



COVID-19 Relief: Treasury Could Improve Compliance Procedures and Guidance for State and Local Fiscal Recovery Funds

GAO-25-107909 [Accessible Version]

Q&A

Report to Congressional Committees

July 22, 2025

Why This Matters

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, established under the American Rescue Plan Act of 2021 (ARPA), provided \$350 billion to tribal governments, states, the District of Columbia, U.S. territories, and more than 30,000 local governments to help cover a broad range of costs stemming from the health and economic effects of the COVID-19 pandemic.¹

The Department of the Treasury is responsible for overseeing and monitoring recipients' use of funds. To ensure these funds are used for allowable purposes, Treasury developed reporting requirements for recipients to detail their uses of funds. Since 2022, Treasury has required recipients to submit project and expenditure (P&E) reports to provide information on how they used their awards, including obligations and spending amounts.

The CARES Act includes a provision for us to monitor the use of federal funds to respond to the COVID-19 pandemic.² This report, part of a series of reports we have issued on recipients' spending and Treasury's oversight of SLFRF funds, examines the reporting requirements that SLFRF recipients are to meet and the extent to which Treasury ensures compliance with these reporting requirements.³

Key Takeaways

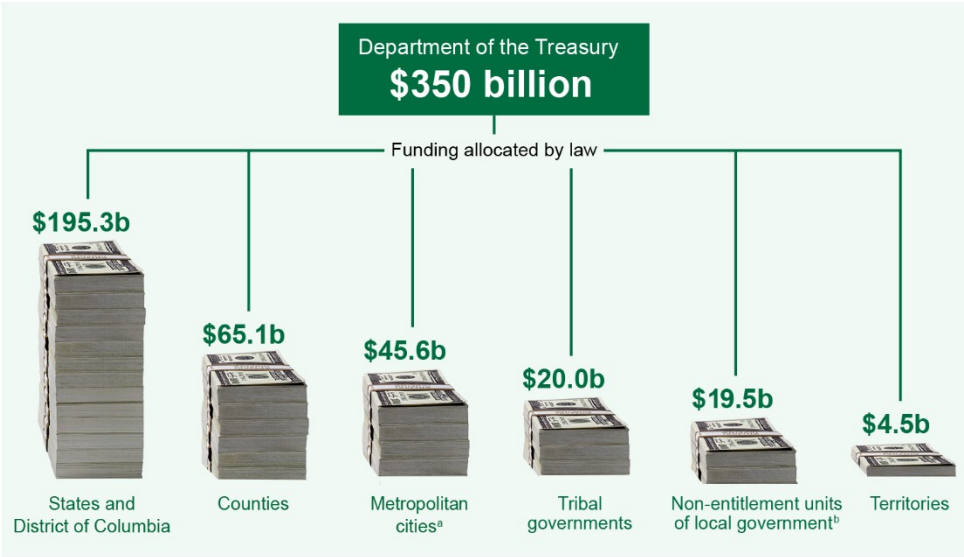
- In each year from 2022 to 2024, thousands of SLFRF recipients did not meet the reporting deadline for P&E reports. For example, 4,272 recipients—accounting for \$2 billion in SLFRF awards—missed the deadline in 2024.
- Treasury has issued notices of noncompliance and conducted targeted outreach, but reporting remained inconsistent. As of January 2025, 1,012 recipients—mostly smaller localities—had never submitted a P&E report. These recipients accounted for about \$139 million in combined awards.
- While Treasury's procedures allow Treasury to initiate recoupment with noncompliant recipients, the procedures do not require recoupment at any point and time and recoupment efforts have been inconsistent. Treasury started sending initial notices of recoupment in January 2025 to 988 of the 1,012 recipients that had never submitted a P&E report. Of those, 339 (34 percent) subsequently submitted a report between January and March 2025.

- We recommend that Treasury develop and document procedures and guidance for recipients that identify the timing and circumstances under which it will initiate recoupment. Treasury agreed with our recommendation.

How much did states and localities receive in SLFRF awards?

Under ARPA, the SLFRF allocated the \$350 billion across six groups of recipients (see fig. 1). Localities included counties, metropolitan cities, and non-entitlement units of local government (NEU), which are smaller local governments typically serving populations of less than 50,000.⁴ Nearly all those funds—\$325.5 billion—were allocated to state and local governments (for purposes of this report, we use the terms “local governments” and “localities” interchangeably).

Figure 1: Allocations of Coronavirus State and Local Fiscal Recovery Funds by Recipient Type



Source: GAO analysis of the American Rescue Plan Act of 2021. Pub. L. No. 117-2, 135 Stat. 4 (2021); Rangizz/stock.adobe.com. | GAO-25-107909

Accessible Data for Figure 1: Allocations of Coronavirus State and Local Fiscal Recovery Funds by Recipient Type

Department of the Treasury [350 billion dollars]

Recipient type	Funding allocated by law
States and District of Columbia	195.3b
Counties	65.1b
Metropolitan cities ^a	45.6b
Tribal governments	20.0b
Non-entitlement units of local government ^b	19.5b
Territories	4.5b

Source: GAO analysis of the American Rescue Plan Act of 2021. Pub. L. No. 117-2, 135 Stat. 4 (2021); vladwel/stock.adobe.com. | GAO-25-107909

^aA metropolitan city is defined as the central city within a metropolitan area (i.e., a standard metropolitan statistical area as established by the Office of Management and Budget) or any other city within a metropolitan area that has a population of 50,000 or more. 42 U.S.C. §§ 803(g)(4), 5302(a)(4). A metropolitan city includes cities that relinquish or defer their status as a metropolitan city for purposes of receiving allocations under section 5306 of Title 42, United States Code, for fiscal year 2021.

