



Municipalities awarded SLFRF funds, automate compliance monitoring and internal controls with ThirdLine

ARPA SLFRF Reporting guidance states "Recipients and subrecipients are the first line of defense, and responsible for ensuring the SLFRF award funds are not used for ineligible purposes, and there is no fraud, waste, and abuse associated with their SLFRF award"

Internal Controls and Risk for ARPA SLFRF

Issued in June, "[SLFRF Compliance and Reporting Guidance](#)" details compliance and reporting responsibilities under the SLFRF program. The document dubs SLFRF recipients the "first line of defense," responsible for monitoring award funds, implementing internal controls, maintaining a "robust documentation and compliance regime," among other duties that all contribute to "upholding program integrity and trust in all levels of government."

Statutory Eligible Uses

1. To respond to the COVID-19 public health emergency or its negative economic impacts;
2. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to such eligible workers of the recipient, or by providing grants to eligible employers that have eligible workers who performed essential work;
3. For the provision of government services, to the extent of the reduction in revenue of such recipient due to the COVID-19 public health emergency, relative to revenues collected in the most recent full fiscal year of the recipient prior to the emergency; and
4. To make necessary investments in water, sewer, or broadband infrastructure.

Uniform Administrative Requirements

The SLFRF awards are generally subject to the requirements set forth in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2CFR Part 200 (the "Uniform Guidance"). The guidance states that the following are high level categories and that recipients and subrecipients are advised to carefully review the Uniform Guidance requirements and any additional regulatory and statutory requirements applicable to the program.

1. Allowable Activities
2. Allowable Costs/Cost Principles
3. Cash Management
4. Eligibility
5. Equipment and Real Property Management
6. Matching, Level of Effort, Earmarking
7. Period of Performance
8. Procurement, Suspension & Debarment
9. Program Income
10. Reporting
11. Subrecipient Monitoring
12. Special Tests and Provisions

Across each of the compliance requirements above, Treasury described some best practices for development of internal controls. The table below provides a brief description and example of each best practice. While key principles and internal controls best practices (Figure 1) are included in the guidance, SLFRF recipients are largely tasked with developing their own effective compliance regimes.

Best Practice	Description	Example
Written policies and procedures	Formal documentation of recipient policies and procedures	Documented procedure for determining worker eligibility for premium pay
Written standards of conduct	Formal statement of mission, values, principles, and professional standards	Documented code of conduct / ethics for subcontractors
Risk-based due diligence	Pre-payment validations conducted according to an assessed level of risk	Enhanced eligibility review of subrecipient with imperfect performance history
Risk-based compliance monitoring	Ongoing validations conducted according to an assessed level of risk	Higher degree of monitoring for projects that have a higher risk of fraud, given program characteristics
Record maintenance and retention	Creation and storage of financial and non-financial records.	Storage of all subrecipient payment information.

ThirdLine detects fraud, waste, and abuse before it leaves a municipality's door.

With ThirdLine, municipalities have a library 400+ data analytics running continuously to monitor awards funds and detect fraud, waste, and abuse at the transactional level across 10 areas:

- Accounts Payable
- Accounts Receivable
- General Ledger
- Human Resources

- Payroll
- Purchasing Card
- Purchasing
- Separation of Duties
- Travel & Expense
- Vendors

ThirdLine is not another ERP system; it's an analytics layer on top of *existing* data in the ERP system—specifically Tyler Technologies Munis used by 6,000+ municipalities across the U.S. The only requirement for the simple integration is a backup copy of the database.

With every refresh of a municipality's database, ThirdLine analytics update across interactive dashboards, showing users:

- *Where* transactions were flagged for risk in a specific financial process (e.g., Payroll)
- *Who* was involved in creating and approving the transactions (employees, vendors, etc.)
- *When* the transactions were created and approved depending on the preferred audit scope: last week, last quarter, or as far back as the implementation of the ERP system.

With ThirdLine technology, municipalities have an automated way to monitor SLFRF compliance and pinpoint fraud, waste, and abuse with 400+ internal controls and dashboard reporting. ThirdLine is a quick-and-easy solution to create an “effective compliance regime” for the SLFRF program—with a lasting impact on public transparency and accountability for all municipalities.

ThirdLine is available to municipalities across the U.S. using Tyler Technologies Munis ERP system. To learn more and request a demo, please visit <https://thirdline.io/>.



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