent with the purpose for which they were purchased or improved or for any other eligible purpose in the same category as the purpose reported to US Treasury as of the final reporting period, as set forth in the table below:

| Category | Use Requirements |
|---|---|
| Public Health and Assistance to Households and Individuals | Property, supplies, or equipment last reported as being used to respond to the public health impacts of the public health emergency, as outlined in 31 CFR 35.6(b)(3)(i) or being used for the provision of services to households provided in 31 CFR 35.6(b)(3)(ii)(A), are authorized to fulfill any eligible use of funds provided in these subparagraphs of the Final Rule. |
| Assistance to Small Businesses, Nonprofits, and Impacted Industries | Property, supplies, or equipment last reported as being used for the provision of services to small businesses, nonprofits, and impacted industries outlined in 31 CFR 35.6(b)(3)(ii)(B)-(D) are authorized to fulfill any eligible use of funds outlined in the public health and negative economic impacts eligible use category. |
| Water, Sewer, or Broadband Infrastructure | Property, supplies, or equipment last reported as being used to make investments in water, sewer, or broadband infrastructure pursuant to 31 CFR 35.6(e) are authorized to fulfill any eligible use of funds outlined in the water, sewer, and broadband infrastructure eligible use category. |
| Government Services/Revenue Loss | N/A |

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| | |
|---|---|
| Premium Pay | N/A |

If the supplies use shift outside the parameters of the eligible purpose according to the table above after the period of performance, then the Town (and any subrecipients) must follow the disposition procedures in the Disposition of Supplies section below.

The Town is responsible for being able to substantiate its determination on whether the use of supplies is authorized and maintain a record of that determination in accordance with the requirements set forth in the financial assistance agreement accepted in connection with the ARP/CSLFRF award.

The Town is not required to seek or obtain the approval of US Treasury prior to changing the use within the parameters of these authorized purposes.

**Noncompetition.** As long as the Federal Government retains an interest in the supplies, the Town must not use supplies acquired under the ARP/CSLFRF to provide services to other organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute. 2 CFR 200.314(b).

**Disposition of Supplies.** If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project and the supplies are not needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal Government for its share. The amount of compensation must be computed in the same manner as for equipment. 2 CFR 200.314(a).

## VI. PROPERTY TRUST RELATIONSHIP

Real and personal property, equipment, and intangible property, that are acquired or improved with ARP/CSLFRF funds must be held in trust by the Town as trustee for the beneficiaries of the project or program under which the property was acquired or improved. US Treasury may require the Town to record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with a Federal award and that use and disposition conditions apply to the property. 2 CFR 200.316.

## VII. IMPLEMENTATION OF POLICY

The Chief Financial Officer for the Town shall adopt procedures to track all property, equipment, and supplies (collectively, property) acquired or improved in whole or in part with ARP/CLSFRF funds. At a minimum, those procedures must address the following:

- Ensure proper insurance of property

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- Document proper use of property
- Working with the Town's Purchasing Coordinator, record and maintain required data records for equipment
- Conduct periodic inventories of equipment, at least every two years
- Create processes for replacement and disposition of property
- Establish other internal controls to safeguard and properly maintain property

This policy is effective upon adoption by the Carrboro Town Council.

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**ARPA Policy No. 2022-06**

# SUBAWARD & MONITORING FOR EXPENDITURE OF ARPA CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

**WHEREAS** the Town of Carrboro (Town) has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

**WHEREAS** the funds may be used for projects within these categories, to the extent authorized by state law.

1. Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff.
2. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector.
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

**WHEREAS** the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Part 200 (UG), as provided in the Assistance Listing (21.027); and

**WHEREAS** the ARP/CSLFRF authorizes the Town to enter subaward agreements with subrecipients to assist the Town in carrying out the terms of the ARP/CSLFRF; and

**WHEREAS** if the Town enters into a subaward as a subrecipient, it acts as a pass-through entity, as described in 2 CFR 200.1; and

**WHEREAS** the Compliance and Reporting Guidance for the State and Local Fiscal Recovery Funds (v.3.0 February 2022) provides, in relevant part:

> **Subrecipient Monitoring.** SLFRF recipients that are pass-through entities as described under 2 CFR 200.1 are required to manage and monitor their subrecipients to ensure compliance with requirements of the SLFRF award pursuant to 2 CFR 200.332 regarding requirements for pass-through entities.
>
> First, your organization must clearly identify to the subrecipient: (1) that the award is a subaward of SLFRF funds; (2) any and all compliance requirements for use of SLFRF funds; and (3) any and all reporting requirements for expenditures of SLFRF funds.

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Next, your organization will need to *evaluate each subrecipient's risk of noncompliance* based on a set of common factors. These risk assessments may include factors such as prior experience in managing Federal funds, previous audits, personnel, and policies or procedures for award execution and oversight. Ongoing monitoring of any given subrecipient should reflect its assessed risk and include monitoring, identification of deficiencies, and follow-up to ensure appropriate remediation.

Accordingly, your organization *should develop written policies and procedures for subrecipient monitoring and risk assessment and maintain records* of all award agreements identifying or otherwise documenting subrecipients' compliance obligations.

Recipients should note that non-entitlement units of local government (NEUs) are not subrecipients under the SLFRF program. They are SLFRF recipients that will report directly to Treasury.

Recipients should also note that *subrecipients do not include individuals and organizations that received SLFRF funds as end users to respond to the negative economic impacts of COVID-19* on these organizations. Such individuals and organizations are beneficiaries and not subject to audit pursuant to the Single Audit Act and 2 C.F.R. Part 200, Subpart F.

Separately or in addition, many recipients may choose to provide a subaward (e.g., via contract or grant) to other entities to provide services to other end—users. For example, a recipient may provide a grant to a nonprofit to provide homeless 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.

Subrecipients are subject to audit pursuant to the Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements; and

**WHEREAS** Subpart D of the UG dictates subrecipient and award requirements for expenditure of ARP/CSLFRF funds; and

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**WHEREAS** 2 CFR 200.332 states that:

All pass-through entities must:

(h) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the required information at the time of the subaward. When some of the required information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.

(i) Evaluate each subrecipient's risk of noncompliance with Federal statues, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

(j) Consider imposing specific subaward conditions upon a subrecipient if appropriate as described by 2 CFR 200.208.

(k) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statues, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

(l) Depending upon the pass-through entity's assessment of risk posed by the subrecipient, specific monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals.

(m) Verify that every subrecipient is audited as required by 2 CFR 200, Subpart F when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in 2 CFR 200.501.

(n) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

(o) Consider taking enforcement action against noncompliant subrecipients as described in 2 CFR 200.339 and in program regulations.

**BE IT RESOLVED** that the governing board of the Town of Carrboro hereby adopts and enacts the following Subaward and Monitoring Policy for the expenditure of ARP/CSLFRF funds.

## I. POLICY OVERVIEW

Title 2 U.S. Code of Federal Regulations Part 200, (2 CFR 200) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly called Uniform Guidance (UG), specifically Subpart D, defines requirements of pass-through entities initiating subaward agreements with Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF).

The Town of Carrboro (hereinafter TOWN) shall adhere to all applicable subaward and monitoring requirements governing the use of ARP/CSLFRF. This policy establishes

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procedures for classifying, making an award to, and monitoring a sub-recipient consistent with ARP/CSLFRF grant award terms and all applicable federal regulations in the UG. Responsibility for following these guidelines lies with the Town Manager and Chief Financial Officer who are charged with the administration and financial oversight of the ARP/CSLFRF.

## II. DEFINITIONS

The definitions in 2 CFR 200.1 apply to this policy, including the following:

**Contract:** for the purpose of Federal financial assistance, a legal instrument by which a recipient or subrecipient purchases property or services needed to carry out the project or program under a Federal award. For additional information on subrecipient and contractor determinations, see § 200.331. See also the definition of *subaward* in this section.

**Contractor:** an entity that receives a contract as defined in this section.

**Pass-through Entity**: a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program. *[THE TOWN IS THE PASS-THROUGH ENTITY IF IT AWARDS A SUBAWARD TO A SUBRECIPIENT.]*

**Recipient:** an entity, usually but not limited to non-Federal entities that receives a Federal award directly from a Federal awarding agency. The term recipient does not include subrecipients or individuals that are beneficiaries of the award.

**Subaward:** an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

**Subrecipient:** an entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

## III. SUBRECIPIENT CLASSIFICATION

The TOWN must make a *case-by-case determination* whether an agreement with another government entity or private entity, that is not a beneficiary, casts the party receiving the funds in the role of a subrecipient or contractor. 2 CFR 200.331.

A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. Characteristics which support the

classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

(1) Determines who is eligible to receive what Federal assistance;
(2) Has its performance measured in relation to whether objectives of a Federal program were met;
(3) Has responsibility for programmatic decision-making;
(4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
(5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:

(1) Provides the goods and services within normal business operations;
(2) Provides similar goods or services to many different purchasers;
(3) Normally operates in a competitive environment;
(4) Provides goods or services that are ancillary to the operation of the Federal program; and
(5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the *substance of the relationship is more important than the form of the agreement.* All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.

The TOWN will use the above criteria to determine if an agreement involving the expenditure of ARP/CSLFRF is a contract or subaward. The Town ‘s Chief Financial Officer will document the determination in the Subrecipient or Contractor Classification Checklist in Appendix 1. (Appendix 1: Subrecipient or Contractor Classification Checklist.)

If the agreement involves a contractor relationship (including a contract for services), the TOWN must follow its UG Procurement Policy when entering into a contract.

If the agreement involves a subrecipient relationship, the TOWN must proceed to Sections IV. through VII. below.

## IV. ASSESSMENT OF RISK

Before engaging in a subaward, the TOWN must evaluate a subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine whether to award the subaward and the appropriate subrecipient

monitoring.

The TOWN's Chief Financial Officer will conduct the risk assessment, which will include consideration of the following factors:

> (1) The subrecipient's prior experience with the same or similar subawards;
> (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR 200 Subpart F and the extent to which the same or similar subaward has been audited as a major program.
> (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
> (4) The extent and results of Federal awarding agency monitoring (*e.g.*, if the subrecipient also receives Federal awards directly from a Federal awarding agency). 2 CFR 200.332(b).

The results of the risk assessment must be documented in the Subrecipient Assessment of Risk form in Appendix 2 and will be used to dictate the types and degree of subrecipient monitoring. (**Appendix 2: Subrecipient Assessment of Risk)**

The TOWN will assign an overall risk level to the subrecipient indicating the following:

| **Low Risk** | **Moderate Risk** | **High Risk** |
|---|---|---|
| There is a low risk that the subrecipient will fail to meet project or programmatic objectives or incur significant deficiencies in financial, regulatory, reporting, or other compliance requirements. | There is moderate risk that the subrecipient will fail to meet project or programmatic objectives or incur significant deficiencies in financial, regulatory, reporting, or other compliance requirements. | There is high risk that the subrecipient will fail to meet project or programmatic objectives or incur significant deficiencies in financial, regulatory, reporting, or other compliance requirements. |

***If a proposed subrecipient is deemed high risk, the Chief Financial Officer must provide written justification to proceed with the subaward. The justification must be approved by the Town Attorney.***

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## V. SUBRECIPIENT MONITORING

The TOWN will develop and implement a *subrecipient monitoring plan* for the particular subaward based on the findings of the Subrecipient Assessment of Risk. According to 2 CFR 200.332(d), the monitoring plan must involve:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

(3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by 2 CFR 200.521.

(4) The pass-through entity is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving crosscutting findings. If a subrecipient has a current Single Audit report posted in the Federal Audit Clearinghouse and has not otherwise been excluded from receipt of Federal funding (*e.g.*, has been debarred or suspended), the pass-through entity may rely on the subrecipient's cognizant audit agency or cognizant oversight agency to perform audit follow-up and make management decisions related to cross-cutting findings in accordance with section 2 CFR 200.513(a)(3)(vii). Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward.

The TOWN'S monitoring plan will vary based on the overall subrecipient risk assessment as low risk, medium risk, or high risk, detailed as follows:

| **Subrecipient Deemed Low Risk** | **Subrecipient Deemed Medium Risk** | **Subrecipient Deemed High Risk** |
|---|---|---|
| • Payment validations (monthly)<br>• Report reviews (quarterly)<br>• Desk reviews (at least once per year and more frequently if requested by Town or subrecipient<br>• Onsite reviews (upon request of Town or subrecipient | • More detailed financial reporting<br>• Payment validations (monthly)<br>• Report reviews (bi-monthly)<br>• Desk reviews (within 6 months of project start and every six months thereafter)<br>• Onsite reviews (within 12 months of project | • More detailed financial reporting<br>• Compliance training (one-time)<br>• Prior approvals for certain expenditures<br>• Payment validations (monthly)<br>• Report reviews (monthly)<br>• Desk reviews (within 3 months of project start |

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| | | |
|---|---|---|
| • Audit review (yearly) | start and annually thereafter, or more frequently as requested by Town or subrecipient<br>• Audit review (yearly)<br>• Procedures engagement (if subrecipient not subject to Single Audit Act; yearly) | and at least quarterly thereafter)<br>• Onsite reviews (within 6 months of project start and bi-annually thereafter, or more frequently as requested by Town or subrecipient<br>• Audit review (yearly)<br>• Procedures engagement (if subrecipient not subject to Single Audit Act; yearly) |

**Payment validation:** All subrecipient documentation for project expenditures must be reviewed by the TOWN for compliance with subaward requirements. Any non-compliant expenditures will be denied and the subrecipient will be provided a reasonable description of the reason for denial and an opportunity to cure the deficiency. For a subrecipient on a reimbursement-based payment structure, the validation will occur before a reimbursement payment is approved. For a subrecipient that received an up-front payment, any funds found to have been expended in violation of the subaward requirements must be repaid to the TOWN.

**Report review:** A subrecipient must submit financial and performance reports, based on the schedule set forth in the subaward. The nature and scope of the reports will depend on the project and be spelled out in the subaward. The reports will be reviewed by Town program staff and Finance. Any deficiencies or other performance concerns will be addressed with the subrecipient in a timely manner and could trigger additional monitoring requirements or other interventions, as specified in the subaward.

**Desk review:** The TOWN will conduct a meeting to review the subrecipient's award administration capacity and financial management. The meeting may be held virtually or in person. Topics covered will depend on project scope and subrecipient risk assessment and may include governance, budgeting, accounting, internal controls, conflict of interest, personnel, procurement, inventory, and record keeping. The TOWN will produce a report which summarizes the results and any corrective actions if deemed necessary. The report will be shared in a timely manner with the subrecipient.

