

A Dual Path Spending Strategy Helps CRF Recipients Navigate Federal Funding Uncertainty

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The federal government allocated \$150 billion through the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund (CRF) to offset the costs related to planning and implementing COVID-19 response programs. CRF has proven to be a significant remedy for resource-strapped local governments, with many recipients receiving hundreds of millions of dollars.

CRF funding recipients must spend their allocated funds on expenses incurred and services rendered by December 30, 2020. There is no opportunity to prepay for services, so funds not spent by the deadline are at risk of being taken back by the U.S. Treasury Department. The push to spend CRF funds quickly and appropriately has been exacerbated by continued changes in federal guidance on expense eligibility. Expenditures deemed non-eligible in an audit are also at risk, so jurisdictions must be hyper-focused on staying abreast of shifts in eligibility rules and reporting requirements.

Compounding this uncertainty is an assumption that the Treasury Department will grant an extension to the spending deadline. This decision cannot be made administratively by Treasury. It will require an act of Congress. There is consensus on both sides of the aisle that an extension is warranted, but no action has been taken to date. This predicament obliges CRF recipients to take a chance: spend their full allocation within the deadline – potentially on nonpriority activities - or hold on to funds in hopes that the deadline is extended.

As they grapple with their expenditure dilemma, CRF recipients continue to face significant resource strain in managing overall CARES Act funding. For that reason, many jurisdictions are augmenting their CRF expenditure management efforts with expert consultants like Witt O'Brien's that bring greater breadth and depth in federal COVID-19 funding. The firm provides internal funding program experts as well as external auditors, who can manage every aspect of CRF cost reimbursement, including expenditure tracking, eligibility compliance and reporting.

Witt O'Brien's consultants are helping CRF recipients develop dual path strategies for their CRF spending plans that optimize reimbursement for existing qualified COVID-19-related expenses, while ensuring the flexibility to pivot quickly to longer range plans if an extension is granted. An effective dual path strategy comprises the following essential elements:

Reimbursement rapid deployment capability

Witt O'Brien's experts have developed hundreds of funding allocation plans and leverage that expertise to help CRF recipients quickly outline the essential tasks that must be completed between now and the end of the year and create an action plan to get them done. The firm also provides implementation support to help counties get plans up and running and manage expenses capture and reporting.

Uniform expense documentation and submission

Many CRF recipients have additional municipal entities, non-profit organizations, healthcare providers, schools and businesses that seek access to funds from their CRF allocation. Even if the recipient has a solid expenditure monitoring and reporting structure, sub-recipients often create their own tracking and reporting formats, which led to disjointed and disparate reporting formats. Further, if a sub recipient fails to spend funds appropriately or delivers incorrect reporting, the recipient is accountable for the expenditure and at risk if the funds are taken back.

Witt O'Brien's is creating compliance and risk mitigation strategies such as standardized subrecipient agreements that define roles, responsibilities and reporting requirements, training for sub-recipients so they know what is expected of them and establishing a uniform financial review process.

Ability to pivot to a long-range plan

Reimbursement optimization is key to ensuring that CRF recipients can stay the course in the short term but retain enough funds to pivot to a longer-range plan if the guidance changes. Witt O'Brien's

planning experts are helping CRF recipients look at longer range COVID response considerations, and frame program expense profiles on those fronts. The firm developed a strategy to free up cash for long range programming by carefully reviewing all previously budgeted expenses paid from the general fund to identify the costs that are eligible for reimbursement and reimbursing them retroactively from March 2020.

Holistic approach to funding

Due to the unprecedented challenges COVID-19 response has presented, CRF recipients have been given a degree of flexibility to incur expenses not customarily eligible for federal funding in order to meet a unique challenge. Federal agencies, however, are beginning to shrink the “grey areas” in expense eligibility. For example: capital expenditures for improvement projects and assets often get the greatest amount of scrutiny from Treasury audit simply because they're a permanent solution to a temporary problem. As such, purchasing a hotel to provide non-congregate sheltering for at risk populations might not pass scrutiny – especially when leasing the facility would be much less expensive.

Witt O'Brien's is helping CRF recipients look holistically at their budgets to find alternate approaches to funding unique COVID-19 response programs. In the above example, if the costs to acquire the property for non-congregate sheltering are funded through the general fund, and there is an eligible expense of equal cost – such as public safety payroll for COVID-19 response - the county can submit that expense for CRF reimbursement and fund the capital expense from the general fund with the same net effect on the budget.

Ability to leverage alternate funding sources

Witt O'Brien's deep understanding of the different eligibility requirements of each CARES Act program helps CRF recipients extend the life of CRF funding by allocating expenses into the “best fit” funding program. For example, qualified overtime expenses for utilizing paramedics can be diverted from CRF to FEMA Public Assistance funding. The firm is also helping CRF recipients identify other funding sources with their communities and partner with those organizations to absorb COVID-19-related costs.

The CRF expenditure deadline is coming up fast. CRF recipients must act faster. Witt O'Brien's consultants serve as a force multiplier, amplifying their ability to establish a comprehensive, strategic, COVID-19 expense reimbursement framework that accelerates spending through December 30 in the smartest possible manner. If the deadline trajectory changes, CRF recipients will be able to quickly realign funding priorities toward strategic, sustainable long-range programming. Uncertainty and risk in COVID-19 response may never be eliminated, but with expert help from Witt O'Brien's, CRF recipients can ensure that their reimbursement “gamble” is 100 percent calculated.



About Matt Erchull

Matt knows all too well the struggles communities may face when disaster strikes and brings a wealth of expertise to developing strategies for effective long-term community redevelopment and revitalization. He is a nationally recognized subject matter expert in a broad range of federal funded programs and is overseeing a practice team currently advising nearly 40 public clients on the compliant use of over \$4 billion of CARES Act appropriated funding.

Matt joined Witt O'Brien's after a distinguished tenure in New York serving as the Director of Research & Strategic Analysis for the state's Superstorm Sandy recovery. He is a HUD recognized technical assistance provider for CDBG-DR and has previously supported large-scale community redevelopment efforts in Texas, Louisiana, Mississippi, Massachusetts, Oklahoma, North Dakota, Colorado, Puerto Rico and the U.S. Virgin Islands.

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