^bNon-entitlement units of local government (NEU) are local governments typically serving populations of less than 50,000. 42 U.S.C. §§ 803(g)(5), 5302(a)(5). NEUs include cities, villages, towns, townships, or other types of local governments.

Under ARPA, Treasury was required to provide SLFRF awards to most states and all localities in two equal tranches approximately 1 year apart. Consistent with ARPA, Treasury issued the first tranche in 2021 and the second in 2022. ARPA required Treasury to send direct payments to all SLFRF recipients except NEUs. ARPA required that states receive NEU funds from Treasury, then allocate and distribute payments to each NEU within their respective states.⁵ For purposes of the SLFRF, all recipients, including NEUs, are direct recipients, and thus solely responsible for meeting reporting requirements.

The SLFRF program provided substantial flexibility to recipients by allowing for a broad range of allowable uses. SLFRF recipients had until December 31, 2024, to obligate their SLFRF awards and generally have until December 31, 2026, to spend their awards.⁶

What are SLFRF recipients required to report to Treasury about their uses of funds?

SLFRF award recipients are required to meet reporting requirements established by Treasury—and authorized under ARPA—to detail their uses of funds.⁷ Further, as a condition to receiving SLFRF funds, each recipient was required to sign an agreement that laid out the terms and conditions of the award, including adhering to Treasury's reporting requirements.⁸ Specifically, since January 2022, Treasury has required that recipients submit P&E reports detailing information on their uses of the funding. These reports are to include descriptions of each project the recipient has undertaken, as well as the amounts obligated and spent across a range of allowable use categories established by Treasury.

Treasury also publishes information from these P&E reports on its public website. Treasury has stated on its public website that the P&E report data “provides transparency and accountability for communities, local leaders, and the public about how recipients are using SLFRF resources.” We have previously reported on states' and localities' SLFRF obligations, spending, and uses of funds, based largely on these reporting submissions.⁹

As part of its responsibilities to review recipient reporting and oversee recipients' uses of awards, Treasury issued regulations and guidance to help recipients comply with program requirements related to allowable uses of funds and reporting requirements.¹⁰ For example, Treasury's 2022 Final Rule implementing the SLFRF includes information on allowable uses of SLFRF awards and its *Compliance and Reporting Guidance* details when recipients are to submit a P&E report and the information they are required to include in these reports.¹¹ In addition, Treasury has issued periodic user guides that provide detailed instructions on submitting P&E reports to Treasury.

How often are SLFRF recipients required to report to Treasury on their uses of funds?

Treasury requires that recipients submit P&E reports quarterly or annually, depending on the type of recipient and the award size.

- Quarterly reporting is required of (1) states, metropolitan cities, and counties with more than 250,000 residents or those that were allocated more than \$10 million in SLFRF funds; and (2) NEUs that were allocated more than \$10 million in SLFRF funds.¹²
- Annual reporting is required of (1) metropolitan cities and counties with fewer than 250,000 residents that were allocated less than \$10 million in SLFRF

funds, and (2) NEUs that were allocated less than \$10 million in SLFRF funds.¹³

Treasury has established a reporting portal where recipients are to submit P&E reports.

- Treasury opens the portal to accept P&E reports approximately 30 days before the official reporting deadline. For example, Treasury opens the portal on or about April 1 for reports that are due on April 30.
- Following the official reporting deadline, Treasury allows revisions or edits to reports within a period of up to 60 days.¹⁴ Reports submitted within this 60-day period are included in Treasury’s publicly reported P&E data.¹⁵
- For recipients submitting annually, Treasury also continues to accept P&E reports through the portal after the 60-day period, for up to 11 months after the official reporting deadline. Thus, the portal is open until about March 31 of the following year, which is when the next annual reporting cycle begins. Treasury officials told us that allowing recipients to submit reports after the deadline is consistent with Treasury’s goal of bringing recipients into compliance with reporting requirements, and that closing the reporting portal would diminish the rate of compliance, particularly for recipients submitting annually.

How many recipients missed Treasury’s reporting deadlines?

Thousands of recipients—all localities—missed Treasury’s reporting deadline for submitting a P&E report across multiple reporting cycles.¹⁶ For example, table 1 shows that 4,272 recipients (14 percent) with a collective \$2 billion in SLFRF awards, did not submit a P&E report to Treasury by April 30, 2024. Based on our analysis, 2,539 of these localities, with nearly \$789 million in combined SLFRF awards, also did not submit a report by the April 30, 2023, deadline in the previous reporting cycle. A reporting cycle generally includes the period between April 1 (when the reporting portal opens), through the April 30 deadline, until about March 31 of the following year (when the reporting portal closes).

