



JUSTIN P. WILSON  
Comptroller

JASON E. MUMPOWER  
Deputy Comptroller

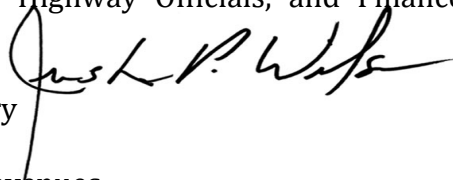
July 10, 2020

**Memorandum**

**To:** All County Mayors, Directors of Schools, Highway Officials, and Finance Directors

**From:** Justin P. Wilson, Comptroller of the Treasury

**Subject:** Response to COVID-19 Federal and State Revenues



We are living in unprecedented times. Words like pandemic, social distancing, and emergency declarations have become part of our everyday vocabulary. Many local government budgets have been affected by loss of revenue. Thankfully, large amounts of money are available to local governments to help cope with the cost of protecting employees and citizens against the COVID-19 virus. All local governments should be preparing for an influx of state and federal funds. Unfortunately, the guidance local governments need to comply with eligibility and spending requirements has not kept pace with the flow of money. Local governments and auditors alike are waiting for further directives from the U.S. Office of Management and Budget (OMB) and other federal and state agencies. In the meantime, until we receive more specific guidelines, the Comptroller's Office, Division of Local Government Audit feels it is wise to provide the following general information:

1. Federal CARES Act money and state grants should be maintained separately from other funds received by your government. Expenditures for mitigation or response to the COVID-19 virus should likewise be separated from other expenditures. This may mean that money already received or expended will need to be reclassified from one expenditure account to another. Detailed documentation for all transactions should be maintained.
2. A separate set of files should be established for each grant. CARES Act funding will be subject to audit under the Single Audit Act and OMB's *Uniform Guidance*. State grants will be audited by the Division of Local Government Audit under *Government Auditing Standards*.
3. Local governments should consider four general rules for spending CARES Act money:

- a. Expenditures should be limited to necessary expenditures incurred due to the public health emergency;
  - b. Expenditures should have been incurred during the period that begins on March 1, 2020 and ends on December 30, 2020;
  - c. As of the date of this memo, CARES Act funding cannot be used to cover revenue shortfalls. (Be alert for any changes to this requirement.);
  - d. Unused CARES Act funding does have to be returned to the U.S. Department of Treasury.
4. The State of Tennessee will receive approximately \$2.6 billion dollars in CARES Act funding. Some of this money will be passed through to local governments. As of the date of this memo, only the release of funds to assist with plans to reopen schools have been announced.
  5. The Division of Local Government Audit has added new accounts to the Uniform Chart of Accounts to allow local governments to separately track CARES Act and other federal and state grants. This new Chart of Accounts can be located at <https://comptroller.tn.gov/office-functions/la/resources/chart-of-accounts.html>.
  6. Emergency declaration policies and procedures should be documented. In general, emergency declarations should only cover discretionary actions. Emergency declarations that are contrary to state statutes should be avoided if possible. For example, emergency declarations cannot override maintenance-of-effort statutes.
  7. Funds received through the Governor's Local Government Support Grants Program can be legally used for recurring and nonrecurring expenditures and may be used to cover revenue shortfalls. However, we recommend that these funds be expended for nonrecurring transactions or temporary revenue shortfalls **rather** than COVID-19 mitigation or response. There will likely be sufficient federal dollars to cover COVID-19 expenditures. (This general guidance may not apply for large governments.)
  8. Local governments must be careful not to claim expenditures for COVID-19 mitigation and response under **more** than one grant/program. We recommend spending **specific** grants such as HHS Grants for Public Health and Social Services, before spending **general** CARES Act funds.
  9. Local governments must be careful to maintain adequate internal controls over spending of federal or state funds. This is required by state statutes and OMB's *Uniform Guidance*.
  10. If a primary government receives CARES Act funding and decides to pass some of the federal funds down to another local government (i.e.; a subrecipient government), the primary government that received the federal funds originally will be subject to the strict OMB *Uniform Guidance* requirements related to subrecipient monitoring. For this reason, we recommend not passing federal funds down to another government unless the primary government has a clear understanding of the rules related to monitoring subrecipients.

As noted, this guidance is general in nature. All local government officials should remain alert for specific provisions of the CARES Act and the Governor's Local Government Support Grant Program. The Comptroller's Office stands ready to assist local governments. We are working closely with County Technical Assistance Service (CTAS) and local government official support organizations to help keep you informed as new developments arise.

If you have questions or comments you may address those to Bryan Burklin at [Bryan.Burklin@cot.tn.gov](mailto:Bryan.Burklin@cot.tn.gov) or 615.253.3909.