**Onsite review:** The TOWN will conduct an on-site meeting at the subrecipient's location to review the subrecipient's project performance and compliance. Topics covered will depend on project scope and subrecipient risk assessment and may include project procurement, data systems, activity and performance tracking,

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project reporting, inventory, and software systems. The TOWN will produce a report which summarizes the results and any corrective actions deemed necessary. The report will be shared in a timely manner with the subrecipient.

**Audit review:** The TOWN must verify that every subrecipient is audited as required by 2 CFR 200 Subpart F (Single Audit) when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in 2 CFR 200.501. The TOWN must obtain a copy of the subrecipient's Single Audit from the Federal Audit Clearinghouse (FAC). Within six months of the acceptance of the audit report by the FAC, the TOWN will issue a management decision for any audit findings related to the subaward. The decision will clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. (The decision will include reference numbers the auditor assigned to each finding.) The decision will provide a timetable for responsive actions by the subrecipient. Prior to issuing the management decision, the TOWN may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs.

**Procedures engagement**: Applicable only to subrecipients who are not subject to the Single Audit Act. An auditor will perform specific procedures and report on findings. The scope must be limited to the following compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting. The review will be arranged and paid for by the TOWN. The TOWN will verify completion of the procedure's engagement. Within six months of the acceptance of the procedure's engagement report, the TOWN will issue a management decision for any findings related to the subaward. The decision will provide a timetable for responsive actions by the subrecipient. Prior to issuing the management decision, the TOWN may request additional information or documentation from the subrecipient, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs.

The specific monitoring plan for each subrecipient, including the type and frequency of reviews, will be detailed in the subaward agreement. For all requirements beyond those listed under the Low-Risk category above, the TOWN will notify the subrecipient of the following in the subaward:

(1) The nature of the additional requirements;
(2) The reason why the additional requirements are being imposed;
(3) The nature of the action needed to remove the additional requirement, if applicable;
(4) The time allowed for completing the actions if applicable; and
(5) The method for requesting reconsideration of the additional requirements imposed.

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To implement the monitoring plan, Chief Financial Officer must perform periodic reviews and document findings in the Subrecipient Monitoring Form (**Appendix 3: Subrecipient Monitoring Form**).

## VI. SUBRECIPIENT INTERVENTIONS

The TOWN may adjust specific subaward conditions as needed, in accordance with 2 CFR 200.208 and 2 CFR 200.339. If the TOWN determines that the subrecipient is not in compliance with the subaward, the TOWN may institute an intervention. The degree of the subrecipient's performance or compliance deficiency will determine the degree of intervention. All possible interventions must be indicated in the subaward agreement.

The TOWN must provide written notice to the subrecipient of any intervention within thirty days of the completion of a report review, desk review, onsite review, audit review, or procedures engagement review or as soon as possible after the TOWN otherwise learns of a subaward compliance or performance deficiency.

Pursuant to 2 CFR 200.208, the written notice must notify the subrecipient of the following related to the intervention:

(1) The nature of the additional requirements;
(2) The reason why the additional requirements are being imposed;
(3) The nature of the action needed to remove the additional requirement, if applicable;
(4) The time allowed for completing the actions if applicable; and
(5) The method for requesting reconsideration of the additional requirements imposed.

The following interventions may be imposed on a subrecipient, based on the level of the compliance or performance deficiency:

**Level 1 Interventions.** These interventions may be required for minor compliance or performance issues.

(1) Subrecipient addresses specific internal control, documentation, financial management, compliance, or performance issues within a specified time period
(2) More frequent or more thorough reporting by the subrecipient
(3) More frequent monitoring by the TOWN
(4) Required subrecipient technical assistance or training

**Level 2 Interventions.** These interventions may be required, in addition to Level 1 interventions, for more serious compliance or performance issues.

(1) Restrictions on funding payment requests by subrecipient
(2) Disallowing payments to subrecipient
(3) Requiring repayment for disallowed cost items
(4) Imposing probationary status on subrecipient

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**Level 3 Interventions.** These interventions may be required, in addition to Level 1 and 2 interventions, for significant and/or persistent compliance or performance issues.

(1) Temporary or indefinite funding suspension to subrecipient
(2) Nonrenewal of funding to subrecipient in subsequent year
(3) Terminate funding to subrecipient in the current year
(4) Initiate legal action against subrecipient

## VII. SUBAWARD AGREEMENT & EXECUTION

The subaward agreement will be drafted by the Town Attorney using the Subaward Agreement Template. Contract terms and conditions may vary based on several factors, including subrecipient risk assessment findings, as documented in the Subrecipient Assessment of Risk. After review by TOWN Program Staff and Chief Financial Officer, the Town Manager may fully execute the subaward agreement, subject to any required budget amendments by the TOWN's governing board, preaudit requirements, and other contract execution prerequisites set by the Town Council.

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## APPENDIX 1: Subrecipient or Contractor Classification Checklist

If the Town of Carrboro wishes to contract with another government entity or a private entity and use ARP/CSLFRF funds to pay for that contract, the TOWN must determine if the relationship with the outside entity is a contractor or subrecipient. To make this determination the TOWN must review the project proposal, budget classification, and other related proposal documents, as well as engage in discussions with key personnel about the nature of the proposed agreement. The determination of whether a proposed agreement involves a contractor or subrecipient relationship must be recorded on this form and maintained in the project file for the duration of the records retention period for ARP/CSLFRF records.

**Instructions:** Complete Sections one through three. The section with the greatest number of marked characteristics indicates the likely type of relationship. The substance of the relationship should be given greater consideration than the form of agreement between the TOWN and outside entity. In borderline cases, the TOWN may either provide a written justification for its determination in Section three or, if appropriate, restructure the agreement to more clearly define it as either a contractor or subrecipient relationship.

**Name of Outside Entity:**

_____

**Section 1 -- Brief Description of Nature of Proposed Agreement:**

| |
|---|
| |

**Section 1 -- Subrecipient.** A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship between the recipient and the subrecipient. Subrecipients may have one or more of the following characteristics:

☐ May determine who may be eligible to receive Federal assistance under the program guidelines.

*For example: A subrecipient that identifies mentors and mentees under a mentoring program*.

☐ Has its performance measured in relation to whether objectives of a Federal program were

met? *The recipient will rely upon the subrecipient's data to submit its own performance*

*data to Treasury*.

☐ Has responsibility for programmatic decision making. *For example: If the recipient funds*

*a subrecipient to develop (or improve) a particular program and the subrecipient will use*

*its own judgment, discretion, and expertise to develop all or part of the program.*

☐ In accordance with its subaward agreement (which may be in the legal form of a contract),

the subrecipient uses the Federal funds to carry out a program for a public purpose specified

in authorizing statutes, as opposed to providing goods or services for the benefit of the

recipient. *For example: To provide crime- or criminal-justice-related services (and, in the*

*case of crime victims, compensation) to individual members of the public, such as victims*

*of crime, or at-risk youth.*

☐ The subrecipient will not earn a profit under the agreement.

☐ The subrecipient is required to contribute cash or in-kind match in support of the subaward.

**Section 2 -- Contractor.** A contract is for the purpose of obtaining goods and services for the recipient's own use and creates a procurement relationship between the recipient and the contractor. *Entities that include these characteristics are not subject to compliance requirements of the Federal program because of the agreement, though similar requirements may apply for other reasons.* A contractor relationship may have one or more of the following characteristics:

☐ Provides goods and services within normal business operations.

☐ Provides similar goods or services to many different purchasers.

☐ Normally operates in a competitive environment.

☐ Provides goods or services that are ancillary to the operation of the Federal program.

*Examples include but are not limited to: Office equipment, supplies, software licenses, reference books, chemical reagents, cell phones, body-worn cameras, body armor, internet services, cell phone service, website hosting, copying/printing, lodging.*

☐ The entity may earn a profit under the contract.

**FINAL DETERMINATION:**

**☒ Subrecipient** **☐ Contractor**

**<u>Section 3 – Justification</u>**. In determining whether an agreement between a recipient and another non-Federal entity reflects a subrecipient or a contractor relationship, the substance of the relationship is more important than the form of the agreement. Considering the characteristics checked above, provide a written justification for the final determination of either a subrecipient or contractor relationship.

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*Explanation of Justification Determination:*

| |
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| |

**Signature: _____Date: _____**

**Print Name and Title: _____**

## APPENDIX 2: Subrecipient Risk Assessment

**Subrecipient Information:**

| | |
|---|---|
| Subrecipient Name | [INSERT SUBRECIPIENT NAME, WHICH MUST MATCH THE NAME ASSOCIATED WITH ITS UNIQUE ENTITY IDENTIFIER] |
| Subrecipient Unique Entity Identifier: | [INSERT SUBRECIPIENT UNIQUE ENTITY IDENTIFIER] |
| Brief Description of Subaward Project and Role of Subrecipient: | [INSERT A BRIEF DESCRIPTION OF SUBAWARD PROJECT AND ROLE OF SUBRECIPIENT] |
| Name and Title of Subrecipient Personnel Providing Information for this Risk Assessment | [INSERT NAME AND TITLE OF SUBRECIPIENT PERSONNEL PROVIDIN INFO. FOR THIS RISK ASSESSMENT] |

| | |
|---|---|
| Choose an item. | Is the entity prohibited from receiving Federal funds due to suspension or debarment per the Excluded Parties List located in the System for Award Management (SAM)? (https://sam.gov/content/home) |
| Choose an item. | Is the entity in good standing with Town of Carrboro? Discuss with appropriate staff. |
| Choose an item. | Has Data Collection Form on Federal Audit Clearinghouse (FAC) been reviewed? (https://facweb.census.gov/uploadpdf.aspx) |
| If yes, | List Findings: |

| Risk Category | Rating Label | Comments |
|---|---|---|
| **General Assessments** | | |
| 1. Is the proposed subrecipient entity's (hereinafter "entity") facility, equipment, supplies, and staffing adequate for the needs of the award? | Choose an item. | |
| 2. Has the entity adopted and implemented all required Uniform Guidance policies and procedures? | Choose an item. | |
| 3. Has the entity adopted and implemented records retention, conflict of interest, and nondiscrimination policies, consistent with the ARP/CSLFRF award terms? | Choose an item. | |
| 4. Is the entity properly licensed or certified by a recognized source (i.e., the Internal Revenue Service non-profit determination | Choose an item. | |

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| letter, bonded and insured if performing construction-related activities, etc.)? | | |
| 5. Does the entity have a Code of Ethics policy which is provided to all associated employees? | Choose an item. | |
| 6. Has the entity's management demonstrated a commitment to compliance with the subaward terms and all applicable laws and regulations? | Choose an item. | |
| **Financial Management, Systems, & Personnel** | | |
| 7. Does the entity have a financial management system that provides records that can identify the sources and application of funds for subaward funded activities? | Choose an item. | |
| 8. Does the entity's financial management system provide for the control and accountability of project funds, property, and other assets? | Choose an item. | |
| 9. What is the current staffing level of the entity? | Choose an item. | |
| 10. Has there been any change in the entity's key staffing positions in the last 2 years? | Choose an item. | |
| 11. What is the entity's staff's experience in performing stated activities in the proposed subaward? | Choose an item. | |
| 12. Does the entity have a formal, written personnel policy that addresses:<br>(a) Pay rates & benefits<br>(b) Time & attendance<br>(c) Leave<br>(d) Discrimination<br>(e) Nepotism<br>(f) Conflict of Interest? | Choose an item. | |
| 13. Does the entity have sufficient internal controls related to the subaward funds? | Choose an item. | |
| 14. Does the entity have sufficient cash flow to carry out the subaward terms? | Choose an item. | |
| **Experience with Other Federal Grants** | | |
| 15. Has the entity previously done work for the federal government? | Choose an item. | **If low or moderate (yes)**, list the last three agencies and award periods. |
| (a) **If low or moderate (yes),** what is the entity's past performance on meeting federal program outcomes and managing federal funds in compliance with federal regulations? | Choose an item. | |
| 16. Is the entity experienced in managing federal funds of the scope of this proposed subaward? | Choose an item. | |
| 17. Identify any monitoring interventions the entity is currently subject to related to other federal grant awards. | Choose an item. | |

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| 18. Does the entity maintain an inventory of federal government property that, at a minimum, identifies purchase date, cost, vendor, description, serial number, location, and ultimate disposition data? | Choose an item. | |
| **Audits** | | |
| 19. Does the entity have a designated federal cognizant audit agency? | Choose an item. | **If low (yes),** provide name of audit agency. |
| 20. Has the entity completed a Single Audit in the past five years? | Choose an item. | **If low or moderate (yes),** provide a copy of the most recent audit and **do not complete the rest of the Audit Section.** |
| (a) **If high (no) to 20.,** does the entity have annual financial statements that have been reviewed of audited by an independent audit firm? | Choose an item. | If yes, please provide a copy of the statements for the most current fiscal year. If no, please explain. |
| **Indirect Rate Information** | | |
| 21. Does the entity have a negotiated federal indirect/F&A rate? (*Note: This question does not impacted weight of risk assessment*) | Choose an item. | **If yes,** what is the rate?<br>**If no,** indicate that de minimis 10% indirect rate will apply |
| **Overall Risk Assessment** | | |
| 22. Based on the overall assessment, does the reviewer anticipate any implementation problems with the proposed subaward? | Choose an item. | |
| 23. What percentage of the entity's overall annual budget will this subaward comprise? | Choose an item. | |
| **24. Considering all factors above, assess overall level of risk** | Choose an item. | |

Document any additional findings, mitigating factors, and recommendations here.

Assessment Completed By: _____ Date: _____

implementation and subaward compliance. The TOWN's project manager assigned to the subaward or chief financial officer must complete this report for each payment validation, report review, desk review, site review, and audit or procedures engagement review during the subaward term (and, as appropriate, after the expiration or termination of the subaward). Upon completion, and following review by TOWN PROGRAM AND FINANCE STAFF, the original will be filed in the subaward file. Any required

subrecipient corrective actions will be detailed in writing and provided to the subrecipient within thirty days of the completion of this report.

I. **Subaward Overview** (complete this section for all reviews)

**STAFF INFORMATION**

| | | |
|---|---|---|
| Reviewed conducted by: | | Date: |
| Type (programmatic, financial, or both) | | Date: |
| Review confirmed by: | | Date: |

**SUBRECIPIENT INFORMATION**

| | |
|---|---|
| Subrecipient Name: | |
| Subrecipient Program Personnel (who participated in the review): | |
| Subrecipient Contact Phone Number: | |
| Subrecipient Fiscal/Audit Personnel (who participated in the review): | |
| Subrecipient Fiscal Contact Phone Number: | |

GRANT REVIEW INFORMATION

| Grant | Project # | Award $ | POP Begin | POP End | Review Period | |
|---|---|---|---|---|---|---|
| | | | | | Beginning Date | Ending Date |
| | | | | | | |
| | | | | | | |
| | | | | | | |

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**TYPE OF MONITORING**

| | **Type of Monitoring** | **Date Completed** | **Comments** |
|---|---|---|---|
| ☐ | Payment Validation (Complete this column, but not the rest of the form.) | | |
| ☐ | Report Review (Complete this column, but not the rest of the form.) | | |
| ☐ | Audit or Procedures Engagement Review (Complete this column, but not the rest of the form.) | | |
| ☐ | Desk Review (If desk review, complete the rest of the form.) | | |
| ☐ | Onsite Review (If onsite review, complete the rest of the form.) | | |

II. **Desk and Onsite Reviews** (complete this section for desk and onsite reviews only)

PRE-MEETING NOTES

List any issues, concerns, or other specialty items for follow-up during review.