We focused our analysis on Treasury’s April 30 reporting deadline because all SLFRF recipients—whether submitting quarterly or annually—were required to submit a P&E report to Treasury on April 30 of each year from 2022 to 2024.¹⁷

Table 1: Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Recipients That Did Not Meet Project and Expenditure Reporting Requirements by the April 30 Deadline, 2022-2024				
Year	Number of recipients required to submit a report ^a	Total award amounts received by recipients required to submit a report (in billions)	Number of recipients that missed reporting deadlines	Total award amounts received by recipients that missed reporting deadlines (in billions)
2022	30,734	\$220.7 ^b	3,479	\$0.9 ^b
2023	30,729	323.7	4,268	3.0
2024	30,721	323.7	4,272	2.0

Source: GAO analysis of Department of the Treasury data. | GAO-25-107909

^aAccording to Treasury officials, the number of recipients that were required to submit a report has varied slightly each year because some recipients returned their awards, declined funds, or no longer exist (e.g., local governments that were dissolved).

^bThese award amounts include the first tranche of SLFRF funding only, which Treasury distributed in 2021. Recipients received another tranche of funding in 2022 after the April 30, 2022, reporting deadline.

Our analysis also showed that, for each reporting cycle, most recipients that did not submit reports by the April 30 deadline were small localities. More than half of these recipients received less than \$100,000 in SLFRF awards. Treasury officials told us that these smaller localities may not have prior experience with federal funds and reporting requirements typically associated with those funds. The officials also said that smaller localities have limited capacity and may manage the SLFRF funds with temporary and volunteer staff and experience high turnover.

What does Treasury do when recipients miss reporting deadlines?

Based on its procedures, Treasury is to issue a notice of noncompliance to recipients that did not meet a reporting requirement. The notice includes a new reporting deadline and describes penalties for noncompliance, which could include having to return SLFRF awards to Treasury.

We previously reported that, in August 2023, Treasury began sending notices of noncompliance to over 3,000 recipients that failed to submit a P&E report by the April 30, 2023, reporting deadline.¹⁸ Treasury officials told us they did not send notices to all recipients that did not meet the reporting requirement because, for example, Treasury was already working with some recipients to address technical issues in submitting the report. More recently, beginning in June 2024, Treasury sent notices of noncompliance to over 4,000 SLFRF recipients that had not submitted a report by the April 30, 2024, reporting deadline.

In addition to notices of noncompliance, Treasury has conducted outreach through newsletters, webinars, office hours, and collaboration with associations representing local governments, such as the National Association of Counties and the National League of Cities. Treasury officials told us they conducted additional outreach efforts to those recipients with the highest award amounts that have not submitted a P&E report. In addition, officials told us that Treasury staff have made hundreds of phone calls to the localities that have not submitted reports.

Treasury officials told us they continued these efforts throughout the year for each reporting cycle.

What is the status of recipients that missed Treasury’s reporting deadlines?

Based in part on its outreach efforts, compliance with Treasury’s reporting requirements increased throughout each reporting cycle through recipients submitting reports after the deadline. For example, 2,259 reporters that missed the April 30, 2024, reporting deadline submitted a P&E report before the next reporting cycle. These 2,259 recipients accounted for \$1.3 billion in SLFRF awards received. Table 2 provides the report submission status as of the outset of the subsequent reporting cycle for recipients that missed the reporting deadline.

Table 2: Status of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Recipients That Missed the April 30 Project and Expenditure Reporting Deadline, 2022-2024			
Submission Status	2022	2023	2024
Number of recipients that did not meet the April 30 reporting deadline	3,479	4,268	4,272
Number of recipients that did not meet the April 30 reporting deadline: Submitted a report after the April 30 reporting deadline	692	1,239	2,259 ^a

Submission Status	2022	2023	2024
Number of recipients that did not meet the April 30 reporting deadline: Did not submit a report during the reporting cycle ^b	2,787	3,029	2,013

Source: GAO analysis of Department of the Treasury data. | GAO-25-107909

Note: We focused our analysis on Treasury's April 30 reporting deadline because all SLFRF recipients—whether submitting quarterly or annually—were required to submit a project and expenditure report to Treasury on April 30 of each year from 2022 to 2024.

^aThe data do not include a report submission from one recipient because Treasury erroneously excluded the recipient from the publicly reported data. The recipient submitted a report after the April 30, 2024, reporting deadline, which is not captured in these data.

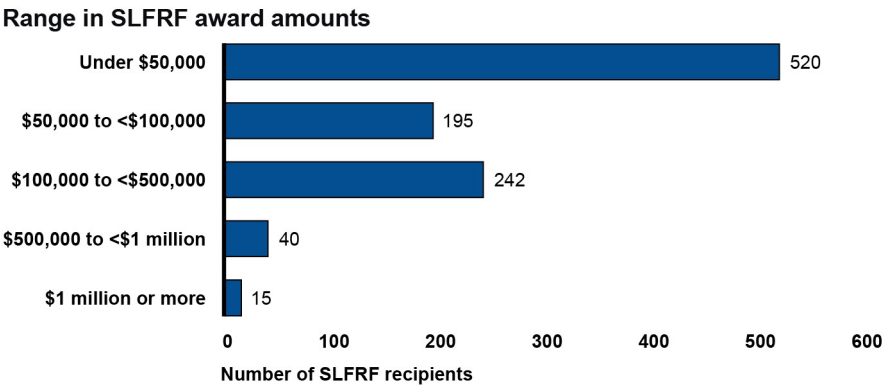
^bA reporting cycle generally includes the period between April 1 (when the reporting portal opens for reports due April 30) and March 31 of the following year (when the reporting portal closes).

