



MICHIGAN ASSOCIATION FOR LOCAL PUBLIC HEALTH

COVID-19 Audit Guidelines

September 16, 2021

Governmental Finance & Administration Conference



Rehmann

Presented by:



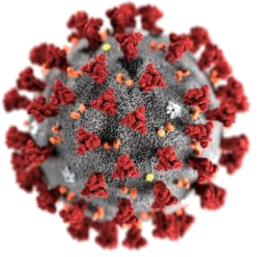
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Session Outline

- Accounting for a Pandemic
 - GASB's Emergency Toolbox
 - Technical Bulletin 2020-1
- Auditing a Pandemic
 - CARES Act / CRRSAA / ARPA
 - 2020 OMB Compliance Supplement / Addendum
 - 2021 OMB Compliance Supplement / Addenda?

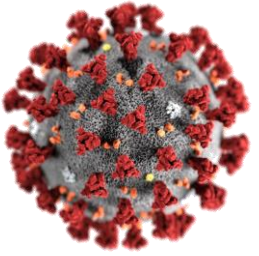




Background / Timeline

- December 31, 2019 – A pneumonia of unknown cause detected in Wuhan, China was first reported to the World Health Organization (WHO)
- January 30, 2020 – The outbreak was declared a Public Health Emergency of International Concern
- February 11, 2020 – WHO announced a name for the new coronavirus disease: COVID-19

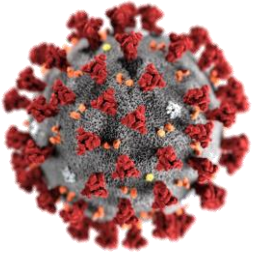




Background / Timeline

- March 11, 2020 – WHO's Director-General characterized COVID-19 as a pandemic
- March 13, 2020 – President Trump declared the Covid-19 pandemic a national emergency
- March 23, 2020 – Governor Whitmer Signs "Stay Home, Stay Safe" Executive Order

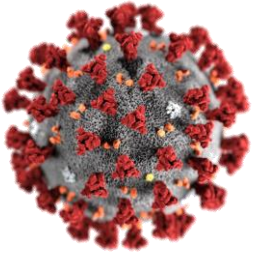




Background / Timeline

- April 14, 2020 – The GASB Offers an [Emergency Toolbox](#) to Address Issues Arising from COVID-19
 - Operating under today’s difficult circumstances may raise accounting and financial reporting issues that are not commonly dealt with by governments and their auditors. The purpose of this “toolbox” is to help stakeholders quickly identify the GASB’s authoritative guidance that could be relevant to the current circumstances.

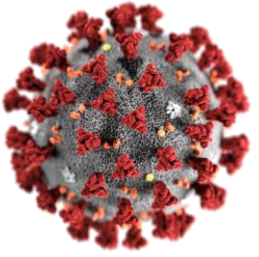




Background / Timeline

- May 8, 2020 – The GASB issues Statement No. 95, postponing the effective dates of upcoming pronouncements:
 - GASB 83, Asset Retirement Obligations
 - GASB 84, Fiduciary Activities
 - GASB 87, Leases
 - GASB 88, Debt Disclosures
 - GASB 89, Accounting for Interest Costs during Construction

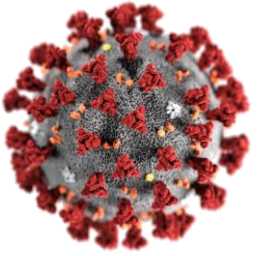




Background / Timeline

- May 8, 2020 – The GASB issues Statement No. 95, postponing the effective dates of upcoming pronouncements:
 - GASB 90, Majority Equity Interests
 - GASB 91, Conduit Debt Obligations
 - GASB 92, Omnibus 2020
 - GASB 93, Replacement of Interbank Offered Rates
 - Various implementation guides





Background / Timeline

- June 30, 2020 – GASB issues Technical Bulletin 2020-1
 - Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases

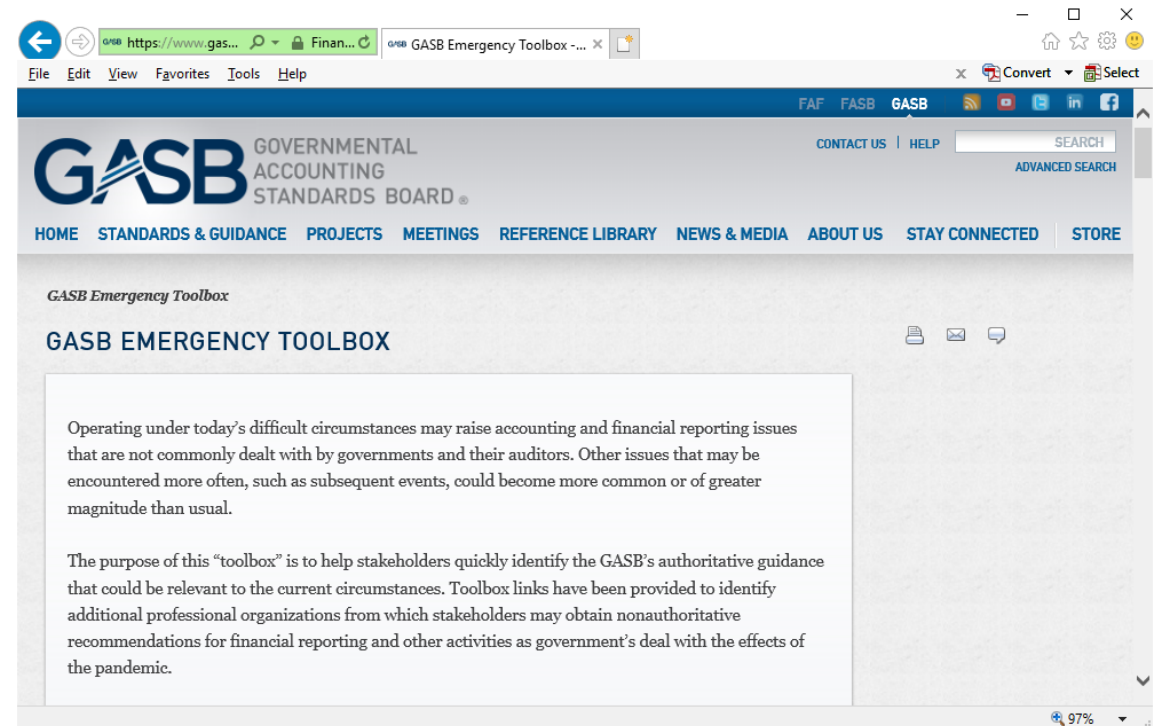


Accounting for a Pandemic



GASB Emergency Toolbox

- Identifies 26 issues in governmental GAAP, their relevance to the current pandemic, and the **codification section** with applicable guidance



GASB Emergency Toolbox

Pandemic Topics

1. Capital asset impairment
2. Contingencies
3. Debt extinguishments
4. Demand bonds
5. Derivative instruments
6. Disclosures related to outflows of resources



GASB Emergency Toolbox

Pandemic Topics

- 7. Disposals of operations
- 8. Donated inventory
- 9. Extraordinary and special items
- 10. Fair value measurement
- 11. Going concern considerations
- 12. Government combinations



GASB Emergency Toolbox

Pandemic Topics

- 13. Management's discussion and analysis
- 14. Nonexchange financial guarantees
- 15. Nonexchange transactions
- 16. Operating and nonoperating revenue and expenses
- 17. Prior-period adjustments and accounting changes
- 18. Property tax revenues



GASB Emergency Toolbox

Pandemic Topics

- 19. Public entity risk pools
- 20. Revenue and expense/expenditure recognition
- 21. Revenue and receivable recognition
- 22. Sales and pledges of receivables and future revenues
- 23. Significant violations of finance-related legal or contractual provisions
- 24. Subsequent events**



GASB Emergency Toolbox

Pandemic Topics

25. Termination benefits

26. Troubled debt restructuring



GASB Technical Bulletin 2020-1

AFR for the CARES Act and Coronavirus Diseases

- Technical Bulletins are Level B GAAP
- Q&A format
 1. Coronavirus Relief Fund (CRF) payments are “voluntary nonexchange transactions”, and should be recognized as revenue as eligibility requirements are met
 2. Provider Relief Fund (PRF) payments should include “loss of revenue” as an eligibility requirement