1.
2.

**SUMMARY OF PROGRESS**

Subrecipient must submit a written summary of the major workplan milestones during the review period at least one week prior to the review. The summary must address 1) number of clients served as compared with projections; 2) staffing; 3) activities undertaken; and 4) significant accomplishments. A copy of that summary will be appended to this written review report.

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**MONITORING OVERVIEW**

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**PROGRAM IMPLEMENTATION**

Indicate milestones met this quarter and identify milestones as scheduled to occur in the following quarter.

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**ACTIVITIES/PRODUCTS**

Identify any reports or products that were submitted during the quarter, and identify those due the following quarter.

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**CORRECTIVE ACTIONS FROM PRIOR REVIEWS**

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| Indicate actions taken in response to prior review issues. |
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**ASSESSMENT OF QUALITY OF IMPLEMENTATION**

Is the project being implemented on schedule? Are the activities impacting the goals and objectives as outlined in approved application?

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**ISSUES/PROBLEMS**

Discuss significant new issues/problems with respect to projected milestones, audits, staffing,
client flow, departures from approved goals, late reports, etc.

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**MONITORING SPECIFICS**

**(Complete all fields that are applicable to the subaward.)**

| **Activity Goals** | ☐ **N/A** | **Yes** | **No** | **N/A** |
|---|---|---|---|---|
| **Scope of Service, Number of People to be Served, and any Special Terms stated within the Subaward Agreement.** | | | | |
| 1. Has there been a change in the activity goals, scope of service, number of people to be served or other special terms as indicated in the Agreement between the Subrecipient and the Recipient? | | ☐ | ☐ | ☐ |
| (a) If yes, was the Recipient informed of the change? | | ☐ | ☐ | ☐ |

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|---|---|---|---|
| 2. Did the activity conform to any additional or special terms as reflected in the Subaward Agreement? | ☐ | ☐ | ☐ |
| 3. Is the subrecipient providing the full scope of services as stated in the application and Subaward Agreement? | ☐ | ☐ | ☐ |
| 4. Are the actual accomplishments at the time of this review the same as the planned accomplishments? Is the activity achieving the expected quantifiable levels of performance (number of persons served, achieving goals set for clients, etc.) reaching the intended client group? | ☐ | ☐ | ☐ |
| 5. Is the overall activity performance schedule being met in a timely manner (i.e. goal for number of clients served, expenditure of funds in timely manner, reporting requirements)? | ☐ | ☐ | ☐ |
| 6. Did the activity operate within the approved budget as detailed in the Subaward Agreement? (i.e., budgetary line items both accurate and realistic for activity expenses; source and use of match funds accurate) | ☐ | ☐ | ☐ |
| 7. Did the activity funding source change? | ☐ | ☐ | ☐ |
| 8. Was there a change in make-up or responsibility of staff for the activity? | ☐ | ☐ | ☐ |
| 9. Were invoices for reimbursement payments submitted with support documentation? | ☐ | ☐ | ☐ |
| 10. Were reports outlined in the Subaward Agreement submitted on time? | ☐ | ☐ | ☐ |
| **General Comments** | | | |

| **General Compliance** | **Yes** | **No** | **N/A** |
|---|---|---|---|
| **Request a copy of all applicable policies and procedures required by the ARP/CSLFRF award terms and Uniform Guidance.** | | | |
| 11. Does the subrecipient have written policies and procedures to adequately administer the ARP/CSLFRF subaward? | | | |
| 12. Does the subrecipient have a written conflict of interest policy for their employees? | | | |
| 13. Are there sufficient internal controls in place to protect against waste, fraud and abuse of Federal funds (segregation of duties, etc.)? | | | |
| 14. If program income will be generated by the subrecipient, have provisions been made to ensure that it is used in accordance with ARP/CSLFRF and Uniform Guidance requirements? | | | |
| What procedures does the subrecipient use to identify and account for federal property purchased with subaward funds? | | | |
| Does the subrecipient have adequate safeguards for preventing loss, damage, or theft of property held (inventory control, etc.)? | | | |
| Describe any technical assistance/training provided to subrecipient during the project period. | | | |
| **General Comments** | | | |

| **Employee Reimbursement** ☐ **N/A** | **Yes** | **No** | **N/A** |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **Request a copy of the employee reimbursement policy, and/or have the subrecipient describe the procedure for approving and documenting expenses that are reimbursed.** | | | |
| 15. Are detailed receipts (i.e., receipts that do not merely show a total, but the detail of what was purchased) provided for reimbursement? | | | |
| 16. Are reimbursements reviewed and approved by a supervisor or project manager prior to being submitted to the Fiscal Officer/Accounting Staff for payment? | | | |
| 17. Does the subrecipient have a Reimbursement Policy? | | | |
| **Examine two or more reimbursements that were paid out of the grant being monitored.** | | | |
| 18. Were the detailed receipts provided to support the amounts requested? | | | |
| 19. Were the expenses in compliance with grant requirements/guidelines and UG? | | | |
| 20. If reimbursed for training or conference expenses, was a certificate of attendance or completion, or agenda and brochure provided to support request for reimbursement? | | | |
| **General Comments** | | | |

| **Equipment** | ☐ **N/A** | **Yes** | **No** | **N/A** |
|---|---|---|---|---|
| **What is the purchasing procedure for equipment purchased with grant funds?** Attach copies of relevant policies and of any purchasing documentation during the review period. | | | | |
| **How is equipment inventoried, insured, and managed?** Attach copies of relevant policies and current inventory information. | | | | |
| **What is the procedure for transferring equipment purchased with grant funds to another entity?** Attach copies of relevant policies and documentation for any transfers during review period. | | | | |
| **Request an inventory list, physical locate selected items, and examine items to ensure compliance.** | | | | |
| 1. Were all transactions conducted in a manner providing full and open competition, and quotations obtained from an adequate number of sources? | | | | |
| 2. Has all equipment indicated as purchased actually been purchased? | | | | |
| 3. Was equipment purchased in accordance with required procurement rules/policies? | | | | |
| 4. Were additions and deletions to the equipment budget made and approved prior to the purchase/procurement dates? | | | | |
| 5. Does a detailed expenditure list indicate any equipment purchased that is not accounted for in the subaward budget? | | | | |
| 6. Is equipment purchased with subaward funds in prior years still in inventory and still being used for subaward purposes? | | | | |
| 7. Has the inventory been updated, and did it account for all items transferred to other entities? | | | | |
| 8. For equipment that was transferred, aside from normal office equipment, was the transferee properly trained on the equipment, and is there a record of that training? | | | | |
| 9. For equipment transferred to other entities; have they added it to their inventory records and is it maintained/used for intended purposes? | | | | |
| **General Comments** | | | | |

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|---|---|---|---|
| **Financial Management** ☐ **N/A** | **Yes** | **No** | **N/A** |
| **What is the Accounting System for each grant program?** | | | |
| 1. Is there a separate accounting for all financial transactions for the subaward? | | | |
| 2. Is a process in place to prevent co-mingling of funds? | | | |
| 3. Does the accounting system prevent obligation or expenditure of funds outside the subaward's period of availability? | | | |
| 4. Are accounting records supported by source documentation? | | | |
| 5. Were any illegal transfers or unusual activities noted during a review of the subrecipient's fund activity reports? | | | |
| 6. Does the system provide for prompt and timely recording and reporting of all financial transactions? | | | |
| 7. Is proper Fiscal record retention being followed (through Dec. 31, 2031)? | | | |
| **What is the process for approval and payment of expenditures and posting to the General Ledger?** | | | |
| 8. Are subaward costs identified as eligible prior to encumbering funds and placing an order? | | | |
| 9. Were the applicable State/Federal suspension and debarment listings consulted prior to doing business with a vendor and/or contractor? | | | |
| 10. Are all invoices reviewed by the project director for eligibility and marked 'okay to pay' prior to being submitted to the fiscal office or accounting staff for payment? | | | |
| 11. Are disbursements fully support by invoices, requisitions, purchase orders, or similar documents? | | | |
| 12. Are cancelled checks or warrants available for review? | | | |
| 13. Were all subaward funds that were received disabused within the allowable timeframe? | | | |
| **What is the reconciliation process, and how are errors or adjustments handled?** | | | |
| 14. Does the subrecipient perform routine reconciliations of its records against the General Ledger? By whom and how often? | | | |
| 15. Does the subrecipient have sufficient internal controls related to reconciliations? | | | |
| 16. Were actions taken to promptly correct any errors and/or resolve issues? | | | |
| **General Comments** | | | |

| | | | |
|---|---|---|---|
| **Other Direct Costs** ☐ **N/A** | **Yes** | **No** | **N/A** |
| **How are rent, utilities, and other items allocated for the program?** | | | |
| 1. Are rent payments documented by a copy of the lease agreement, and canceled checks or receipts? | | | |
| 2. Are receipts, bills, and invoices properly maintained? | | | |
| 3. Is the actual rate and method being charged to the grant consistent with the rate and method approved in the budget? | | | |
| 4. Are costs shared with other programs or funding sources? If yes, how are costs allocated? | | | |

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| **General Comments** |
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| |

| **Personnel/Direct Labor** | ☐ **N/A** | **Yes** | **No** | **N/A** |
|---|---|---|---|---|
| **Describe the payroll process and who is paid by the subaward.** | | | | |
| 1. Are personnel files maintained for each employee that include current job descriptions, performance and evaluations, and changes in pay rates? | | | | |
| 2. Are time sheets, activity reports, or payroll files available for review? These documents should clearly show the effort toward the subaward charged. | | | | |
| 3. Are individual employee time sheets and attendance records: | | | | |
| • Prepared and signed by each employee for each pay period? | | | | |
| • Reviewed and signed by each employee's supervisor? | | | | |
| • Reconciled to the payroll master ledger? | | | | |
| 4. Are all authorized staff positions filled for the approved budget? | | | | |
| 5. Are staff salaries consistent with the approved budget? | | | | |
| 6. Are fringe benefits the same as what is listed in the approved budget? | | | | |
| **General Comments** | | | | |

| **Reporting Requirements** | ☐ **N/A** | **Yes** | **No** | **N/A** |
|---|---|---|---|---|
| **Subrecipients are required to report on progress toward implementing plans described in their application/proposal.** | | | | |
| 1. Progress reports must be submitted based on approved work plan. Have all of the reports been submitted for this reporting period? | | | | |
| 2. Are there any outstanding data elements that must be tracked and reported by the subrecipient? If so, detail the plan for the subrecipient to comply with this requirement. | | | | |
| **Comments** | | | | |

| **Supplies & Materials** | ☐ **N/A** | **Yes** | **No** | **N/A** |
|---|---|---|---|---|
| **Explain the process of allocating supply costs to the subaward.** | | | | |
| 1. Are purchases of supplies approved and well documented by quotes, invoices, or receipts? | | | | |
| 2. Are expenditures for supplies consistent with the approved budget? | | | | |
| 3. Is there a substantial supply inventory remaining at the project termination date? | | | | |
| 4. Were all transactions conducted in a manner providing full and open competition, and quotations obtained from an adequate number of sources? | | | | |
| **General Comments** | | | | |

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|---|---|---|---|---|
| **Travel/Vehicle Mileage** | ☐ **N/A** | **Yes** | **No** | **N/A** |
| **Request a copy of the subrecipient's travel policy or have them describe the procedure for approving and documenting travel expenses.** | | | | |
| 1. Is employee travel approved in advance by a supervisor or project manager? | | | | |
| 2. Are travel expenditures documented with expenses reports and/or detailed receipts (i.e., receipts do not merely show total but detail of what was purchased)? | | | | |
| 3. Are travel expenditures appropriately supported within subaward guidelines and in the approved budget? | | | | |
| 4. Are mileage reimbursements supported by a mileage log or similar documentation? | | | | |
| **General Comments** | | | | |

| | | | | |
|---|---|---|---|---|
| **Single Audit Review** | ☐ **N/A** | **Yes** | **No** | **N/A** |
| **Obtain a copy of the subrecipient's most recent audit from FAC.** Attach it to this review form. | | | | |
| 1. Was the Major Programs' Compliance Opinion in the Summary of Auditor's Results in the Schedule of Findings qualified? | | | | |
| 2. Were there any findings and/or questioned costs for federal awards in the Schedule of Findings? Were any other operational issues such as the handling of assets, lack of policies and procedures, contract non-compliance, etc., which would impact Federal dollars received? | | | | |
| 3. Were past audit findings and/or questioned costs for federal awards satisfactorily resolved? | | | | |
| 4. Was any control issue identified which would impact the processing of Federal grant dollars (i.e., control weaknesses)? | | | | |
| **General Comments** *(If yes response to questions 1, 2, and/or 4, then comment on the issues noted from the audit and how this was addressed during the onsite review).* | | | | |

[ADD OTHER RELEVANT REVIEW FIELDS HERE]

RECOMMENDED CHANGES AND/OR NEW MONITORING INTERVENTIONS

Please document any recommendations for financial, programmatic, or other changes. Indicate if further monitoring interventions are warranted.

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## APPENDIX 4: Subaward Agreement Template

***[NOTE: THIS IS A VERY BASIC SUBAWARD AGREEMENT TEMPLATE FOR ARP/CSLFRF SUBAWARDS. SUBAWARD AGREEMENT TERMS AND CONDITIONS WILL VARY BASED ON SEVERAL FACTORS, INCLUDING THE NATURE OF THE PROJECT AND SUBRECIPIENT RISK ASSESSMENT FINDINGS. PLEASE CAREFULLY REVIEW AND AMEND THIS TEMPLATE TO ADDRESS THE SPECIFIC NATURE OF THE SUBAWARD.]***

American Rescue Plan Act of 2021 Coronavirus State and Local Fiscal Recover Funds Subaward Agreement
Between
Town of Carrboro, North Carolina
and
[NAME OF SUBRECIPIENT]

**Article I. Overview.**

**Section 1.1. Parties**. The parties to this agreement are TOWN OF CARRBORO], North Carolina, a body politic and political subdivision of the State of North Carolina ("TOWN") and [FULL LEGAL NAME OF SUBRECIPIENT], a North Carolina [SUBRECIPIENT ENTITY TYPE (EG., NON-PROFIT CORPORTATION, FOR-PROFIT CORPORATION, GOVERNMENT ENTITY, ETC.)] ("Subrecipient").

