



A strategic framework for SLFRF closeout and audit readiness

State and Local Fiscal Recovery Funds



Five years after the passage of the American Rescue Plan Act (ARPA) in March 2021, state and local governments are entering the final phase of the \$350 billion State and Local Fiscal Recovery Funds (SLFRF) program. The December 31, 2024 obligation deadline has passed, and the December 31, 2026 expenditure deadline is approaching. As projects advance toward completion, attention is shifting to documentation, reporting, and closeout activities. In this paper, we provide a strategic framework to help state and local governments prepare for closeout and a Treasury Inspector General (TIG) audit of SLFRF funding.

In this paper, we highlight practical steps to strengthen governance, internal controls, documentation, and compliance monitoring to help ensure proper stewardship of federal relief funds. We outline key audit focus areas—such as eligibility, allowable use of funds, subrecipient oversight, and reporting accuracy—and offer recommendations to proactively identify documentation to mitigate compliance risks. By implementing these practices, agencies can help demonstrate fiscal accountability, maintain transparency, and enhance readiness for Treasury oversight while helping ensure continued alignment with federal program objectives.

Below is a list of documentation categories and specific records we suggest retaining for closeout and potential audit review:



Financial and accounting documentation

Core financial records

- General ledger entries showing SLFRF receipts, expenditures, and transfers
- Bank statements and reconciliations for accounts holding SLFRF funds
- Detailed expenditure reports by project and expenditure category
- Documentation of interest earned on SLFRF funds and how it was used

Supporting documentation

- Invoices, purchase orders, and receipts for all expenditures
- Payroll records, time sheets, and cost allocation documentation for personnel paid with SLFRF funds
- Contracts, subrecipient agreements, and procurement documentation (including competitive bidding records)
- Payment authorizations and approval workflows



Programmatic and project documentation

Project-level files

- Project descriptions, budgets, and justifications aligned with Treasury's expenditure categories
- Evidence of need and eligibility (e.g., data supporting negative economic impacts, public health needs, etc.)
- Performance metrics and outcomes tracking for each funded project
- Documentation of project completion and closeout reports

Subrecipient management

- Subrecipient risk assessments and monitoring plans
- Copies of subrecipient agreements including federal compliance clauses
- Reports and certifications from subrecipients verifying appropriate fund use



Compliance and regulatory documentation

Federal compliance records

- Compliance with Uniform Guidance (2 CFR Part 200)
- Procurement policies and procedures
- Conflict of interest disclosures and approvals
- Records of adherence to Davis-Bacon, civil rights, and environmental compliance (if applicable)

Reporting compliance

- Copies of all reports submitted to the U.S. Treasury (e.g., Project and Expenditure Reports, Recovery Plan Performance Reports)
- Documentation supporting figures and narratives in those reports
- Internal review or sign-off records for report submissions



Retention and closeout documentation

Retention requirements

- Maintain all records for at least five years after all funds have been expended or returned to Treasury, per Treasury guidance.
- Ensure electronic and physical copies are securely stored and easily retrievable.

Closeout package

- Final reconciliation of SLFRF funds (draws vs. expenditures)
- Certification of completion and compliance by authorized officials
- Summary of outcomes and performance metrics
- Documentation of any unspent funds and their disposition



Internal controls and governance

Governance documentation

- Policies and procedures governing SLFRF fund management
- Internal control framework, including segregation of duties and approval hierarchies
- Audit committee or governing board minutes discussing SLFRF oversight
- Risk assessments and mitigation plans

Audit and review records

- Prior audit reports, management letters, and corrective action plans
- Internal audit reviews or monitoring reports related to SLFRF
- Correspondence with Treasury or oversight agencies

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