

To: Mayor Paul Coogan, City Council President Cliff Ponte

From: Kenneth Fiola Jr.
Executive Vice President

Date: Thursday, June 17, 2021

Subject: ARPA Meeting

Please accept this correspondence in response to an email from City Councilor Peckham regarding the ARPA meeting held on June 16, 2021 and his assertion of “unethical” statements being made at the meeting. Although I am having difficulty in following the language and thought process of Councilor Peckham in his email, I believe he is trying to communicate a belief that somehow I stated that we should be spending the ARPA money on whatever we need to and not be concerned with the consequences.

I am quite certain that if you asked the other people who attended this meeting as to what I said and communicated to those in attendance, they would all agree that the statements attributed to me by Councilor Peckham are at best inaccurate and at worst a dangerous distortion of what was said.

To put everything in perspective we must start with what the purpose of this meeting was. My understanding of the meeting was to brainstorm with other members of the committee as to how best to spend the ARPA funds. Because the federal government has not provided any clear cut guidance as to how these funds can be spent, everyone offered their own individual thoughts and opinions as to how best to spend the \$70 Million+/- the city is to receive in the next two fiscal years.

The point of this meeting was not whether or not the funds would be audited. Rather the purpose of the meeting was to advise the city on how to spend these funds in the context of the following five areas as identified by ARPA. :

1. Support Public Health Expenditures
2. Address Negative Economic Impacts
3. Replace Lost Public Sector Revenues
4. Provide Premium Pay for Essential Workers
5. Invest in water, sewer, or broadband infrastructure

As part of our discussions, Mary Sahady outlined her understanding to the ways upon which the funds may be allocated. She also identified items, such as debt service, upon which the funds cannot be spent and urged the Committee to take a conservative approach because may be subject to the Single Audit Act.

The Single Audit Act, as we all know, mandates that any nonprofit or governmental organization with federal expenditures in excess of \$750,000 is required by law to have a single audit performed, which includes an audit of both the financial statements and the federal awards. Essentially, the Single Audit Act reviews how you managed the grant and ensures you followed the rules for dollars associated with the grant or award. As such, the city will need to account for the receipt of funds and identify the funds

as part of the city's annual audit but as there is no clear cut directive from the federal government as to the depth of the funding accountability other than noting that the funds should be spent in the identified categories of expenditure.

In fact, if one would take time to research the issue as to whether or not these funds will be subject to the Single Audit Act, it is clear there has not been a clear determination or policy decision on this issue. As of May 2021, even the AICPA Government Audit Quality Center (GAQC) is not sure what the effects this money will have on upcoming single audits. They note that "Outstanding questions exist as to which portions of the money may be subject to single the audit? Are there going to be new programs, or addendums to existing programs? Is there going to be guidance before the Fall of 2021? Will there be multiple versions of the compliance supplement in 2021?"

As part of my comments on the expenditure of funds, I urged the Committee to consider an aggressive approach to the expenditure of the funds in accordance with the applicable spending categories. I noted that one of the new programs created under ARPA is related to the Coronavirus State and Local Fiscal Recovery Funds and these funds will provide over \$350 billion to states, tribal entities, U.S. territories, and local governments. I indicated that I thought it would be difficult for the federal government to audit this \$350 billion in addition to the hundreds of billions of dollars in the CARES ACT funding.

I also indicated that absent clear guidance from the federal government, we should strive to spend the funds in a manner so that each expenditure is logical, carefully tracked and documented so that if the federal government requests a full accounting of the funds there is a documentation supporting the expenditures.

As such I am of the opinion that we cannot be hostage to paralysis by analysis and run the risk on not spending this money. I believe everyone agrees with this statement and no one is interested in giving money back because we could not agree as to how to spend it absent clear direction from the federal government. I wholeheartedly believe that Fall River can use this money to stabilize the city, invest in the future and enable an inclusive recovery.

As such, in closing I am perplexed by how Councilor Peckham could interpret any of the meeting discussion as being unethical. I am also concerned with Councilor's Peckham's assertion that he has no issue in relaying or passing on information from these meetings be it good or bad to the local media outlets.

As stated earlier my understanding of the process is that these meetings are brainstorming meetings where people are encouraged to make suggestions in an environment where there are no right and wrong answers and these suggestions will be vetted by the Committee in the context of the regulations and form the basis for final recommendations. Mr. Peckham's insistence on going to the media with people's opinions will have a chilling effect on how deeply people participate knowing that there opinions may become misconstrued and subject to publication.