**Section 1.2. Definitions.** The definitions in 2 CFR 200.1 are hereby incorporated into this Agreement.

**Section 1.3. Roles**. For the purposes of this Agreement, the TOWN serves as a pass-through entity.

**Section 1.4. Source of Funding.** This Agreement is funded by a portion of the [DOLLAR VALUE ALLOCATED TO LOCAL GOVERNMENT] allocated to the TOWN by the Coronavirus State Local Fiscal Recovery Fund created under section 603 of the American Rescue Plan Act of 2021 (ARP/CSLFRF).

**Section 1.5. Purpose**. The purpose of this Agreement is to establish the terms and conditions for a subaward allocated to the Subrecipient from the TOWN.

**Section 1.6. Disclosures.** Federal regulations, specifically 2 CFR 200.331(a)(1), require the TOWN to provide the Subrecipient with specific information about this subaward. All required information is listed in Exhibit A **(Subaward Data).**

**Section 1.7. Term**. This Agreement shall govern the performance of the parties for the period **[START DATE]** (the "Effective Date") through [END DATE] ("Expiration Date"), unless earlier terminated by either party in accordance with the terms of this Agreement ("Agreement Term").

**Article II. Scope of Funded Activities.**

**Section 2.1. Scope of Services**. Subrecipient shall perform all activities described in the scope of activities, attached hereto as Exhibit B (Approved Activities).

**Section 2.2. Budget.** Subrecipient shall perform the Approved Activities in accordance with the program budget as approved by the TOWN and attached hereto as Exhibit C (Approved Budget).

**Section 2.3. Prior Approval for Changes**. Subrecipient may not transfer allocated funds among cost categories within a budgeted program account without the prior written approval of the TOWN; nor shall Subrecipient make any changes, directly or indirectly, to program design, Approved Activities, or Approved Budget without the prior written approval of TOWN.

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**Article III. Compensation.**

**Section. 3.1. Payment of Funds.** TOWN agrees to reimburse Subrecipient for costs actually incurred and paid by Subrecipient in accordance with the Approved Budget and for the performance of the Approved Activities under this Agreement in an amount not to exceed $[_] ("Total Agreement Funds"). The amount of Total Agreement Funds, however, is subject to adjustment by the TOWN if a substantial change is made in the Approved Activities that affects this Agreement or if this Agreement is terminated prior to the expiration of the Agreement. Program funds shall not be expended prior to the Effective Date or following the earlier of the Expiration Date or the last day of the Agreement Term. Costs incurred shall only be as necessary and allowable to carry out the purposes and activities of the Approved Activities and may not exceed the maximum limits set in the Approved Budget. Expenses charged against the Total Agreement Funds shall be incurred in accordance with this Agreement. [DRAFTING NOTE: THIS SECTION SHOULD BE RE-DRAFTED TO MATCH THE PROCESS THAT YOUR PARTICULAR LOCAL GOVERNMENT WILL FOLLOW TO MAKE REIMBURSEMENT PAYMENTS TO SUBRECIPIENTS. THE DEFAULT PAYMENT METHOD IS REIMBURSEMENT. IF THE NATURE OF THE SUBAWARD REQUIRES UP FRONT PAYMENTS TO THE SUBRECIPIENT, THIS SECTION WILL NEED TO BE REDRAFTED TO ACCOUNT FOR THOSE PAYMENTS AND THE POTENTIAL FOR CLAWBACK IF AN EXPENSE IS DETERMINED TO BE UNALLOWABLE.]

**Section. 3.2. Invoices.** On or before the twentieth (20th) day of each month and in any event no later than thirty (30) days after the earlier of the expiration or termination of this Agreement, Subrecipient shall submit invoices and associated receipts, in a format dictated by TOWN, for the most recent month ended, to TOWN's [NAME DEPARTMENT HERE AND INDICATE HOW SUBRECIPIENT MUST SUBMIT INFO (MAIL, EMAIL, ETC.)], setting forth actual expenditures of Subrecipient in accordance with this Agreement. Within ten (10) working days from the date it receives such invoice, TOWN may disapprove the requested reimbursement claim. If the reimbursement claim is so disapproved, TOWN shall notify Subrecipient as to the disapproval. A decision by TOWN to disapprove a reimbursement claim is final. There is no appeal process for subrecipient. If TOWN approves payment, then TOWN will disburse the funds without further notice. [DRAFTING NOTE: THIS SECTION SHOULD BE RE-DRAFTED TO MATCH THE PROCESS THAT YOUR PARTICULAR LOCAL GOVERNMENT WILL FOLLOW TO MAKE REIMBURSEMENT PAYMENTS TO SUBRECIPIENTS. THE DEFAULT PAYMENT METHOD IS REIMBURSEMENT. IF THE NATURE OF THE SUBAWARD REQUIRES UP FRONT PAYMENTS TO THE SUBRECIPIENT, THIS SECTION WILL NEED TO BE REDRAFTED TO ACCOUNT FOR THOSE PAYMENTS AND THE POTENTIAL FOR CLAWBACK IF AN EXPENSE IS DETERMINED TO BE UNALLOWABLE. LG SHOULD ALSO INDICATE HOW PAYMENTS WILL BE MADE – CHECK, ELECTRIC FUNDS TRANSFER, ETC.]

**Section. 3.3. TOWN's Subaward Obligations Contingent on Federal Funding and Subrecipient Compliance**. The payment of funds to Subrecipient under the terms of this Agreement shall be contingent on the receipt of such funds by TOWN from the ARP/CSLFRF and shall be subject to Subrecipient's continued eligibility to receive funds under the applicable provisions of state and federal laws. If the amount of funds that TOWN receives from the ARP/CSLFRF is reduced, TOWN may reduce the amount of funds awarded under this Agreement or terminate this Agreement. TOWN also may deny payment for Subrecipient's expenditures for Approved Activities where invoices or other reports are not submitted by the deadlines specified in this Agreement or for failure of Subrecipient to comply with the terms and conditions of this Agreement.

**Article IV. Financial Accountability and Grant Administration.**

**Section. 4.1. Financial Management**. Subrecipient shall maintain a financial management system and financial records related to all transactions with funds received pursuant to this Agreement and with any program income earned as a result of funds received pursuant to this Agreement. Subrecipient must administer funds received pursuant to this Agreement in accordance with all applicable federal and state requirements, including the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200, as required by the ARP/CSLFRF Assistance Listing

(21.027). Subrecipient shall adopt such additional financial management procedures as may from time-to-time be prescribed by TOWN if required by applicable federal or state laws or regulations, or guidelines from US Department of Treasury. Subrecipient shall maintain detailed, itemized documentation and other necessary records of all income received and expenses incurred pursuant to this Agreement.

**Section. 4.2. Limitations on Expenditures**. TOWN shall only reimburse Subrecipient for documented expenditures incurred during the Agreement Term that are: (i) reasonable and necessary to carry out the scope of Approved Activities described in Exhibit B; (ii) documented by contracts or other evidence of liability consistent with the established TOWN and Subrecipient procedures; and (iii) incurred in accordance with all applicable requirements for the expenditure of funds payable under this Agreement. TOWN may not reimburse or otherwise compensate Subrecipient for any expenditures incurred or services provided prior to the Effective Date or following the earlier of the expiration or termination of this Agreement.

**Section. 4.3**. **Indirect Cost Rate**. The indirect cost rate, if any, indicated in Exhibit C (Approved Budget) shall apply to this Agreement. [DRAFTER NOTE: IF THE SUBRECIPIENT HAS A NICRA WITH ANOTHER FEDERAL AGENCY THAT IS HIGHER THAN THE DE MINIMIS INDIRECT RATE OF 10%, YOU MUST USE THE SUBRECIPIENT'S NICRA TO CALCULATE ITS INDIRECT RATE. SEE 2 CFR 200.332(a)(4)(ii)]

**Section. 4.4. Financial and Other Reports**. Subrecipient shall submit to TOWN such reports and back-up data as may be required by the Federal Government or TOWN, including such reports which enable TOWN to submit its own reports to the US Department of Treasury, in accordance with the following schedule, which may be amended from time to time:

| REPORT | DEADLINE |
|---|---|
| [INSERT APPLICABLE REPORT REQUIREMENTS HERE]<br><br>[DRAFTER NOTE: REVIEW TREASURY PROJECT & EXPENDITURE REPORT AND RECOVERY PLAN DEADLINES AS A GUIDELINE FOR DEVELOPING TIMELINE. SEE TREASURY COMPLIANCE AND REPORTING GUIDANCE,] | [INSERT APPLICABLE DEADLINES] |

This provision shall survive the expiration or termination of this Agreement with respect to any reports which the Subrecipient is required to submit to TOWN following the expiration or termination of this Agreement.

**Section. 4.5. Improper Payments**. Any item of expenditure by Subrecipient under the terms of this Agreement which is found by auditors, investigators, and other authorized representatives of the TOWN, the US Department of Treasury, the NC Department of State Treasurer, or other federal or state instrumentality to be improper, unallowable, in violation of federal or state law, or the terms of this Agreement, or involving any fraudulent, deceptive, or misleading representations or activities of Subrecipient, shall become Subrecipient's liability, and shall be paid solely by Subrecipient, immediately upon notification of such, from funds other than those provided by TOWN under this Agreement or any other agreements between TOWN and Subrecipient. This provision shall survive the expiration or termination of this Agreement.

**Section. 4.6. Audits and Access to Records**. Subrecipient certifies compliance with applicable provisions of 2 CFR 200.501-200.521, and continued compliance with these provisions during the term of this section. If Subrecipient is not required to have a Single Audit as defined by 200.501, US Department of

Treasury requirements, or the Single Audit Act, then Subrecipient shall have a financial audit performed yearly by an independent Certified Public Accountant. Subrecipient shall provide notice of the completion of any required audits and will provide access to such audits and other financial information related to the Agreement upon request. Subrecipient certifies that it will provide TOWN with notice of any adverse findings which impact this Agreement. This obligation extends for one year beyond the expiration or termination of this Agreement. [DRAFTER NOTE: BASED ON THE RISK ASSESSMENT OF THE SUBRECIPIENT, THE LOCAL GOVERNMENT MAY IMPOSE A MORE LIMITED PROCEDURES ENGAGEMENT REQUIREMENT ON A SUBRECIPIENT THAT IS NOT SUBJECT TO A SINGLE AUDIT. IF SO, THAT REQUIREMENT SHOULD BE SPELLED OUT HERE. THE LOCAL GOVERNMENT WILL ARRANGE FOR THE PROCEDURES ENGAGEMENT WITH THE AUDITOR AND PAY FOR IT. ARP/CSLFRF FUNDS MAY BE USED TO COVER THESE COSTS IF THE PROCEDURES ENGAGEMENT IS LIMITED TO ALLOWABLE COSTS UNDER THE UNIFORM GUIDANCE.]

**Section. 4.7. Closeout**. Final payment request(s) under this Agreement must be received by TOWN no later than thirty (30) days after the earlier of the Expiration Date or the last day of the Agreement Term. TOWN will not accept a payment request submitted after this date without prior authorization from TOWN. In consideration of the execution of this Agreement by TOWN, Subrecipient agrees that acceptance of final payment from TOWN will constitute an agreement by Subrecipient to release and forever discharge TOWN, its agents, employees, officers, representatives, affiliates, successors and assigns from any and all claims, demands, damages, liabilities, actions, causes of action or suits of any nature whatsoever, which Subrecipient has at the time of acceptance of final payment or may thereafter have, arising out of, in connection with or in any way relating to any and all injuries and damages of any kind as a result of or in any way relating to this Agreement. The Subrecipient's obligations to TOWN under this Agreement shall not terminate until all closeout requirements are completed to the satisfaction of TOWN. Such requirements shall include submitting final reports to TOWN and providing any closeout-related information requested by TOWN by the deadlines specified by TOWN. This provision shall survive the expiration or termination of this Agreement.

**Article V. Compliance with Grant Agreement and Applicable Laws.**

**Section. 5.1. General Compliance.** Subrecipient shall perform all Approved Activities funded by this Agreement in accordance with this Agreement, the award agreement between TOWN and the US Department of Treasury, and all applicable federal, state and local requirements, including all applicable statutes, rules, regulations, executive orders, directives or other requirements. Such requirements may be different from Subrecipient's current policies and practices. TOWN may assist Subrecipient in complying with all applicable requirements. However, Subrecipient remains responsible for ensuring its compliance with all applicable requirements.

**Section. 5.2. Expenditure Authority.** This Agreement is subject to the laws, regulations, and guidance documents authorizing and implementing the ARP/CSLFRF grant, including, but not limited to, the following:

**Authorizing Statute.** Section 603 of the *Social Security Act* (42 U.S.C. 803), as added by section 9901(a) of the *American Rescue Plan Act of 2021* (Pub. L. No. 117-2).

**Implementing Regulations.** Subpart A of 31 CFR Part 35 (Coronavirus State and Local Fiscal Recovery Funds), as adopted in the *Coronavirus State and Local Fiscal Recovery Funds* interim final rule (86 FR 26786, applicable May 17, 2021 through March 31, 2022) and final rule (87 FR 4338, applicable January 27, 2022 through the end of the ARP/CSLFRF award term), and other subsequent regulations implementing Section 603 of the Social Security Act (42 U.S.C. 803).

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**Guidance Documents.** Applicable guidance documents issued from time-to-time by the US Department of Treasury, including the currently applicable version of the *Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds.*[9]

This Agreement is also subject to all applicable laws of the State of North Carolina.

**Section. 5.3. Federal Grant Administration Requirements.** Subrecipient shall comply with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 2 CFR Part 200 (UG), as adopted by the Department of Treasury at 2 CFR Part 1000 and as set forth in the Assistance Listing for ARP/CSLFRF (21.027). These requirements dictate how Subrecipient must administer the subaward and how TOWN must oversee Subrecipient.

The applicable UG provisions are as follows:

**Subpart A, Acronyms and Definitions**
**Subpart B, General provisions**
**Subpart C, Pre-Federal Award Requirements and Contents of Federal Awards** (except 2 CFR 200.204, .205, .210, and .213)
**Subpart D, Post Federal; Award Requirements** (except 2 CFR 200.305(b)(8) & (9), .308, .309, and .320(c)(4))
**Subpart E, Cost Principles**
**Subpart F, Audit Requirements**
**2 CFR Part 25** (Universal Identifier & System for Award Management)
**2 CFR Part 170** (Reporting Subaward and Executive Compensation Information)
**2 CFR Part 180** (OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Non-procurement)

Subrecipient shall document compliance with UG requirements, including adoption and implementation of all required policies and procedures, within thirty (30) days of the execution of this Agreement and during all subsequent reviews during the term of the Agreement. TOWN may provide sample policies or other assistance to Subrecipient in meeting these compliance requirements. Regardless of TOWN's assistance, it is the Subrecipient's responsibility to properly comply with all UG requirements. Failure to do so may result in termination of the Agreement by TOWN.