However, reporting has remained inconsistent, with thousands of recipients not submitting a P&E report in each reporting cycle. For example, as table 2 shows, 2,013 recipients did not submit a report in the 2024 reporting cycle. These 2,013 recipients received a combined \$632 million in SLFRF awards.

How many recipients had never submitted any reports, as of January 2025?

Our analysis showed that between January 2022 and January 2025, 1,012 SLFRF recipients—all required to report annually—had never submitted a P&E report. Except for one county, all 1,012 recipients were NEUs. Award amounts for these recipients totaled \$139 million, with individual awards ranging from less than \$1,000 to a high of \$7.8 million. Just over half of the recipients (520) received awards of less than \$50,000. The average award amount for these 520 recipients was about \$23,000 (see fig. 2).

Figure 2: Range in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Awards Received by Recipients That Never Submitted a Project & Expenditure Report, 2022-2024



Source: GAO analysis of Department of the Treasury data. | GAO-25-107909

Accessible Data for Figure 2: Range in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Awards Received by Recipients That Never Submitted a Project & Expenditure Report, 2022-2024

Range in SLFRF award amounts	Number of recipients
Under \$50,000	520
\$50,000 to <\$100,000	195
\$100,000 to <\$500,000	242
\$500,000 to <\$1 million	40
\$1 million or more	15

Source: GAO analysis of Department of the Treasury data. | GAO-25-107909

Note: Treasury SLFRF data are as of January 2025.

How has Treasury addressed recipients that remain out of compliance with reporting requirements?

Treasury has initiated recoupment with some SLFRF recipients that had not met any of the reporting requirements. However, Treasury first initiated recoupment 3 years after reporting began in 2022.

In August 2023, during our prior review of the SLFRF program, we asked Treasury officials about plans for remediation in instances when recipients fail to submit a P&E report after receiving a notice of noncompliance. At that time, officials told us that Treasury's next step would be to initiate remediation efforts, including recouping awards. However, during follow-up discussions with Treasury officials in May 2024—after the subsequent April 30 reporting deadline had passed—officials said that Treasury had not initiated recoupment. These officials also told us that Treasury was focused on encouraging recipients to submit required reports by conducting outreach and sending notices of noncompliance for the reports due on April 30, 2024.

Between January 2025 and April 2025, Treasury, for the first time, initiated recoupment for 988 of the 1,012 SLFRF recipients that had not submitted a P&E report across any reporting cycle between 2022 and 2024. The total amount of SLFRF awards subject to recoupment was about \$139 million for all 988 recipients. Treasury officials said that without these reports, Treasury is not able to determine whether the recipients obligated and spent funds for allowable uses. Treasury officials told us that the remaining 24 of the 1,012 SLFRF recipients submitted a P&E report before Treasury initiated recoupment.

As outlined in its Final Rule, Treasury first sent initial notices of recoupment, which identify the required reports the recipient has not submitted, the prior notifications Treasury has sent the recipient, and the award amounts subject to recoupment.¹⁹ Treasury officials said they took this action, in part, in response to our ongoing reviews of the SLFRF program and discussions with Treasury officials about planned actions for recipients that have repeatedly not submitted P&E reports. Of these 988 recipients, 339 (34 percent) subsequently submitted a P&E report between January and March 2025 for the first time in 3 years.

Treasury's *Recipient Noncompliance and Remediation Procedures* do not require Treasury to recoup awards at any specific time or under any specific circumstances in Treasury's noncompliance process.²⁰ The procedures, updated in October 2024, provide Treasury with the option to recoup awards when recipients fail to submit two or more required reports. Previously, the procedures provided Treasury with the option to recoup awards when recipients failed to submit three or more required reports.

While Treasury has initiated recoupment with recipients that had never submitted a P&E report, Treasury has opted not to initiate recoupment with recipients that have not submitted reports consistently. For example, Treasury has not initiated recoupment with recipients that submitted one required report but did not submit at least two other P&E reports—an approach presented in its current procedures.

Treasury officials told us that Treasury's procedures are designed to provide it discretion to determine the circumstances under which it seeks recoupment from SLFRF recipients. Treasury officials also told us that, as part of this discretion, they consider multiple compliance priorities and the limited staff available within Treasury's Office of Capital Access when deciding whether to recoup SLFRF funding.²¹ For example, the officials told us that Treasury incurs costs (both

actual and in personnel hours) when recouping funds, which involves individualized mailings, tracking of return receipts, and evaluation of and responses to requests for reconsideration.

However, P&E reports are Treasury's primary means for overseeing recipients' uses of SLFRF funds, according to Treasury officials. Treasury's reporting guidance states that Treasury will use the information submitted in P&E reports for oversight purposes and to fulfill Treasury's transparency and legal obligations. The guidance also states that late and unsubmitted P&E reports undermine Treasury's ability to provide oversight over the funds.

