

First Selectman

From: Reagan, Jack <JReagan@uhy-us.com>
Sent: Tuesday, August 1, 2023 4:37 PM
To: Jason LaChapelle; Claire Collins
Cc: First Selectman; Stacy Farber
Subject: RE: Questions

Jason and all,

Claire, Stacy and I have conferred on these questions and are all in agreement as to the following:

- 1) Yes, such a grant program would be considered provision of government services under revenue loss as allowed by ARPA. The program would still need to comply with the allowable cost provisions of 2 CFR 200. There would also need to be a demonstration in the program of an adverse impact of COVID on the program recipient, for which the recipient would need to provide documentation of such impact. Such documentation could include a self-certification from the program recipient similar to that as provided by the previously established small business and nonprofit grant program.

Due to the high risk noted below, it is our recommendation that either the Town administer this process through an existing program such as social services and comply with the required documentation as would be necessary for any other governmental administered program (i.e. tax records or other proof of income documentation) or if UHY is going to be tasked with this, we recommend formal documentation as it is noted below these types of programs are very risky and subject to ongoing investigations by the Federal government.

There have been several US Government reports issued in the past two years which have highlighted the fraud risk experienced by programs which rely exclusively on self-certification and attestation. Some of these reports can be found at the Pandemic Response Accountability Committee website at www.pandemicoversight.gov.

- 2) Yes. The business and nonprofit program does comply with ARPA. Further, the Town required additional documentation beyond the self-certification, such as detailed applications noting negative impact, budget for use of funds, certificates of good standing, valid EIN/SSN and for the nonprofits proof that they were in fact 501(c)(3) organizations, which led to a couple NFP's being disqualified.
- 3) Yes. That program does comply with ARPA. We would further recommend that the Town take affirmative steps beyond the recipient's self-certification to determine whether the recipient had been adversely affected by the COVID pandemic, as noted above, by requiring documented proof of the negative impact (i.e., eviction notice, unemployment documentation, tax records, etc.).
- 4) No. Such recipients are not automatically excluded. The Town can set a classification of recipients as part of its program criteria and qualifications (i.e., recipients with income above \$X amount are excluded from applying).
- 5) The Town has the right to establish program criteria as it sees fit. The Town established many such criteria under its "Colchester Comeback" grant program.
- 6) We cannot speak to the Springfield MA program as they are not a UHY client.

Thank you for the opportunity to provide these important oversight services to the Town.

Jack

Jack Reagan

Managing Director | UHY Advisors Mid-Atlantic, Inc.

8601 Robert Fulton Drive, Suite 210, Columbia, MD 21046

D: 410 423 4832 | M: 703 298 4770 | O: 410 720 5220 | F: 410 381 2524

jreagan@uhy-us.com | www.uhy-us.com



From: Jason LaChapelle <jLaChapelle@colchesterct.gov>

Sent: Tuesday, August 1, 2023 1:37 PM

To: Collins, Claire <CCollins@uhy-us.com>

Cc: First Selectman <selectman@colchesterct.gov>; Reagan, Jack <JReagan@uhy-us.com>; Farber, Stacy <SFarber@uhy-us.com>

Subject: Re: Questions

With all due respect it is not up to the paid consultant to decide what's pertinent for me to ask and what's not. I am well within my rights as an elected Board of Selectman for Town of Colchester to gather as much information as possible, especially from a company that is working for my town of residency and is paid through public funds.

I am trying to make sense of all the conflicting information the town has been given regarding how the town can and cannot disperse ARPA funds, fund programs, etc. I am also trying to do my job as a Selectman by ensuring the town is in no way exposed to potential legal repercussions, and I left last night not at all confident we aren't. Lastly I have asked for the work product for work you said was completed. Once again these are all well within my rights to ask for not only as a Selectman, but as a citizen of this town. I do not intend to "discredit" UHY but if the questions cannot be answered without doing so, it's not my fault for asking them.