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[9] https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf.

**Section. 5.4. Procurement Requirements**.

(a) **Federal.** Consistent with UG compliance requirements, including the standards in 2 CFR 200.318 for the acquisition of property, equipment, supplies, or services required under this Agreement, Subrecipient shall adopt and enact procurement procedures. Subrecipient's documented procurement procedures must conform to the procurement standards identified in Subpart D of 2 CFR Part 200 (Procurement Standards). Such standards include, but are not limited to, the following:

1. All procurement transactions for property or services shall be conducted in a manner providing full and open competition, consistent with standards outlined in 2 CFR 200.320(1)-(3) and (5), which allows for non-competitive procurements only if either (1) the item is below the micro-purchase threshold; (2) the item is only available from a single source; (3) the public exigency or emergency will not permit a delay from publicizing a competitive solicitation; or (4) after solicitation of a number of sources, competition is determined inadequate.

2. Subrecipient shall maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

3. Subrecipient shall maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts in conformance with 2 CFR 200.318(c). Subrecipient shall immediately disclose in writing to TOWN any potential conflict of interest affecting the awarded funds in accordance with 2 CFR 200.112.

4. Pursuant to 2 CFR 200.321, Subrecipient shall take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

5. Subrecipient shall "maintain records sufficient to detail the history of procurement. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price." 2 CFR 200.318(i).

(b) **Local**. In addition to the requirements described in subsection (a), the Subrecipient shall comply with the following: [NOTE: ADJUST THIS SECTION TO FIT YOUR LOCAL GOVERNMENT'S SPECIFIC REQUIREMENTS.]

1. **Reporting**. Subrecipient shall document, in its quarterly report to **TOWN**, the status of all contracts executed in connection with this Agreement.

2. **TOWN review of solicitations**. Except for micro-purchases made pursuant to 2 CFR 200.320(a)(1) or procurements by small purchase procedures pursuant to 2 CFR 200.320(a)(2), if Subrecipient proposes to enter into any contract for the performance of any of the Approved Activities under this Agreement, then the Subrecipient shall forward to TOWN a copy of any solicitation (whether competitive or non-competitive) at least fifteen (15) days prior to the publication or communication of the solicitation. TOWN will review the solicitation and provide comments, if any, to Subrecipient within three (3) business days. Failure to respond within three (3) business days does not constitute approval by the TOWN. Consistent with 2 CFR 200.324, TOWN will review the solicitation for compliance with applicable procurement standards. TOWN's review and comments shall not constitute a binding approval of the solicitation. Regardless of TOWN's review, Subrecipient remains bound by all applicable laws, regulations, and Agreement terms. If during its review TOWN identifies any deficiencies, then TOWN will communicate those

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deficiencies to Subrecipient as quickly as possible within the three (3) business day window outlined above.

3. **TOWN review of contracts**. Except for micro-purchases pursuant to 2 CFR 200.320(a), if Subrecipient proposes to enter into any contracts for the performance of any of the Approved Activities under this Agreement, then Subrecipient shall forward to TOWN a copy of the written contract prior to contract execution. TOWN shall review the unexecuted contract for compliance with applicable requirements and provide comments, if any, to Subrecipient within three (3) business days. Failure to respond within three (3) business days does not constitute approval by the TOWN. Consistent with 2 C.F.R. §200.324, TOWN will review the unexecuted contract for compliance with the procurement standards outlined in 2 C.F.R. §§200.318 through 200.327 as well as Appendix II to 2 C.F.R. Part 200. TOWN's review and comments shall not constitute an approval of the contract. Regardless of TOWN's review, Subrecipient remains bound by all applicable laws, regulations, and Agreement terms. If during its review TOWN identifies any deficiencies, then TOWN will communicate those deficiencies to Subrecipient as soon as possible within the three (3) business day window outlined above. Subrecipient must correct the noted deficiencies before executing the contract.

(c) **Mandatory Contract Provisions.** Subrecipient must include contract provisions required by UG and other state and federal laws and regulations, and as otherwise dictated by TOWN.
[DRAFTER NOTE: CONSIDER WHETHER TO PROVIDE LIST OF REQUIRED CONTRACT PROVISIONS IN APPENDIX]

**Section 5.5. Subawards**. In executing this Agreement, Subrecipient may not enter a subaward without prior written approval from TOWN.

**Section 5.6. Property Management.** All real property acquired or improved, and equipment or supplies purchased in whole or in part with ARP/CSLFRF funds, must be used, insured, managed, and disposed of in accordance with 2 CFR 200.311 through 2 CFR 200.316. [NOTE: NEED MORE HERE ABOUT PROPERTY MANAGEMENT, APPLICATION OF UG REQUIREMENTS, VESTED OWNERSHIP, AND LOCAL GOVERNMENT APPROVALS]

**Section 5.7 Program Income.** If Subrecipient earns program income, as defined in 2 CFR 200.1 during the term of the subaward, it must segregate the gross proceeds of the program income and follow the provisions in 2 CFR 200.307. [NOTE: IF THE SUBAWARD ACTIVITY WILL INVOLVE THE GENERATION OF PROGRAM INCOME, YOU'LL NEED TO FLESH THIS SECTION OUT. SEE PROGRAM INCOME POLICY FOR MORE DETAILS]

**Section. 5.8. Federal Restrictions on Lobbying**. Subrecipient shall comply with the restrictions on lobbying in 31 CFR Part 21. Pursuant to this regulation, Subrecipient may not use any federal funds to pay any person to influence or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered federal actions: the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement. Subrecipient shall certify in writing that Subrecipient has not made, and will not make, any payment prohibited by these requirements using the form provided in Exhibit D (Lobbying Certifications).

**Section. 5.9. Universal Identifier and System for Award Management (SAM)**. Subrecipient shall obtain, and provide to the TOWN, a unique entity identifier assigned by the System for Award Management (SAM), which is accessible at www.sam.gov.

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**Section. 5.10. Equal Opportunity & Other Requirements**. Subrecipient shall adopt and enact a nondiscrimination policy consistent with the requirements in this section.

**Civil Rights Laws.** Subrecipient shall comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. §§ 2000d *et seq*.) and Treasury's implementing regulations at 31 C.F.R. Part 22, which prohibit discrimination on the basis of race, color, or national origin under programs or activities receiving federal financial assistance.

**Fair Housing Laws**. Subrecipient shall comply with the Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§ 3601 *et seq*.), which prohibits discrimination in housing on the basis of race, color, religion, national origin, sex, familial status, or disability.

**Disability Protections.** Subrecipient shall comply with section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), which prohibits discrimination on the basis of disability under any program or activity receiving federal financial assistance.

**Age Discrimination.** Subrecipient shall comply with the Age Discrimination Act of 1975 (42 U.S.C. §§ 6101 et seq.), and Treasury's implementing regulations at 31 CFR Part 23, which prohibit discrimination on the basis of age in programs or activities receiving federal financial assistance.

**Americans with Disabilities Act.** Subrecipient shall comply with Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. §§ 12101 et seq.), which prohibits discrimination on the basis of disability under programs, activities, and services provided or made available by state and local governments or instrumentalities or agencies thereto.

**Section. 5.11. Suspension and Debarment**. Subrecipient shall comply with the Office of Management and Budget (OMB) Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement) in 2 CFR Part 180, as adopted by the U.S. Department of Treasury at 31 CFR Part 19. Subrecipient represents that neither it, nor any of its principals has been debarred, suspended, or otherwise determined ineligible to participate in federal assistance awards or contracts. Subrecipient further agrees that it will notify TOWN immediately if it or any of its principals is placed on the list of parties excluded from federal procurement or nonprocurement programs available at www.sam.gov.

**Section. 5.12. Federal Funding Accountability and Transparency Act of 2006**. Subrecipient shall provide TOWN with all information requested by TOWN to enable TOWN to comply with the reporting requirements of the *Federal Funding Accountability and Transparency Act of 2006* (31 U.S.C. 6101 note).

**Section. 5.13. Licenses, Certifications, Permits, Accreditation**. Subrecipient shall obtain and keep current any license, certification, permit, or accreditation required by federal, state, or local law and shall submit to TOWN proof of any licensure, certification, permit or accreditation upon request.

**Section. 5.14. Publications**. Any publications produced with funds from this Agreement shall display the following language: "This project [is being] [was] supported, in whole or in part, by federal award number [enter project FAIN] awarded to [LOCAL GOVERNMENT NAME], North Carolina by the U.S. Department of the Treasury."

**Section 5.15. Program for Enhancement of Contractor Employee Protections**. Subrecipient is hereby notified that they are required to: inform its employees working on any federal award that they are subject to the whistleblower rights and remedies of the program; inform its employees in writing of employee whistleblower protections under 41 U.S.C §4712 in the predominant native language of the workforce; and include such requirements in any agreement made with a subcontractor or subgrantee.

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**Section 5.16. Prohibition on Certain Telecommunication and Video Surveillance Services or Equipment.** Pursuant to 2 CFR 200.216, Subrecipient shall not obligate or expend funds received under this Subaward to: (1) procure or obtain; (2) extend or renew a contract to procure or obtain; or (3) enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that uses covered telecommunications equipment or services (as described in Public Law 115-232, section 889) as a substantial or essential component of any system, or as a critical technology as part of any system.

**Section 5.17. Use of Name.** Neither party to this Agreement shall use the other party's name, trademarks, or other logos in any publicity, advertising, or news release without the prior written approval of an authorized representative of that party. The parties agree that each party may use factual information regarding the existence and purpose of the relationship that is the subject of this Agreement for legitimate business purposes, to satisfy any reporting and funding obligations, or as required by applicable law or regulation without written permission from the other party. In any such statement, the relationship of the parties shall be accurately and appropriately described.

**Section 5.18. Highest Compensated Officers.** The names and total compensation of the five most highly compensated officers of Subrecipient shall be listed if the Subrecipient in the preceding fiscal year received 80 percent or more of its annual gross revenues in Federal awards; and $25,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. See FFATA § 2(b)(1) Code of 1986. If this requirement applies to Subrecipient, Subrecipient will submit the list of its five most highly compensated officers to TOWN within thirty (30) days of the execution of this Agreement and yearly thereafter during the Agreement term.

**Section 5.19. Statement of Assurances.** Subrecipient certifies compliance with SF 424B (Statement of Assurances – Non-Construction) and SF424D (Statement of Assurances – Construction). [NOTE: NEED TO CONFIRM WHETHER THIS SECTION IS REQUIRED.]

**Section 5.20. Drug-free Workplace Requirements.** [NOTE: NEED TO DETERMINE WHAT US TREASURY'S POLICY IS IMPLEMENTING 2 CFR 182]

**Section 5.21. Stevens Amendments Requirements.** Subrecipient shall identify that federal assistance funds were used to fund Approved Activities under this Agreement in any publicity and /or signage relating to the funded project or program.

**[NOTE: ADD ANY ADDITIONAL SECTIONS REQUIRED BY STATE LAW OR GENERAL CONTRACT PRINCIPLES**]**

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**Article VI. Cooperation in Monitoring and Evaluation.**

**Section. 6.1. TOWN Responsibilities.** TOWN shall monitor, evaluate, and provide guidance and direction to Subrecipient in the conduct of Approved Activities performed under this Agreement. TOWN must determine whether Subrecipient has spent funds in accordance with applicable laws, regulations, including the federal audit requirements and agreements and shall monitor the activities of Subrecipient to ensure that Subrecipient has met such requirements. TOWN may require Subrecipient to take corrective action if deficiencies are found.

The type and degree of monitoring activities depends on the results of the Subrecipient Risk Assessment, as detailed in TOWN's Subaward and Monitoring Policy for the expenditure of ARP/CSLFRF funds, see Exhibit E (Subaward Policy). The following specific monitoring activities apply to this Agreement:

[NOTE: LIST APPROPRIATE MINIMUM MONITORING ACTIVITIES HERE – REFERENCE LISTS IN SUBAWARD POLICY. IF MEDIUM OR HIGH-RISK MONITORING APPLIES, ADD THE FOLLOWING DETAILED INFORMATION:
The nature of the additional requirements;
(2) The reason why the additional requirements are being imposed;
(3) The nature of the action needed to remove the additional requirement, if applicable;
(4) The time allowed for completing the actions if applicable; and
(5) The method for requesting reconsideration of the additional requirements imposed.]

**Section. 6.2. Subrecipient Responsibilities.**

(a) **Cooperation with TOWN Oversight**. Subrecipient shall permit TOWN to carry out monitoring and evaluation activities, including any performance measurement system required by applicable law, regulation, funding sources guidelines or by the terms and conditions of the applicable grant award, and Subrecipient agrees to ensure, to the greatest extent possible, the cooperation of its agents, employees and board members in such monitoring and evaluation efforts. This provision shall survive the expiration or termination of this Agreement.

(b) **Cooperation with Audits.** Subrecipient shall cooperate fully with any reviews or audits of the activities under this Agreement by authorized representatives of TOWN, the North Carolina State Auditor, the US Department of Treasury, and the US Government Accountability Office. Subrecipient agrees to ensure to the extent possible the cooperation of its agents, employees, and board members in any such reviews and audits. This provision shall survive the expiration or termination of this Agreement.

**Section 6.3. Interventions.** If TOWN determines that Subrecipient is not in compliance with this Agreement, TOWN may initiate an intervention, in accordance with 2 CFR 200.208 and 2 CFR 200.339. The degree of Subrecipient's performance or compliance deficiency will determine the degree of intervention. All possible interventions are listed below and will depend on the degree of deficiency in Subrecipient's performance or compliance deficiency.

If TOWN determines that an intervention is warranted, it shall provide written notice to Subrecipient of the intervention within thirty (30) days of the completion of a report review, desk review, onsite review, audit review, or procedures engagement review or as soon as possible after the TOWN otherwise learns of a compliance or performance deficiency related to the execution of this Agreement. The written notice shall notify Subrecipient of the following related to the intervention:

(1) The nature of the additional requirements;
(2) The reason why the additional requirements are being imposed;
(3) The nature of the action needed to remove the additional requirement, if applicable;
(4) The time allowed for completing the actions if applicable; and
(5) The method for requesting reconsideration of the additional requirements imposed.