According to *Standards for Internal Control in the Federal Government*, management should design control activities to achieve objectives and respond to risks and implement control activities through policies.²² In Treasury's case, such control activities include procedures outlining the timing and circumstances under which it expects to initiate recoupment efforts, which could help Treasury achieve its oversight objectives and ensure proper use of taxpayer funds.

Developing and documenting procedures that specify the timing and circumstances for initiating future recoupment could help position Treasury to consistently take appropriate and timely action, when necessary, for recipients that do not meet reporting requirements. Some of the 988 recipients to which Treasury sent initial notices of recoupment between January and March in 2025 subsequently submitted a P&E report for the first time. However, ensuring that all recipients submit the reports consistently—as these recipients agreed to before receiving the SLFRF funding—is necessary to determine whether recipients are spending funds allowably.

Additionally, internal control standards call for management to externally communicate the necessary quality information to achieve its objectives.²³ While Treasury's user guides note that a record of submitting a late report could result in a finding of noncompliance, Treasury's guidance to SLFRF recipients does not include information about the consequences of not submitting a P&E report.

Communicating to recipients, by documenting in guidance the circumstances in which Treasury will initiate recoupment, may increase recipients' compliance through enhancing their understanding of the consequences of not submitting a timely report. For example, Treasury notified all recipients in March 2025 that it is committed to recouping funds that recipients obligated or spent impermissibly, or that were not obligated by the December 31, 2024, deadline.²⁴ Treasury officials told us that since issuing the notice, they have seen an increase in recipient reporting.

Conclusions

The SLFRF program provided an unprecedented amount of funds to states and tens of thousands of localities to help them respond to and recover from the COVID-19 pandemic. Treasury has required recipients to submit at least three reports to meet reporting requirements on their uses of funds. Treasury has taken some steps to facilitate compliance with those reporting requirements and allowed recipients years to comply with reporting requirements. However, reporting has remained inconsistent during this period, limiting Treasury's ability to determine whether recipients are spending SLFRF funds on allowable uses. Given the volume of SLFRF funds and the number of entities that receive these distributions, developing and documenting in procedures and recipient guidance the timing and circumstances in which Treasury will advance its compliance process to recoupment could better position all recipients to meet reporting

requirements consistently and Treasury to provide oversight of the use of federal funds.

Recommendation for Executive Action

The Secretary of the Treasury should develop and document, in Treasury's internal procedures and guidance for recipients, the timing and circumstances under which Treasury will initiate recoupment of awards for recipients that have not met SLFRF reporting requirements. (Recommendation 1)

Agency Comments

We provided a draft of this report to Treasury for review and comment. Treasury generally agreed with our recommendation, stating that the recommendation is consistent with Treasury's goal to monitor the use of funds and its remediation and compliance efforts to date. Treasury also said it will consider incorporating into its procedures and guidance the timing and circumstances under which Treasury will initiate recoupment of awards for recipients that have not met SLFRF reporting requirements. According to Treasury, this effort will support compliance priorities, including other ongoing compliance efforts, for the remainder of the program. Treasury also provided technical comments, which we incorporated as appropriate.

How GAO Did This Study

To inform our work, we reviewed laws and regulations governing the SLFRF program and Treasury SLFRF program guidance, policies, and procedures. We also interviewed Treasury officials in the Office of Capital Access who are responsible for overseeing the program.

To identify SLFRF recipients that did not submit required reports by the April 30 reporting deadline in 2022-2024, we compared Treasury's data on recipients that were required to submit P&E reports by April 30, 2022, 2023, and 2024, respectively, and the publicly available P&E reports that states and localities submitted to Treasury for the reporting cycle ending March 31 for each of those 3 years. In addition, we analyzed Treasury data through March 2025 to identify recipients that submitted reports after the reporting deadline. The scope of our review did not include tribal governments or U.S. territories.

To identify each locality as a city, county, or NEU, we analyzed Treasury data and consulted with Treasury officials. We identified which recipients requested their SLFRF awards directly from Treasury because cities and counties were to receive funds directly from Treasury while NEUs were to receive their funds through the states. For localities that received their funds from Treasury, we categorized localities with "county," "parish," or "borough" in their name as a "county" and the remaining localities as a "city." For localities that did not receive funds directly from Treasury, we categorized them as an "NEU." In addition, Treasury officials identified which localities were consolidated jurisdictions (i.e., local governments that received funds from a combination of city, county, or NEU allocations). To categorize the consolidated jurisdictions, we determined the composition of their funding and categorized them as the locality type that comprised the majority of their SLFRF award total.

To assess the reliability of Treasury data, we reviewed Treasury's technical documentation for P&E reports and discussed the data with Treasury officials. We determined the data were sufficiently reliable for reporting the number of

SLFRF recipients that did not submit P&E reports by the reporting deadline, after the reporting deadline, or at all.

To describe Treasury's actions when SLFRF recipients do not submit required reports, we reviewed Treasury's *Award Management Policy*, *Data and Reporting Procedures*, *Recipient Submitted Data Testing Procedures*, and *Recipient Noncompliance and Remediation Procedures*. We also reviewed Treasury's *Compliance and Reporting Guidance* and its user guides for each annual reporting cycle. Finally, we reviewed Treasury's notice of noncompliance, initial notice of recoupment, and the *Compliance Reviews and Related Recoupment Efforts* notice.

