



COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

Office of the Comptroller

DATE : September 30, 2020
TO : Interested Parties
FROM : Scott B. Manske, Comptroller
SUBJECT : **CARES Act Coronavirus Relief Funds – Subrecipient Definition**

We have determined that your department may have entered into contract(s) with various vendors either through a written contract or through Marketplace, which are funded by the Federal CARES Act Coronavirus Relief Funds (CARES CRF). Based on US Treasury requirements, if such contractors receive at least \$50,000 of funds towards any contract that exceeded \$50,000, the contractor would be considered as a subrecipient of such Federal funds. If you entered into multiple contracts with a contractor, but none of them exceeded \$50,000, then your contractor would not be defined as a subrecipient, and thus subject to the CARES CRF requirements. As a subrecipient, the contractor is subject to Federal audit guidelines and procedures, and the County must put them on notice of these guidelines.

We have attached a preliminary list of contractors (Attachment B), who may be defined as a subrecipient. We are still investigating this list to determine if each vendor would be defined as a subrecipient. We will notify you if your contractor is a subrecipient.

If they are defined as a subrecipient, we will need to have vendors sign an addendum to their contract that notes their understanding that they are a subrecipient, and the requirements that they must follow based on that designation.

We are in the process of developing a formal addendum that would be provided to our contractors who are subrecipients. We are working with DHHS and Corporation Counsel on this activity. The provisions of Attachment A are the same provisions that we will use in an addendum. The

Background:

Attached is the Treasury Office of Inspector General (OIG)-CRF FAQ (Frequently Asked Questions) (Attachment C) where I found this guidance. This definition of subrecipient is different from the OMB's Uniform Administrative Requirements 2CFR Part 200 (Uniform Guidance). Under OMB guidance, entities that the County is working with may have been considered under other grants to be contractors and not subrecipients. However, the Treasury has noted that any contract(s) which the County enters into, which is funded by the CARES Act CRF funds, where the vendor receives at least \$50,000 of funds by the County, which the County claims for reimbursement from CARES CRF, will be a subrecipient.

Why is this important?

This definition by the Treasury will place a further responsibility on Milwaukee County for reporting and documentation requirements. The County, in its reports to the State and Federal government, must note each contract that has a value of at least \$50,000 and provide specific detail to the US Treasury on the contract and the contractor/subrecipient.

In addition, the County must notify each contractor who receives more than \$50,000 on a single contract that they are a subrecipient of the County under the CARES Act Treasury Coronavirus Relief Fund CFDA # 21.019.

As a subrecipient, our contractors who are performing services for us, will be required to follow standard federal audit guidelines related to their expenditures on our contracted projects. For example, Attachment A includes some of the terms which would apply for each subrecipient and would be included in an additional agreement that the contractor/subrecipient would have to sign, if they have not done so already.

When we determine a final list of contractors, who are subrecipients, your office should contact the contractor and make them aware of a final addendum. The contractor should verify with their financial auditor what these requirements will mean for their annual financial audit. As noted in the Attachment A, a single audit would be required if the contractor receives over \$750,000 of Federal funds. This may not be the only Federal funds your contractor receives, so they need to accumulate all Federal funds received from all entities. If your contractor receives less than \$750,000 of payments from the County under the CARES Act Coronavirus Relief Funds CFDA 21.019, they may be subject to a Program Specific Audit. Under CFDA 21.019, subrecipients are required to follow 2CFR Subpart F – Audit Requirements, whose rules are included at the following website: <https://www.law.cornell.edu/cfr/text/2/part-200/subpart-F>.

If you have any questions, please contact me.

Scott B. Manske
Comptroller

Attachment A – Possible Provisions between Milwaukee County and Contractors
(Subrecipients)

Attachment B – Possible List of Subrecipients under CARES CRF.

Attachment C – Treasury OIG Frequently Asked Questions