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TOWN may impose the following interventions on Subrecipient, based on the level of the compliance or performance deficiency that TOWN determines:

**Level 1 Interventions.** These interventions may be required for minor compliance or performance issues.

(1) Subrecipient addresses specific internal control, documentation, financial management, compliance, or performance issues within a specified time period
(2) More frequent or more thorough reporting by the Subrecipient
(3) More frequent monitoring by the TOWN
(4) Required Subrecipient technical assistance or training

**Level 2 Interventions.** These interventions may be required for more serious compliance or performance issues.

(1) Restrictions on funding payment requests by Subrecipient
(2) Disallowing payments to Subrecipient
(3) Requiring repayment for disallowed cost items
(4) Imposing probationary status on Subrecipient

**Level 3 Interventions.** These interventions may be required for significant and/or persistent compliance or performance issues.

(1) Temporary or indefinite funding suspension to Subrecipient
(2) Nonrenewal of funding to Subrecipient in subsequent year
(3) Terminate funding to Subrecipient in the current year
(4) Initiate legal action against Subrecipient

Interventions will remain in place until the underlying performance or compliance deficiency is addressed to the sole satisfaction of [COUNTY/CITY/TOWN/VILLAGE.]

**Section 6.4. Records Retention and Access.** Subrecipient shall maintain all records, books, papers and other documents related to its performance of Approved Activities under this Agreement (including without limitation personnel, property, financial and medical records) through at least December 31, 2031, or such longer period as is necessary for the resolution of any litigation, claim, negotiation, audit or other inquiry involving this Agreement. Subrecipient shall make all records, books, papers and other documents that relate to this Agreement available at all reasonable times for inspection, review and audit by the authorized representatives of TOWN, the North Carolina State Auditor, the US Department of Treasury, the US Government Accountability Office, and any other authorized state or federal oversight office.

**Section 6.5. Key Personnel.** Subrecipient shall identify all personnel who will be involved in performing Approved Activities and otherwise administering the Agreement, including at least one project manager and one fiscal officer (Key Personnel). Subrecipient shall notify TOWN of any changes to these personnel within thirty (30) days of the change. Key personnel names, titles, and contact information are listed in Exhibit F (Key Personnel).

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**Article VII. Default and Termination.**

**Section. 7.1. Termination for Cause.** TOWN may terminate this Agreement for cause after three days written notice. Cause may include misuse of funds, fraud, lack of compliance with applicable rules, laws and regulations, failure to perform on time, or failure to comply with any of the requirements of this Agreement.

**Sec. 7.2. Termination Without Cause.** TOWN may terminate this Agreement for any reason, in its sole discretion, by providing Subrecipient with thirty (30) days prior written notice.

**Sec. 7.3. Termination by Mutual Agreement.** TOWN and Subrecipient may agree to terminate this Agreement for their mutual convenience through a written amendment to this Agreement. The amendment will state the effective date of the termination and the procedures for proper closeout of the Agreement.

**Sec. 7.4. Termination Procedures**. If this Agreement is terminated, Subrecipient may not incur new obligations for the terminated portion of the Agreement after Subrecipient has received the notification of termination. Subrecipient must cancel as many outstanding obligations as possible. Costs incurred after receipt of the termination notice will be disallowed. Subrecipient shall not be relieved of liability to TOWN because of any breach of Agreement by Subrecipient. TOWN may, to the extent authorized by law, withhold payments to Subrecipient for the purpose of set-off until the exact amount of damages due TOWN from Subrecipient is determined.

**Article VIII. General Conditions.**

**Section. 8.1. Indemnification**. To the extent permitted by law, Subrecipient agrees to indemnify and hold harmless TOWN, and any of its officers, agents and employees, and the Federal Government from any claims of third parties arising out of any act or omission of Subrecipient in connection with the performance of this Agreement.

**Section. 8.2. Insurance**. Subrecipient must maintain insurance policies with minimum limits as follows:
**[NOTE: INDICATE YOUR LOCAL GOVERNMENT'S INSURANCE REQUIREMENTS BELOW.]**

| Coverage | Minimum Limits |
|---|---|

TOWN may require higher limits if warranted by the nature of this Agreement and the type of activities to be provided. The insurer must provide TOWN with a Certificate of Insurance reflecting the coverages required in this Section. All Certificates of Insurance shall reflect thirty (30) days written notice by the insurer in the event of cancellation, reduction, or other modification of coverage. In addition to this notice requirement, Subrecipient must provide TOWN prompt written notice of cancellation, reduction, or material modification of coverage of insurance. If Subrecipient fails to provide such notice, the Subrecipient assumes sole responsibility for all losses incurred by TOWN for which insurance would have provided coverage. The insurance policies must remain in effect during the term of this Agreement.

Subrecipient shall name TOWN as an additional insured except as to workers compensation insurance and it is required that coverage be placed with an "A" rated insurance company acceptable to TOWN. If Subrecipient fails at any time to maintain and keep in force the required insurance, TOWN may cancel and terminate the Agreement without notice.

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**Section. 8.3. Venue and Jurisdiction**. TOWN and Subrecipient agree that they executed and performed this Agreement in **ORANGE COUNTY, North Carolina.** This Agreement will be governed by and construed in accordance with the laws of North Carolina. The exclusive forum and venue for all actions arising out of this Agreement is the appropriate division of the North Carolina General Court of Justice in **ORANGE COUNTY, NORTH CAROLINA**. Such actions may not be commenced in, nor removed to, federal court unless required by law.

**Section. 8.4. Nonwaiver**. No action or failure to act by TOWN constitutes a waiver of any of its rights or remedies that arise out of this Agreement, nor shall such action or failure to act constitute approval of or acquiescence in a breach of this Agreement, except as specifically agreed in writing.

**Section. 8.5. Limitation of TOWN Authority.** Nothing contained in this Agreement may be deemed or construed to in any way stop, limit, or impair TOWN from exercising or performing any regulatory, policing, legislative, governmental, or other powers or functions.

**Section. 8.6. Severability.** If any provision of this Agreement is determined to be unenforceable in a judicial proceeding, the remainder of this Agreement will remain in full force and effect to the extent permitted by law.

**Section. 8.7. Assignment**. Subrecipient may not assign or delegate any of its rights or duties that arise out of this Agreement without TOWN's prior written consent. Unless TOWN otherwise agrees in writing, Subrecipient and all assigns are subject to all TOWN's defenses and are liable for all Subrecipient's duties that arise from this Agreement and all TOWN's claims that arise from this Agreement.

**Section. 8.8. Integration.** This Agreement contains the entire agreement between the parties pertaining to the subject matter of this Agreement. With respect to that subject matter, there are no promises, agreements, conditions, inducements, warranties, or understandings, written or oral, expressed, or implied, between the parties, other than as set forth or referenced in this Agreement.

**Section. 8.9. Notices**. All notices and other communications required or permitted by this Agreement must be in writing and must be given either by personal delivery, approved carrier, email, or mail, addressed as follows:

(a) If to the TOWN:
[ADDRESS HERE]
[EMAIL HERE]

(b) If to the Subrecipient:
[ADDRESS HERE]
[EMAIL HERE]

IN WITNESS WHEREOF, the parties have caused this Agreement to the signed by their duly constituted legal representatives and is effective as of the Effective Date.

[NOTE: INCLUDE SIGNATURE LINES AND ATTESTATIONS HERE]

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**Exhibit A: Subaward Data**

| | |
|---|---|
| Subrecipient Name | [Insert Subrecipient name, which must match the name associated with its unique entity identifier] |
| Subrecipient Unique Entity Identifier: | [Insert Subrecipient Unique Entity Identifier] |
| Federal Award Identification Number (FAIN): | [Insert Federal Award Identification #] |
| Federal Award Date of Award to the Recipient by the Federal Agency: | [Insert date] |
| Subaward Period of Performance Start Date: | [Insert date] |
| Subaward Period of Performance End Date: | [Insert date] |
| Amount of Federal Funds Obligated by this Action by the Pass-Through Entity to the Subrecipient: | [Insert Total Agreement Funds] |
| Total Amount of Federal Funds Obligated to the Subrecipient by the Pass-Through Entity Including the Current Obligation: | [If additional federal awards have been awarded to the Subrecipient, insert total amount, including the Total Agreement Funds specified above] |
| Total Amount of the Federal Award Committed to the Subrecipient by the Pass-Through Entity: | [Insert amount] |
| Federal Award Project Description: | [Insert description] |
| Name of Federal Awarding Agency: | Department of Treasury |
| Name of Pass-Through Entity: | [LOCAL GOVERNMENT NAME], North Carolina |
| Contact Information for [LOCAL GOVERNMENT NAME] Authorizing Official: | [Insert contact information] |
| Contact Information for City Project Manager: | [Insert contact information] |
| CFDA Number and Name: | 21.027- Coronavirus State and Local Fiscal Recovery Funds |
| Identification of Whether Subaward is R&D: | Not R&D |
| Subrecipient Indirect Costs: | See Exhibit C – Approved Budget |

## Exhibit B: Approved Activities

[NOTE: DESCRIBE IN DETAIL WHAT THE SUBRECIPIENT WILL DO WITH THE MONEY]

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## Exhibit C: Approved Budget

Consult the TOWN's Allowable Costs and Cost Principles Policy and the ARP/CSLFRF Final Rule for specific directives and limitations on cost items.

| **REVENUES** | | | **Total Revenue** |
|---|---|---|---|
| [LOCAL GOVERNMENT NAME] Coronavirus State and Local Fiscal Recovery Funds Awarded | | $ | |
| **Budget Cost Categories** | **OMB Uniform Guidance Federal Awards Reference 2 CFR 200** | | **Total Expenditures** |
| 1. Personnel (Salary and Wages) | | $ | |
| 2. Fringe Benefits | | $ | |
| 3. Travel | | $ | |
| 4. Equipment | | $ | |
| 5. Supplies | | $ | |
| 6. Contractual Services and Subawards | | $ | |
| 7. Consultant (Professional Service) | | $ | |
| 8. Construction | | $ | |
| 9. Occupancy (Rent and Utilities) | | $ | |
| 10. Research and Development (R&D) | | $ | |
| 11. Telecommunications | | $ | |
| 12. Training and Education | | $ | |
| 13. Direct Administrative Costs | | $ | |
| 14. Miscellaneous Costs<br>a. Advertising and public relations costs<br>b. Materials and supplies costs, including costs of computing devices | | $ | |
| *15. Add additional cost items as needed* | | | |
| 16. Total Direct Costs (add lines 1-15) | | $ | |
| 17. Total Indirect Costs | | | |
| Rate %:<br>Base*: | | $ | |
| 18. Total Costs Federal Grant Funds (Lines 16 and 17)<br>**MUST EQUAL REVENUE TOTALS ABOVE** | | $ | |

** The Base is modified direct total costs (MTDC) of the subaward project. Pursuant to 2 CFR 200.68, MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.*

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**Exhibit D: Lobbying Certification**

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
3. The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

_____
Signature of Subrecipient's Authorized Official

_____
Name and Title of Subrecipient's Authorized Official

_____
Date

**Exhibit E: Subaward Policy**

[NOTE: APPEND THE TOWN'S SUBAWARD POLICY HERE.]

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**Exhibit F: Key Personnel**

[NOTE: CREATE A CONTACT INFORMATION FORM HERE]

| TOWN INFORMATION | |
|---|---|
| Administrative Address: | |
| Invoice Address: | |
| | |
| Project Manager Name: | |
| Project Manager Title: | |
| Project Manager Email: | |
| Project Manager Phone: | |
| | |
| Fiscal Officer Name: | Arche L. McAdoo |
| Fiscal Officer Title: | Chief Financial Officer |
| Fiscal Officer Email: | amcadoo@carrboronc.gov |
| Fiscal Officer Telephone: | 919.918-7439 |
| | |
| SUBRECIPIENT INFORMATION | |
| Administrative Address: | |
| Invoice Address: | |
| | |
| Project Manager Name: | |
| Project Manager Title: | |
| Project Manager Email: | |
| Project Manager Telephone: | |
| | |
| Fiscal Officer Name: | |
| Fiscal Officer Title: | |
| Fiscal Officer Email: | |
| Fiscal Officer Telephone: | |

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**ARPA Policy No. 2022-07**

# CONFLICT OF INTEREST POLICY APPLICABLE TO CONTRACTS AND SUBAWARDS SUPPORTED BY FEDERAL FINANCIAL ASSISTANCE

## I. Scope of Policy

a. Purpose of Policy. This Conflict of Interest Policy ("*Policy*") establishes conflict of interest standards that (1) apply when Town of Carrboro ("*Town*") enters into a Contract (as defined in Section II hereof) or makes a Subaward (as defined in Section II hereof), and (2) meet or exceed the requirements of North Carolina law and 2 C.F.R. § 200.318(c).

b. Application of Policy. This Policy shall apply when the Town (1) enters into a Contract to be funded, in part or in whole, by Federal Financial Assistance to which 2 C.F.R. § 200.318(c) applies, or (2) makes any Subaward to be funded by Federal Financial Assistance to which 2 C.F.R. § 200.318(c) applies. If a federal statute, regulation, or the terms of a financial assistance agreement applicable to a particular form of Federal Financial Assistance conflicts with any provision of this Policy, such federal statute, regulation, or terms of the financial assistance agreement shall govern.

## II. Definitions

Capitalized terms used in this Policy shall have the meanings ascribed thereto in this Section II: Any capitalized term used in this Policy but not defined in this Section II shall have the meaning set forth in 2 C.F.R. § 200.1.

a. "*COI Point of Contact*" means the individual identified in Section III(a) of this Policy.

b. "*Contract*" means, for the purpose of Federal Financial Assistance, a legal instrument by which the Town purchases property or services needed to carry out a program or project under a Federal award.

c. "*Contractor*" means an entity or individual that receives a Contract.

d. *"Covered Individual*" means a Public Officer, employee, or agent of the Town.