We conducted this performance audit from October 2024 to July 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

List of Addressees

The Honorable Susan Collins
Chair

The Honorable Patty Murray
Vice Chair
Committee on Appropriations
United States Senate

The Honorable Mike Crapo
Chairman

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate

The Honorable Bill Cassidy, M.D.
Chair

The Honorable Bernard Sanders
Ranking Member
Committee on Health, Education, Labor and Pensions
United States Senate

The Honorable Rand Paul, M.D.
Chairman

The Honorable Gary C. Peters
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Tom Cole
Chairman

The Honorable Rosa L. DeLauro
Ranking Member
Committee on Appropriations
House of Representatives

The Honorable Brett Guthrie
Chairman

The Honorable Frank Pallone, Jr.
Ranking Member
Committee on Energy and Commerce
House of Representatives

The Honorable Michael T. McCaul
Acting Chairman
The Honorable Bennie G. Thompson
Ranking Member
Committee on Homeland Security
House of Representatives

The Honorable James Comer
Chairman
The Honorable Robert Garcia
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Jason Smith
Chairman
The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
House of Representatives

We are sending copies of this report to the appropriate congressional committees, the Secretary of the Department of the Treasury, and other interested parties. In addition, this report is available at no charge on the GAO website at <https://www.gao.gov>.

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Appendix I: Comments from the Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

July 3, 2025

Jeff Arkin
Director, Strategic Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548
Via Email

Mr. Arkin:

Thank you for the opportunity to review the Government Accountability Office's (GAO) draft report entitled *COVID-19 Relief: Treasury Could Improve Compliance Procedures and Guidance for State and Local Fiscal Recovery Funds* (the Draft Report). The Draft Report reviews Coronavirus State and Local Fiscal Recovery Funds (SLFRF) award recipients' compliance with the Department of the Treasury's requirements to submit reports on the uses of funds and Treasury's related remediation efforts. The Draft Report contains one recommendation for Treasury, which Treasury responds to below. Treasury takes seriously its obligation to be a vigilant steward of taxpayer funds, and we value GAO's analysis.

In 2021, Congress passed the American Rescue Plan Act (ARPA). ARPA established SLFRF and appropriated \$350 billion to over 30,000 recipients—States, territories, localities, and Tribal governments—for eligible uses. Treasury implemented SLFRF through its Office of Capital Access (OCA), which published extensive guidance on eligible uses and established requirements for recipients to submit Project and Expenditure (P&E) reports to Treasury on their uses of funds. Most SLFRF recipients were required to submit their first P&E report by April 30, 2022, and annually thereafter. Larger recipients—including States—submit P&E reports quarterly. Treasury publishes recipient reported data publicly (<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/public-data>) and uses the data for compliance reviews.

Through the first few reporting cycles, Treasury provided guidance and assistance to recipients—mostly small localities that may have been first-time recipients of federal funds—that struggled to report consistently on time. Some localities lacked the necessary technological or administrative resources to submit reports timely; others failed to transition reporting responsibilities when staff turned over. SLFRF provided much-needed funds to small communities across the country to support the provision of government services, among other eligible uses. Since 2022, Treasury has worked consistently to bring recipients into compliance to keep allocated funds in communities, as intended by Congress, and these efforts were highly successful. As of June 2025, recipients have submitted P&E reports with respect to 99.99% of SLFRF awards.

In 2023 and 2024, and at the same time it was providing outreach and support, Treasury issued notices of noncompliance to recipients that failed to submit required reports. The notices laid out the remedial actions Treasury could take for failure to submit reports, including recoupment of

funds. Then, in 2025, Treasury initiated recoupment of all SLFRF funds awarded to the 988 recipients that had never submitted a P&E report, the majority of which received SLFRF awards of less than \$50,000. These recoupment actions brought additional recipients into compliance: As of June 24, 2025, 740 of the 988 recipients subsequently filed a P&E report and will not be required to repay their SLFRF awards. Further, 13 recipients have returned their SLFRF awards to Treasury in response to the recoupment notices. Treasury will continue the recoupment process as outlined in the SLFRF Final Rule for the remainder of the recipients.

Notwithstanding these efforts, several hundred additional recipients have submitted at least one P&E report but have failed to submit subsequent reports. As the Draft Report notes, Treasury could initiate recoupment for these recipients but has not yet done so. GAO thus recommends that “Treasury should develop and document, in its internal procedures and guidance for recipients, the timing and circumstances under which Treasury will initiate recoupment of awards for recipients that have not met SLFRF reporting requirements.” Treasury generally agrees that documenting the timing and circumstances under which Treasury will initiate recoupment of awards for recipients that have not met SLFRF reporting requirements would support compliance efforts. And the recommendation is consistent with Treasury’s goal of vigorous monitoring of use of funds and with its substantial remediation and compliance efforts to date. Thus, Treasury will consider whether and how it could incorporate such procedures and guidance as part of its compliance priorities—which also include monitoring for compliance with the obligation deadline—for the remainder of the program.

Thank you for the opportunity to review and respond to the Draft Report.