If you are unable to answer the questions I asked please say so and I will use seek other resources to find my answers.

Thanks,

Jason LaChapelle
Board of Selectmen

From: Collins, Claire <CCollins@uhy-us.com>

Sent: Tuesday, August 1, 2023 1:15 PM

To: Jason LaChapelle <jLaChapelle@colchesterct.gov>

Cc: First Selectman <selectman@colchesterct.gov>; Reagan, Jack <JReagan@uhy-us.com>; Stacy Farber <sfarber@uhy-us.com>

[us.com](#)>

Subject: RE: Questions

Unfortunately, the questions do not make sense. Also, the questions are not pertinent to the direction that the BOS voted on last night to move forward in working with Social Services and the ARPA Committee. It appears you are attempting to discredit UHY.

Claire Collins

Consulting Senior Manager - ARPA | UHY Advisors, Inc.

8601 Robert Fulton Drive, Suite 210, Columbia, MD 21046

D: 410 423 4835 | M: 540 968 2538 | O: 410 720 5220 | F: 410 381 2524

ccollins@uhy-us.com | www.uhy-us.com



From: Jason LaChapelle <jLaChapelle@colchesterct.gov>

Sent: Tuesday, August 1, 2023 1:08 PM

To: Collins, Claire <CCollins@uhy-us.com>

Cc: First Selectman <selectman@colchesterct.gov>; Reagan, Jack <JReagan@uhy-us.com>; Farber, Stacy <SFarber@uhy-us.com>

Subject: Re: Questions

This does not answer my questions at all and in fact only further muddy the waters. Can you please answer the specific questions I asked?

Thanks.

From: Collins, Claire <CCollins@uhy-us.com>

Sent: Tuesday, August 1, 2023 1:04 PM

To: Jason LaChapelle <jLaChapelle@colchesterct.gov>

Cc: First Selectman <selectman@colchesterct.gov>; Reagan, Jack <JReagan@uhy-us.com>; Stacy Farber <sfarber@uhy-us.com>

Subject: RE: Questions

Hi Jason,

During the meeting last it was discussed that:

- As long as the Town under revenue loss has an existing or decides to develop a program that is a provision of government services for household assistance, ARPA funding can be used with the criteria and parameters created by the Town to benefit those adversely affected by COVID. We are more than happy to share what other municipalities have done.
- Households to qualify for assistance would need to demonstrate having suffered a loss from COVID that can be proven through documentation. A check cannot be written directly to a household under revenue loss for a

household to use as desired. The provision of government services under revenue loss even with built in flexibility must follow ARPA requirements and are subject to the federal Uniform Guidance.

- UHY is working with the Town to ensure the government program and approach the Town determines to take under revenue loss is ARPA compliant based on the terms and conditions of agreement between the Town and Treasury and does not put the Town at risk of having to return ARPA spent for any ineligible use as detailed in the ARPA Final Rule, and Federal Uniform Guidance.

Hope this helps.

Claire Collins

Consulting Senior Manager - ARPA | UHY Advisors, Inc.

8601 Robert Fulton Drive, Suite 210, Columbia, MD 21046

D: 410 423 4835 | M: 540 968 2538 | O: 410 720 5220 | F: 410 381 2524

ccollins@uhy-us.com | www.uhy-us.com



From: Jason LaChapelle <jLaChapelle@colchesterct.gov>

Sent: Tuesday, August 1, 2023 12:39 PM

To: Collins, Claire <CCollins@uhy-us.com>

Cc: First Selectman <selectman@colchesterct.gov>; Reagan, Jack <JReagan@uhy-us.com>; Farber, Stacy <SFarber@uhy-us.com>

Subject: Questions

Claire -

On 4/21/2023 I reached out to Jack Reagan and asked him the following question:

"my understanding is we can create a new government grant program here in town and fund that program with in ARPA funds. Once we have the program created and funded, we can then create our own parameters for how award those grant funds and will no longer be tied to the strict and narrow requirements for direct cash payments set by the federal and state governments. Is my understanding correct?"