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e. "*Covered Nonprofit Organization*" means a nonprofit corporation, organization, or association, incorporated or otherwise, that is organized or operating in the State of North Carolina primarily for religious, charitable, scientific, literary, public health and safety, or educational purposes, excluding any board, entity, or other organization created by the State of North Carolina or any political subdivision of the State (including the Town).

f. "*Direct Benefit*" means, with respect to a Public Officer or employee of the Town, or the spouse of any such Public Officer or employee, (i) having a ten percent (10%) ownership interest or other interest in a Contract or Subaward; (ii) deriving any income or commission directly from a Contract or Subaward; or (iii) acquiring property under a Contract or Subaward.

g. "*Federal Financial Assistance*" means Federal financial assistance that the Town receives or administers in the form of grants, cooperative agreements, non-cash contributions or donations of property (including donated surplus property), direct appropriations, food commodities, and other Federal financial assistance (except that the term does not include loans, loan guarantees, interest subsidies, or insurance).

h. "*Governing Board*" means the Town Council of the Town.

i. "*Immediate Family Member*" means, with respect to any Covered Individual, (i) a spouse, and parents thereof, (ii) a child, and parent thereof, (iii) a parent, and spouse thereof, (iv) a sibling, and spouse thereof, (v) a grandparent and grandchild, and spouses thereof, (vi) domestic partners and parents thereof, including domestic partners of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with the Covered Individual is the equivalent of a family relationship.

j. "*Involved in Making or Administering*" means (i) with respect to a Public Official or employee, (a) overseeing the performance of a Contract or Subaward or having authority to make decisions regarding a Contract or Subaward or to interpret a Contract or Subaward, or (b) participating in the development of specifications or terms or in the preparation or award of a Contract or Subaward, (ii) only with respect to a Public Official, being a member of a board, commission, or other body of which the Public Official is a member, taking

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action on the Contract or Subaward, whether or not the Public Official actually participates in that action.

k. "*Pass-Through Entity*" means a non-Federal entity that provides a Subaward to a Subrecipient to carry out part of a Federal program.

l. "*Public Officer*" means an individual who is elected or appointed to serve or represent the Town (including, without limitation, any member of the Governing Board), other than an employee or independent contractor of the Town.

m. "*Recipient*" means an entity, usually but not limited to a non-Federal entity, that receives a Federal award directly from a Federal awarding agency. The term does not include Subrecipients or individuals that are beneficiaries of the award.

n. "*Related Party*" means (i) an Immediate Family Member of a Covered Individual, (ii) a partner of a Covered Individual, or (iii) a current or potential employer (other than the Town) of a Covered Individual, of a partner of a Covered Individual, or of an Immediate Family Member of a Covered Individual.

o. *"Subaward*" means an award provided by a Pass-Through Entity to carry out part of a Federal award received by the Pass-Through Entity. It does not include payments to a contractor or payments to a contractor or payments to an individual that is a beneficiary of a Federal program.

p. "*Subcontract*" means mean any agreement entered into by a Subcontractor to furnish supplies or services for the performance of a Contract or a Subcontract. It includes, but is not limited to, purchase orders, and changes and modifications to purchase orders.

q. "*Subcontractor*" means an entity that receives a Subcontract.

r. "*Subrecipient*" means an entity, usually but not limited to a non-Federal entity, that receives a subaward from a Pass-Through Entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

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s. "*Town*" has the meaning specified in Section I hereof.

## III. COI Point of Contact.

a. Appointment of COI Point of Contact. The Town Manager in consultation with the Town Attorney of the Town, shall have primary responsibility for managing the disclosure and resolution of potential or actual conflicts of interest arising under this Policy. In the event that the Town Manager, is unable to serve in such capacity, the Chief Financial Officer in consultation with the Town Attorney, shall assume responsibility for managing the disclosure and resolution of conflicts of interest arising under this Policy. The individual with responsibility for managing the disclosure and resolution of potential or actual conflicts of interest under this Section III(a) shall be known as the "*COI Point of Contact*".

b. Distribution of Policy. The COI Point of Contact shall ensure that each Covered Individual receives a copy of this Policy.

## IV. Conflict of Interest Standards in Contracts and Subawards

a. **North Carolina Law**. North Carolina law restricts the behavior of Public Officials and employees of the Town involved in contracting on behalf of the Town. The Town shall conduct the selection, award, and administration of Contracts and Subawards in accordance with the prohibitions imposed by the North Carolina General Statutes and restated in this Section IV.

i. G.S. § 14-234(a)(1). A Public Officer or employee of the Town Involved in Making or Administering a Contract or Subaward on behalf of the Town shall not derive a Direct Benefit from such a Contract or Subaward.

ii. G.S. § 14-234(a)(3). No Public Officer or employee of the Town may solicit or receive any gift, favor, reward, service, or promise of reward, including but not limited to a promise of future employment, in exchange for recommending, influencing, or attempting to influence the award of a Contract or Subaward by the Town.

iii. G.S. § 14-234.3. If a member of the Governing Board of the Town serves as a director, officer, or governing board member of a Covered

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Nonprofit Organization, such member shall not (1) deliberate or vote on a Contract or Subaward between the Town and the Covered Nonprofit Corporation, (2) attempt to influence any other person who deliberates or votes on a Contract or Subaward between the Town and the Covered Nonprofit Corporation, or (3) solicit or receive any gift, favor, reward, service, or promise of future employment, in exchange for recommending or attempting to influence the award of a Contract or Subaward to the Covered Nonprofit Organization.

iv. G.S. § 14-234.1. A Public Officer or employee of the Town shall not, in contemplation of official action by the Public Officer or employee, or in reliance on information which was made known to the public official or employee and which has not been made public, (1) acquire a pecuniary interest in any property, transaction, or enterprise or gain any pecuniary benefit which may be affected by such information or other information, or (2) intentionally aid another in violating the provisions of this section.

b. **Federal Standards**.

i. Prohibited Conflicts of Interest in Contracting. Without limiting any specific prohibition set forth in Section IV(a), a Covered Individual may not participate in the selection, award, or administration of a Contract or Subaward if such Covered Individual has a real or apparent conflict of interest.

1. Real Conflict of Interest. A real conflict of interest shall exist when the Covered Individual or any Related Party has a financial or other interest in or a tangible personal benefit from a firm considered for a Contract or Subaward. Exhibit A attached hereto provides a non-exhaustive list of examples of (i) financial or other interests in a firm considered for a Contract or Subaward, and (ii) tangible personal benefits from a firm considered for a Contract or Subaward.

2. Apparent Conflict of Interest. An apparent conflict of interest shall exist where a real conflict of interest may not exist under Section IV(b)(i)(1), but where a reasonable person with knowledge of the relevant facts would find that an existing

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situation or relationship creates the appearance that a Covered Individual or any Related Party has a financial or other interest in or a tangible personal benefit from a firm considered for a Contract or Subaward.

ii. Identification and Management of Conflicts of Interest.

1. Duty to Disclose and Disclosure Forms

a. Each Covered Individual expected to be or involved in the selection, award, or administration of a Contract or Subaward has an ongoing duty to disclose to the COI Point of Contact potential real or apparent conflicts of interest arising under this Policy.

b. Prior to the Town's award of a Contract or Subaward, the COI Point of Contact shall advise Covered Individuals expected to be involved in the selection, award, or administration of the Contract or Subaward of such duty.

c. If the value of a proposed Contract or Subaward exceeds $250,000, the COI Point of Contact shall collect a Conflict of Interest Disclosure Form contained in Exhibit C (for Contracts) and Exhibit E (for Subawards) from each Covered Individual and file such Conflict of Interest Disclosure Form in records of the Town.

2. Identification Prior to Award of Contract or Subaward.

a. Prior to the Town's award of a Contract or Subaward, the COI Point of Contact shall complete the appropriate Compliance Checklist contained in Exhibit B (for Contracts) and Exhibit D (for Subawards) attached hereto and file such Compliance Checklist in the records of the Town.

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3. Management Prior to Award of Contract or Subaward

a. If, after completing the Compliance Checklist, the COI Point of Contact identifies a potential real or apparent conflict of interest relating to a proposed Contract or Subaward, the COI Point of Contact shall disclose such finding in writing to the Town Manager and to each member of the Governing Board. If the Governing Board desires to enter into the proposed Contract or Subaward despite the identification by the COI Point of Contact of a potential real or apparent conflict of interest, it may either:

   i. accept the finding of the COI Point of Contact and direct the COI Point of Contact to obtain authorization to enter into the Contract or Subaward from (a) if Town is a Recipient of Federal Financial Assistance, the Federal awarding agency with appropriate mitigation measures, or (b) if Town is a Subrecipient of Federal Financial Assistance, from the Pass-Through Entity that provided a Subaward to Town; or

   ii. reject the finding of the COI Point of Contact and enter into the Contract or Subaward. In rejecting any finding of the COI Point of Contact, the Governing Board shall in writing document a justification supporting such rejection.

b. If the COI Point of Contact does not identify a potential real or apparent conflict of interest relating to a proposed Contract or Subaward, the Town may enter into the Contract or Subaward in accordance with the Town's purchasing or subaward policy.

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4. Identification After Award of Contract or Subaward.

    a. If the COI Point of Contact discovers that a real or apparent conflict of interest has arisen after the Town has entered into a Contract or Subaward, the COI Point of Contact shall, as soon as possible, disclose such finding to the Town Manager and to each member of the Governing Board. Upon discovery of such a real or apparent conflict of interest, the Town shall cease all payments under the relevant Contract or Subaward until the conflict of interest has been resolved.

5. Management After Award of Contract or Subaward.

    a. Following the receipt of such disclosure of a potential real or apparent conflict of interest pursuant to Section IV(b)(ii)(4) , the Governing Board may reject the finding of the COI Point of Contact by documenting in writing a justification supporting such rejection. If the Governing Board fails to reject the finding of the COI Point of Contact within 15 days of receipt, the COI Point of Contact shall:

        i. if Town is a Recipient of Federal Financial Assistance funding the Contract or Subaward, disclose the conflict to the Federal awarding agency providing such Federal Financial Assistance in accordance with 2 C.F.R. § 200.112 and/or applicable regulations of the agency, or

        ii. if Town is a Subrecipient of Federal Financial Assistance, disclose the conflict to the Pass-Through Entity providing a Subaward to Town in accordance with 2 C.F.R. § 200.112 and applicable regulations of the Federal awarding agency and the Pass-Through Entity.

## V. **Oversight of Subrecipient's Conflict of Interest Standards**

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a. **Subrecipients of Town Must Adopt Conflict of Interest Policy**. Prior to the Town's execution of any Subaward for which the Town serves as a Pass-Through Entity, the COI Point of Contact shall ensure that the proposed Subrecipient of Federal Financial Assistance has adopted a conflict of interest policy that satisfies the requirements of 2 C.F.R. § 200.318(c)(1), 2 C.F.R. § 200.318(c)(2), and all other applicable federal regulations.

b. **Obligation to Disclose Subrecipient Conflicts of Interest**. The COI Point of Contact shall ensure that the legal agreement under which the Town makes a Subaward to a Subrecipient shall require such Subrecipient to disclose to the COI Point of Contact any potential real or apparent conflicts of interest that the Subrecipient identifies. Upon receipt of such disclosure, the COI Point of Contact shall disclose such information to the Federal awarding agency that funded the Subaward in accordance with that agency's disclosure policy.

## VI. Gift Standards

a. Federal Standard. Subject to the exceptions set forth in Section VI(b), a Covered Individual may not solicit or accept gratuities, favors, or anything of monetary value from a Contractor or a Subcontractor.

b. Exception. Notwithstanding Section VI(a), a Covered Individual may accept an unsolicited gift from a Contractor or Subcontractor of one or more types specified below if the gift has an aggregate market value of $20 or less per source per occasion, provided that the aggregate market value of all gifts received by the Covered Individual pursuant to this Section VI(b) does not exceed $50 in a calendar year:

   i. honorariums for participating in meetings;

   ii. advertising items or souvenirs of nominal value; or

   iii. meals furnished at banquets.

c. Internal Reporting. A Covered Individual shall report any gift accepted under Section VI(b) to the COI Point of Contact. If required by regulation of a Federal awarding agency, the COI Point of Contact shall report such gifts to the Federal awarding agency or a Pass-Through Entity for which the Town is a Subrecipient.

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VII. **Violations of Policy**

a. Disciplinary Actions for Covered Individuals. Any Covered Individual that fails to disclose a real, apparent, or potential real or apparent conflict of interest arising with respect to the Covered Individual or Related Party may be subject to disciplinary action, including, but not limited to, an employee's termination or suspension of employment with or without pay, the consideration or adoption of a resolution of censure of a Public Official by the Governing Board, or termination of an agent's contract with the Town.

b. Disciplinary Actions for Contractors and Subcontractors. The Town shall terminate any Contract with a Contractor or Subcontractor that violates any provision of this Policy.

c. Protections for Whistleblowers. In accordance with 41 U.S.C. § 4712, the Town shall not discharge, demote, or otherwise discriminate against an employee in reprisal for disclosing to any of the list of persons or entities provided below, information that the employee reasonably believes is evidence of gross mismanagement of a federal contract or grant, a gross waste of federal funds, an abuse of authority relating to a federal contract or grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a federal contract (including the competition for or negotiation of a contract) or grant: (i) a member of Congress or a representative of a committee of Congress; (ii) an Inspector General; (iii) the Government Accountability Office; (iv) a Treasury or other federal agency employee responsible for grant oversight or management; (v) an authorized official of the Department of Justice or other law enforcement agency; (vi) a court or grand jury; of (vii) a management official or other employee of the Town, a Contractor, or Subcontractor who has the responsibility to investigate, discover, or address misconduct.

Adopted this the [___] day of [_____], [_____].

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**EXHIBIT A**

Examples

| ***Potential Examples of a "Financial or Other Interest" in a Firm or Organization Considered for a Contract or Subaward*** | ***Potential Examples of a "Tangible Personal Benefit" From a Firm or Organization Considered for a Contract or Subaward*** |
|---|---|
| Direct or indirect equity interest in a firm or organization considered for a Contract or Subaward, which may include:<br><br>- Stock in a corporation.<br>- Membership interest in a limited liability company.<br>- Partnership interest in a general or limited partnership.<br>- Any right to control the firm or organization's affairs. For example, a controlling equity interest in an entity that controls or has the right to control a firm considered for a contract.<br>- Option to purchase any equity interest in a firm or organization. | Opportunity to be employed by the firm considered for a contract, an affiliate of that firm, or any other firm with a relationship with the firm considered for a Contract.<br><br>A position as a director or officer of the firm or organization, even if uncompensated. |
| Holder of any debt owed by a firm considered for a Contract or Subaward, which may include:<br><br>- Secured debt (e.g., debt backed by an asset of the firm (like a firm's building or equipment))<br>- Unsecured debt (e.g., a promissory note evidencing a promise to repay a loan).<br>  ○ Holder of a judgment against the firm. | A referral of business from a firm considered for a Contract or Subaward. |
| Supplier or contractor to a firm or organization considered for a Contract or Subaward. | Political or social influence (e.g., a promise of appointment to an local office or position on a public board or private board). |

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**EXHIBIT B**

**COMPLIANCE CHECKLIST FOR OVERSIGHT OF CONTRACT CONFLICTS OF INTEREST**

The Town of Carrboro ("*Town*") has adopted a Conflict of Interest Policy ("*Policy*") that governs the Town's expenditure of Federal Financial Assistance (as defined in Section II of the Policy). The Policy designates [_____] as the "COI Point of Contact." The Policy requires the COI Point of Contact to complete this Compliance Checklist to identify potential real or apparent conflicts of interest in connection with proposed Contracts (as defined in Section II) and file the Checklist in the records of the Town.

*Instructions for Completion*

1. The COI Point of Contact shall complete Steps 1 through 5 of the Checklist below.

2. If the value of the proposed Contract exceeds $250,000, the COI Point of Contact shall collect a Conflict of Interest Disclosure Form from each Covered Individual.