Sincerely,



Gregory Till
Acting Chief Program Officer
Office of Capital Access

Accessible Text for Appendix I: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

July 3, 2025

Jeff Arkin
Director, Strategic Issues
U.S. Government Accountability Office
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Washington, D.C. 20548
Via Email

Mr. Arkin:

Thank you for the opportunity to review the Government Accountability Office's (GAO) draft report entitled COVID-19 Relief- Treasury Could Improve Compliance Procedures and Guidance for State and Local Fiscal Recovery Funds (the Draft Report). The Draft Report reviews Coronavirus State and Local Fiscal Recovery Funds (SLFRF) award recipients' compliance with the Department of the Treasury's requirements to submit reports on the uses of funds and Treasury's related remediation efforts. The Draft Report contains one recommendation for Treasury, which Treasury responds to below. Treasury takes seriously its obligation to be a vigilant steward of taxpayer funds, and we value GAO's analysis.

In 2021, Congress passed the American Rescue Plan Act (ARPA). ARPA established SLFRF and appropriated \$350 billion to over 30,000 recipients- States, territories, localities, and Tribal governments-for eligible uses. Treasury implemented SLFRF through its Office of Capital Access (OCA), which published extensive guidance on eligible uses and established requirements for recipients to submit Project and Expenditure (P&E) reports to Treasury on their uses of funds. Most SLFRF recipients were required to submit their first P&E report by April 30, 2022, and annually thereafter. Larger recipients-including States-submit P&E reports quarterly. Treasury publishes recipient reported data publicly (<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/public-data>) and uses the data for compliance reviews.

Through the first few reporting cycles, Treasury provided guidance and assistance to recipients- mostly small localities that may have been first-time recipients of federal funds-that struggled to report consistently on time. Some localities lacked the necessary technological or administrative resources to submit reports timely; others failed to transition reporting responsibilities when staff turned over. SLFRF provided much-needed funds to small communities across the country to support the provision of government services, among other eligible uses. Since 2022, Treasury has worked consistently to bring recipients into compliance to keep allocated funds in communities, as intended by Congress, and these efforts were highly successful. As of June 2025, recipients have submitted P&E reports with respect to 99.99% of SLFRF awards.

In 2023 and 2024, and at the same time it was providing outreach and support, Treasury issued notices of noncompliance to recipients that failed to submit required reports. The notices laid out the remedial actions Treasury could take

for failure to submit reports, including recoupment of funds. Then, in 2025, Treasury initiated recoupment of all SLFRF funds awarded to the 988 recipients that had never submitted a P&E report, the majority of which received SLFRF awards of less than \$50,000. These recoupment actions brought additional recipients into compliance: As of June 24, 2025, 740 of the 988 recipients subsequently filed a P&E report and will not be required to repay their SLFRF awards. Further, 13 recipients have returned their SLFRF awards to Treasury in response to the recoupment notices. Treasury will continue the recoupment process as outlined in the SLFRF Final Rule for the remainder of the recipients.

Notwithstanding these efforts, several hundred additional recipients have submitted at least one P&E report but have failed to submit subsequent reports. As the Draft Report notes, Treasury could initiate recoupment for these recipients but has not yet done so. GAO thus recommends that "Treasury should develop and document, in its internal procedures and guidance for recipients, the timing and circumstances under which Treasury will initiate recoupment of awards for recipients that have not met SLFRF reporting requirements." Treasury generally agrees that documenting the timing and circumstances under which Treasury will initiate recoupment of awards for recipients that have not met SLFRF reporting requirements would support compliance efforts. And the recommendation is consistent with Treasury's goal of vigorous monitoring of use of funds and with its substantial remediation and compliance efforts to date. Thus, Treasury will consider whether and how it could incorporate such procedures and guidance as part of its compliance priorities-which also include monitoring for compliance with the obligation deadline-for the remainder of the program.

Thank you for the opportunity to review and respond to the Draft Report.

Sincerely,

Gregory Till
Acting Chief Program Officer
Office of Capital Access

Endnotes

¹Pub. L. No. 117-2, tit. IX, subtit. M, § 9901, 135 Stat. 4, 223 (2021), *codified* at 42 U.S.C. §§ 802-803 (ARPA). Sections 602 and 603 of the Social Security Act as added by section 9901 of ARPA appropriated \$350 billion in total funding for two funds—the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund. For purposes of this report, we discuss these two funds as one—the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). See 42 U.S.C. §§ 802-803. For purposes of the SLFRF, ARPA establishes that the District of Columbia is considered to be a state. 42 U.S.C. §§ 802(g)(5), 803(g)(9).

²Pub. L. No. 116-136, § 19010(b), 134 Stat. 281, 580 (2020). All of our reports related to the COVID-19 pandemic are available at <https://www.gao.gov/coronavirus>.

³See GAO, *COVID-19 Relief: States' and Localities' Fiscal Recovery Funds Spending as of March 31, 2024*, [GAO-24-107301](#) (Washington, D.C.: Sept. 26, 2024), *COVID-19 Relief: State and Local Recovery Funds Spending as of September 30, 2023*, [GAO-24-107472](#) (Washington, D.C.: Apr. 10, 2024), *COVID-19 Relief: Treasury Could Improve Its Administration and Oversight of State and Local Fiscal Recovery Funds*, [GAO-24-106027](#) (Washington, D.C.: Dec. 14, 2023), and *COVID-19 Relief: States' and Localities' Fiscal Recovery Funds Spending as of March 31, 2023*, [GAO-24-106753](#) (Washington, D.C.: Oct. 11, 2023).