Jack responded by confirming that my understanding was correct that by taking the ARPA funds as a Revenue Loss we have "considerable flexibility" in how we structure and administer a program such as cash assistance to our citizens. Jack did note that citizens would have demonstrate a loss and that the money would be considered taxable income (as nearly all income in the US is).

During a May 18th Board of Selectmen that you attended we ultimately seemed to agree that what Jack said was correct that we could create a grant program, fund it, and then create our own parameters as we chose to take the ARPA funds as a revenue loss. We all seemingly agreed that a program that was modeled after the

program we used for businesses would be more than sufficient. We all also understood that "low to moderate" income households were automatically assumed to be impacted, but that those above that thresholds could also be impacted -- it just wasn't automatically assumed.

On 5/23/2023 I reached out to you and provided you a copy of my Colchester Give Back Grant program and application and asked for you to review and ensure it "meets the requirements and covers our bases". You responded back the next day with a few minor edits, which I made and then forwarded you the document with the changes made. You then responded with "Looks good Jason!".

During last night's Board of Selectmen meeting, however, you seemed to provide conflicting, and even contradictory, answers throughout the night. I am now extremely confused as to what is actually allowed and what isn't allowed, and I'm also now very concerned that the program we implemented for businesses and nonprofits doesn't actually legally follow the Final Rule put out by the Treasury. Nobody at the meeting last night, yourself included, seemed to have faith in my proposed program which is a near carbon copy of the business and nonprofit program we implemented and funded \$1,200,000 in grants under.

I would like to nail down the answers to these questions, in writing, so that there is no longer any confusion as to what we are legally allowed to do and what we are not legally allowed to do.

1. Since we took the ARPA funds as a revenue loss, are we legally allowed to create a government grant program, fund the program with ARPA funds, and then define our own parameters and eligibility criteria for how we award those grant funds to households?
 - a. If yes, does that "untie" us from the strict and narrow requirements for direct cash assistance set by the Treasury Department?
2. Since we took the ARPA funds as a revenue loss, was the program we used to award ARPA funds to small businesses and nonprofits, which did not require proof of impact, within the guidelines set forth by the Treasury department?
 - a. If yes, would a program that uses the same approach to help households also be within the guidelines set forth by the Treasury department? If not, why?
3. Does the "Colchester Give Back" grant program and application we went back and forth on back on May 23rd and 24th meet the requirements set forth by the Treasury department?
 - a. If not, why did you give the program an effective thumbs up in our email exchange?
4. Are households that have income greater than the "low to moderate" levels **automatically excluded** from receiving cash assistance from ARPA funds?
5. Why would households be required to show documented proof of hardship, and income verification, in order to receive assistance while businesses were not required to provide any documentation at all?
 - a. How does a household even prove a hardship that occurred over 2 years ago?
6. Why is Springfield, MA able to provide \$4,000,000 in direct cash assistance without requiring proof of income or hardship beyond a signature certifying what is on the application is true and accurate?
(https://www.springfield-ma.gov/finance/fileadmin/arpa/ARPA_Applications/American_Rescue_Plan_Act_ARPA_Household_Assistance_Application.pdf)

I would kindly ask that you cite any applicable law, regulation, or ruling when answering the questions above.

You noted during last night's Board of Selectmen meeting that UHY was, on the backend, using public information to verify the income of businesses that applied and ensuring they were actually negatively impacted by the pandemic. You also said the UHY was currently verifying that all businesses who received funds were using them in accordance with their applications. Can you please provide any and all information

relating to this work, including any audit documents UHY would have kept? I would assume some sort of documented trail of these verifications would be required should the Town of Colchester ever have their ARPA grant program audited.

Thank you,

Jason LaChapelle
Board of Selectmen

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