3. If the COI Point of Contact identifies a potential real or apparent conflict of interest after completing this Compliance Checklist, the COI Point of Contact shall report such potential conflict of interest to the Town Manager and to each member of the Governing Board.

*Definitions*.

1. *Covered Individual*. Each person identified in Section 1 of this Checklist is a "Covered Individual" for purposes of this Compliance Checklist and the Policy.

2. *Immediate Family Member* means, with respect to any Covered Individual, (i) a spouse, and parents thereof, (ii) a child, and parent thereof, (iii) a parent, and spouse thereof, (iv) a sibling, and spouse thereof, (v) a grandparent and grandchild, and spouses thereof, (vi) domestic partners and parents thereof, including domestic partners of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with the Covered Individual is the equivalent of a family relationship.

3. *Related Party* means (i) an Immediate Family Member of a Covered Individual, (ii) a partner of a Covered Individual, or (iii) a current or potential employer (other than the Town) of a Covered Individual, of a partner of a Covered Individual, or of an Immediate Family Member of a Covered Individual.

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| Step | | | |
|---|---|---|---|
| 1 | Identify the proposed Contract, counterparty, and the subject of the Contract. | Name of Contract:<br>_____<br>Name of Counterparty<br>_____<br>Subject of Contract:<br>_____ | |
| 2 | Identify all individuals involved in the selection, award, or administration of the Contract. These individuals are "Covered Individuals". Ensure that each Covered Individual has been provided with a copy of the Conflict of Interest Policy. | | |
| | ***Public Officials*** | ***Employees*** | ***Agents*** |
| | | | |
| 3 | Identify whether any Covered Individual has a (i) financial or other interest in, or (ii) tangible personal benefit from the firm considered for a Contract. [If the estimated Contract amount exceeds $250,000, ensure that each Covered Individual files a Conflict of Interest Disclosure Form with the COI Point of Contact.] | | |
| **Any identified interest in Step 3 is a potential "real" conflict of interest.** | ***Public Officials*** | ***Employees*** | ***Agents*** |
| | | | |
| 4 | Identify whether any Related Party has a (i) financial or other interest in or (ii) tangible personal benefit from the firm considered from a Contract. If the estimated Contract amount exceeds $250,000, ensure that each Covered Individual files a Conflict of Interest Disclosure Form with the COI Point of Contact. | | |
| **Any identified interest in Step 4 is a potential "real" conflict of interest.** | ***Public Officials – Related Party*** | ***Employees – Related Party*** | ***Agents – Related Party*** |
| | | | |

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| | | | |
|---|---|---|---|
| **5** | Identify whether a reasonable person with knowledge of the relevant facts would find that an existing situation or relationship creates the *appearance* that a Covered Individual or any Related Party has a financial or other interest in or a tangible personal benefit from a firm considered for a Contract? If yes, explain. | | |
| **Any identified interest in Step 5 is a potential "apparent" conflict of interest.** | ***Public Officials*** | ***Employees*** | ***Agents*** |
| | | | |

COI Point of Contact: _____

Signature of COI Point of Contact: _____

Date of Completion: _____

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**EXHIBIT C**
**CONTRACT CONFLICT OF INTEREST DISCLOSURE FORM**
**FOR OFFICIALS, EMPLOYEES, AND AGENTS**

The Town of Carrboro ("*Town*") has adopted a Conflict of Interest Policy ("*Policy*") that governs the Town's expenditure of Federal Financial Assistance (as defined in Section II of the Policy). The Policy designates [_____] as the "COI Point of Contact."

The COI Point of Contact has identified you as an official, employee, or agent of the Town that may be involved in the selection, award, or administration of the following contract: _____ (the "*Contract*"). To safeguard the Town's expenditure of Federal Financial Assistance, the COI Point of Contact has requested that you identify any potential real or apparent conflicts of interest in the Firm considered for the award of a Contract. Using the Exhibit A to the Policy as a guide, please answer the following questions:

---

1. Do you have a financial or other interest in a firm considered for this Contract?

   Yes _____ No _____ Unsure: _____

   If the answer is Yes or Unsure, please explain:

   _____

2. Will you receive any tangible personal benefit from a firm considered for this Contract?

   Yes _____ No _____ Unsure: _____

   If the answer is Yes or Unsure, please explain:

   _____

3. For purposes of Question 3(a) and 3(b), your "Immediate Family Members" include: (i) your spouse and their parents, (ii) your child, (iii) your parent and any spouse of your parent, (iv) your sibling and any spouse of your sibling, (v) your grandparents or grandchildren, and the spouses of each, (vi) any domestic partner of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with you is the equivalent of a family relationship.

   a. Do you have an Immediate Family Member with a financial or other interest in a firm considered for this Contract?

      Yes _____ No _____ Unsure: _____

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If the answer is Yes or Unsure, please explain:

_____

b. Do you have an Immediate Family Member that will receive a tangible personal benefit from a firm considered for this Contract?

Yes _____ No _____ Unsure: _____

4. Do you have any other partner with a financial or other interest in a firm considered for this Contract?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

5. Will any other partner of yours receive any tangible personal benefit from a firm considered for this Contract?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

6. Does your current or potential employer (other than the Town) have a financial or other interest in a firm considered for this Contract or will such current or potential employer receive a tangible personal benefit from this Contract?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

7. <u>Benefits to Employers</u>

a. Does a current or potential employer (other than the Town) of any of your Immediate Family Members have a financial or other interest in a firm considered for this Contract?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

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b. Will a current or potential employer (other than the Town) of any of your Immediate Family Members receive a tangible personal benefit from this Contract?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

c. Does a current or potential employer (other than the Town) of any partner of yours have a financial or other interest in a firm considered for this Contract?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

d. Will a current or potential employer (other than the Town) of any partner of yours receive a tangible personal benefit from this Contract?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

8. Does any existing situation or relationship create the *appearance* that you have a financial or other interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

9. Does any existing situation or relationship create the *appearance* that any Immediate Family Member of yours has a financial or other interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

Yes _____ No _____ Unsure: _____

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If the answer is Yes or Unsure, please explain:

_____

10. Does any existing situation or relationship create the ***appearance*** that your current or potential employer (other than the Town) has a financial or other interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

    Yes _____ No _____ Unsure: _____

    If the answer is Yes or Unsure, please explain:

    _____

11. Does any existing situation or relationship create the ***appearance*** that any current or potential employer (other than the Town) of any of your Immediate Family Members has a financial or other interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

    Yes _____ No _____ Unsure: _____

    If the answer is Yes or Unsure, please explain:

    _____

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12. Does any existing situation or relationship create the *appearance* that any current or potential employer (other than the Town) of any other partner has a financial or other interest in a firm considered for this Contract or will receive a tangible personal benefit from a firm considered for this Contract?

    Yes _____ No _____ Unsure: _____

    If the answer is Yes or Unsure, please explain:

    _____

Sign Name: _____

Print Name: _____

Name of Employer _____

Job Title: _____

Date of Completion: _____

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**EXHIBIT D**

**COMPLIANCE CHECKLIST FOR SUBAWARD OVERSIGHT**

The Town of Carrboro ("*Town*") has adopted a Conflict of Interest Policy ("*Policy*") that governs the Town's expenditure of Federal Financial Assistance (as defined in Section II of the Policy). The Policy designates [_____] as the "COI Point of Contact." The Policy requires the COI Point of Contact to complete this Compliance Checklist to identify potential real or apparent conflicts of interest in connection with proposed Subawards (as defined in Section II) and file the Checklist in the records of the Town.

*Instructions for Completion*

1. The COI Point of Contact shall complete Steps 1 through 5 of the Checklist below.

2. If the value of the proposed Subaward exceeds $250,000, the COI Point of Contact shall collect a Conflict of Interest Disclosure Form from each Covered Individual.

3. If the COI Point of Contact identifies a potential real or apparent conflict of interest after completing this Compliance Checklist, the COI Point of Contact shall report such potential conflict of interest to [_____] and to each member of the Governing Board.

*Definitions*.

1. *Covered Individual*. Each person identified in Section 1 of this Checklist is a "Covered Individual" for purposes of this Compliance Checklist and the Policy.

2. *Immediate Family Member* means, with respect to any Covered Individual, (i) a spouse, and parents thereof, (ii) a child, and parent thereof, (iii) a parent, and spouse thereof, (iv) a sibling, and spouse thereof, (v) a grandparent and grandchild, and spouses thereof, (vi) domestic partners and parents thereof, including domestic partners of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with the Covered Individual is the equivalent of a family relationship.

3. *Related Party* means (i) an Immediate Family Member of a Covered Individual, (ii) a partner of a Covered Individual, or (iii) a current or potential employer (other than the Town) of a Covered Individual, of a partner of a Covered Individual, or of an Immediate Family Member of a Covered Individual.

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| Step | | | |
|---|---|---|---|
| 1 | Identify the proposed Subaward, Subrecipient, and the subject of the Subaward. | Name of Contract:<br>_____<br>Name of Counterparty<br>_____<br>Subject of Subaward:<br>_____ | |
| **2** | Identify all individuals involved in the selection, award, or administration of the Subaward. These individuals are "Covered Individuals". Ensure that each Covered Individual has been provided with a copy of the Conflict-of-Interest Policy. | | |
| | ***Public Officials*** | ***Employees*** | ***Agents*** |
| | | | |
| **3** | Identify whether any Covered Individual has a (i) financial or other interest in, or (ii) tangible personal benefit from the firm considered for a Subaward. [If the estimated Subaward amount exceeds $100,000, ensure that each Covered Individual files a Conflict of Interest Disclosure Form with the COI Point of Contact.] | | |
| **Any identified interest in Step 3 is a potential "real" conflict of interest.** | ***Public Officials*** | ***Employees*** | ***Agents*** |
| | | | |
| **4** | Identify whether any Related Party has a (i) financial or other interest in or (ii) tangible personal benefit from the firm considered from a Subaward. If the estimated Subaward amount exceeds $100,000, ensure that each Covered Individual files a Conflict of Interest Disclosure Form with the COI Point of Contact. | | |
| **Any identified interest in Step 4 is a potential "real" conflict of interest.** | ***Public Officials – Related Party*** | ***Employees – Related Party*** | ***Agents – Related Party*** |
| | | | |

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| | | | |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| **5** | Identify whether a reasonable person with knowledge of the relevant facts would find that an existing situation or relationship creates the *appearance* that a Covered Individual or any Related Party has a financial or other interest in or a tangible personal benefit from a firm considered for a Subaward? If yes, explain. | | |
| **Any identified interest in Step 5 is a potential "apparent" conflict of interest.** | ***Public Officials*** | ***Employees*** | ***Agents*** |
| | | | |

COI Point of Contact: _____

Signature of COI Point of Contact: _____

Date of Completion: _____

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**EXHIBIT E**

**SUBAWARD CONFLICT OF INTEREST DISCLOSURE FORM**

**FOR OFFICIALS, EMPLOYEES, AND AGENTS**

The Town of Carrboro ("*Town*") has adopted a Conflict of Interest Policy ("*Policy*") that governs the Town's expenditure of Federal Financial Assistance (as defined in Section II of the Policy). The Policy designates [_____] as the COI Point of Contact.

The COI Point of Contact has identified you as an official, employee, or agent of the Town that may be involved in the selection, award, or administration of the following subaward: _____ (the "*Subaward*"). To safeguard the Town's expenditure of Federal Financial Assistance, the COI Point of Contact has requested that you identify any potential real or apparent conflicts of interest in the Firm considered for the award of a Subaward. Using the Exhibit A to the Policy as a guide, please answer the following questions:

1. Do you have a financial or other interest in a firm considered for this Subaward?

   Yes _____ No _____ Unsure: _____

   If the answer is Yes or Unsure, please explain:

   _____

2. Will you receive any tangible personal benefit from a firm considered for this Subaward?

   Yes _____ No _____ Unsure: _____

   If the answer is Yes or Unsure, please explain:

   _____

3. For purposes of Question 3(a) and 3(b), your "Immediate Family Members" include: (i) your spouse and their parents, (ii) your child, (iii) your parent and any spouse of your parent, (iv) your sibling and any spouse of your sibling, (v) your grandparents or grandchildren, and the spouses of each, (vi) any domestic partner of any individual in (ii) through (v) of this definition; and (vii) any individual related by blood or affinity whose close association with you is the equivalent of a family relationship.

   a. Do you have an Immediate Family Member with a financial or other interest in a firm considered for this Subaward?

      Yes _____ No _____ Unsure: _____

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If the answer is Yes or Unsure, please explain:

_____

b. Do you have an Immediate Family Member that will receive a tangible personal benefit from a firm considered for this Subaward?

Yes _____ No _____ Unsure: _____

4. Do you have any other partner with a financial or other interest in a firm considered for this Subaward?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

5. Will any other partner of yours receive any tangible personal benefit from a firm considered for this Subaward?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

6. Does your current or potential employer (other than the Town) have a financial or other interest in a firm considered for this Subaward or will such current or potential employer receive a tangible personal benefit from this Subaward?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

7. <u>Benefits to Employers</u>

a. Does a current or potential employer (other than the Town) of any of your Immediate Family Members have a financial or other interest in a firm considered for this Subaward?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

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b. Will a current or potential employer (other than the Town) of any of your Immediate Family Members receive a tangible personal benefit from this Subaward?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

c. Does a current or potential employer (other than the Town) of any partner of yours have a financial or other interest in a firm considered for this Subaward?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

d. Will a current or potential employer (other than the Town) of any partner of yours receive a tangible personal benefit from this Subaward?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

8. Does any existing situation or relationship create the ***appearance*** that you have a financial or other interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

9. Does any existing situation or relationship create the ***appearance*** that any Immediate Family Member of yours has a financial or other interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

Yes _____ No _____ Unsure: _____

If the answer is Yes or Unsure, please explain:

_____

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10. Does any existing situation or relationship create the ***appearance*** that your current or potential employer (other than the Town) has a financial or other interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

    Yes _____ No _____ Unsure: _____

    If the answer is Yes or Unsure, please explain:
    _____

11. Does any existing situation or relationship create the ***appearance*** that any current or potential employer (other than the Town) of any of your Immediate Family Members has a financial or other interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

    Yes _____ No _____ Unsure: _____

    If the answer is Yes or Unsure, please explain:
    _____

12. Does any existing situation or relationship create the ***appearance*** that any current or potential employer (other than the Town) of any other partner has a financial or other interest in a firm considered for this Subaward or will receive a tangible personal benefit from a firm considered for this Subaward?

    Yes _____ No _____ Unsure: _____

    If the answer is Yes or Unsure, please explain:
    _____

Sign Name: _____

Print Name: _____

Name of Employer _____

Job Title: _____

Date of Completion: _____

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