⁴We excluded tribal governments, U.S. territories, and local governments in the territories from our analysis. We reported on federal agencies' distribution of COVID-19 relief funds, including the SLFRF, to tribal recipients in December 2022. See GAO, *COVID-19 Relief Funds: Lessons Learned Could Improve Future Distribution of Federal Emergency Relief to Tribal Recipients*, [GAO-23-105473](#) (Washington, D.C.: Dec. 15, 2022). We reported on the U.S. territories' use of COVID-19 relief funds, including the SLFRF, in September 2023. See GAO, *COVID-19: U.S. Territory Experiences Could Inform Future Federal Relief*, [GAO-23-106050](#) (Washington, D.C.: Sept. 19, 2023).

⁵NEUs are local governments typically serving populations of less than 50,000. 42 U.S.C. §§ 803(g)(5), 5302(a)(5). NEUs include cities, villages, towns, townships, or other types of local governments.

⁶SLFRF recipients had until December 31, 2024, to obligate their SLFRF awards and generally have until December 31, 2026, to liquidate those obligations, in accordance with allowable uses established in ARPA. The Consolidated Appropriations Act, 2023, authorized SLFRF funding for emergency relief from natural disasters or the negative economic impacts of natural disasters, and certain infrastructure and community development projects that meet existing eligibility criteria. Pub. L. No. 117-328, div. LL, § 102, 136 Stat. 4459, 6097 (2022). Funds for certain infrastructure and community development projects had to be obligated by December 31, 2024, and must be liquidated by September 30, 2026. For example, this includes funds for the Bridge Investment Program, National Highway Performance Program, and Surface Transportation Block Grant Program, among other programs, and activities under Title I of the Housing and Community Development Act of 1974. 42 U.S.C. § 802(c)(5)(A)-(E).

⁷In addition to the P&E report, Treasury required an interim report and requires a periodic recovery plan performance report from certain recipients. The interim report was a one-time requirement due in 2021 that provided an initial overview of recipients' status and uses of funding. NEUs were not required to submit an interim report. The recovery plan performance report is an annual report that provides information on the projects certain recipients are undertaking, including how they plan to ensure program outcomes are achieved effectively, efficiently, and equitably. Only states, the District of Columbia, U.S. territories, and metropolitan cities and counties with a population that exceeds 250,000 residents are required to submit recovery plan performance reports.

⁸See Office of Management and Budget, U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Fund Award Terms and Conditions, Approved No. 1505-0271.

⁹For the most recent report we have issued on SLFRF recipients' obligations and spending, see [GAO-24-107301](#).

¹⁰Treasury also reviews recipients' uses of awards through recipients' Single Audit submissions. See [GAO-24-106027](#) for additional information on Treasury's reviews. The Single Audit Act establishes requirements for nonfederal entities that receive federal awards to undergo single audits (or, in limited circumstances, program-specific audits) of those awards annually (unless a

specific exception applies) when they spend at least \$1 million in federal awards in their fiscal year. 31 U.S.C. §§ 7501-06.

¹¹87 Fed. Reg. 4338, 4340 (Jan. 27, 2022).

¹²Treasury requires quarterly reporters to submit P&E reports by January 31, April 30, July 31, and October 31 of each year.

¹³Treasury requires annual reporters to submit P&E reports by April 30 of each year.

¹⁴Treasury officials told us they make data from P&E reports publicly available after revisions and quality control processes are complete. Treasury generally will allow revisions or edits to submitted reports or submissions of reports within a designated revision period, such as 60 days following the official submission due date, according to Treasury policy. Within this period, the submitted report is considered final unless Treasury identifies a material mistake or problem in the report and requests that the recipient make a revision.

¹⁵Treasury previously published P&E data submitted by annual reporters by the end of the 60-day period once per year. Treasury began including P&E data submitted by annual reporters after the reporting deadline and the 60 days in quarterly updates to Treasury's website beginning with the quarterly reporters' data that were due October 31, 2024.

¹⁶All states and the District of Columbia submitted P&E reports by the April 30 deadline each year.

¹⁷We considered reports submitted within the 60-day period following the official reporting deadline as submitted by the deadline because Treasury includes them in the publicly available P&E data.

¹⁸For additional information, see [GAO-24-106753](#).

¹⁹Recipients have 60 days from receipt of the initial notice of recoupment to submit the required P&E report or request reconsideration. If recipients fail to take either of these steps, the recipients are required to return their SLFRF awards to Treasury within 120 days of receipt of the initial notice of recoupment.

²⁰The other remediation options named in Treasury's *Recipient Noncompliance and Remediation Procedures* are withholding Treasury's award funding or taking action to prevent the recipient from receiving future federal government contracts, grants, and loans. In this report, we focus on recoupment because, of the remediation tools identified in the guidance, it is the one Treasury has used or plans to use most frequently.

²¹We have previously reported on the limited staff of the Office of Capital Access—formerly known as the Office of Recovery Programs—to manage and administer the SLFRF program. For additional information, see [GAO-24-106027](#).

²²GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

²³[GAO-14-704G](#).

²⁴See U.S. Department of the Treasury, *Compliance Reviews and Related Recoupment Efforts*, Mar. 25, 2025.