AFR for the CARES Act and Coronavirus Diseases

- Q&A format
 3. Changes to the CARES Act subsequent to year end should be disclosed as *nonrecognized* subsequent events
 4. Paycheck Protection Program (PPP) forgivable loans should be reported as liabilities until the entity is *legally released* from the debt



AFR for the CARES Act and Coronavirus Diseases

- Q&A format
 5. Business-type activities should generally report CARES Act funds as nonoperating revenues and noncapital financing activities
 6. COVID-19 costs do not meet the definition of an “extraordinary item” or “special item” for reporting under governmental GAAP



Auditing a Pandemic



Single Audit Update

COVID-19 Funding

CARES Act March 2020

- Coronavirus Relief Fund
- Provider Relief Fund
- Educational Stabilization Fund
- Paycheck Protection Program

CRRSAA December 2020

- Emergency Rental Assistance
- Shuttered Venue Operators Grant

ARPA March 2021

- Coronavirus State and Local Government Fiscal Recovery Fund
- *Additional* Emergency Rental Assistance
- *Additional* Educational Stabilization Fund



2020 Compliance Supplement / Addendum

- The August 2020 Compliance Supplement did not contain any COVID-19-specific programs
 - Appendix VII promised an addendum “in the fall of 2020”
 - The addendum was published on December 22, 2020
 - Contained guidance for six new programs, six existing programs with significant new funding, and one non-COVID-19 program



OMB Guidance

2020 Compliance Supplement / Addendum

- Compliance requirements subject to audit:

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement, Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	N	Y	N	N	Y	Y	N



2020 Compliance Supplement / Addendum

- Federal Funding Accountability and Transparency Act (FFATA)
 - Requires reporting by prime (**direct**) recipients of first-tier **subawards** (or amendments of subawards) that results in an obligation of \$25,000 or more in federal funds
 - Reported at FSRS.gov (FFATA Subaward Reporting System)
 - Info is publicly available at www.usaspending.gov



OMB Guidance

FFATA

- Key data elements:

Subaward Data Element	Definition
Subaward Date	Represents the period (by month and year) for subawards made against that Federal Award Identification Number (FAIN).
Subawardee DUNS #	The subawardee organization's nine-digit Data Universal Numbering System (DUNS) number.
Amount of Subaward	The net dollar amount of federal funds awarded to the subawardee including modifications.
Subaward Obligation/Action Date	Date the subaward agreement was signed.
Date of Report Submission	Date the recipient entered the action/obligation into FSRS.
Subaward Number	Subaward number or other identifying number assigned by the prime awardee organization to facilitate the tracking of its subawards.



OMB Guidance

FFATA

- Audit procedures:
 - Understand/test the entity's FFATA reporting controls
 - Select a sample of first tier subawards
 - Observe recipient's login to FSRS to ensure reporting was timely/complete



OMB Guidance

FFATA

- Audit findings (recommended format):

	Transactions Tested	Subaward not Reported	Report not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
Number	25	2	10	13	0
Dollar amount	\$5,000,000	\$200,000	\$4,000,000	\$800,000	\$0



OMB Guidance

OMB Memo M-21-20

- Encourages application of the Uniform Guidance to ARPA funding
- Suggests “higher risk” program identification
- Provides a 6-month extension on single audits through 06/30/2021 FYEs



OMB Guidance

2021 Compliance Supplement / Addenda

- The 2021 Compliance Supplement was released by the OMB on August 12 (and then quietly revised on August 25)
 - Updates were included for most CARES programs, but no CRRSAA or ARPA programs were included
 - CRRSAA, ARPA, and other guidance is expected to follow in one or more addenda to be posted to <https://cfo.gov>



OMB Guidance

2021 Compliance Supplement / Addenda

- “Higher risk” programs
 - All ARPA programs, plus:

Agency	Assistance Listing (CFDA) Number	Title
HHS	93.778/93.777/93.775	Medicaid Cluster
HHS	93.498	Provider Relief Fund
HHS	93.461	Testing for the Uninsured
Transportation	20.106	Airport Improvement Program
Transportation	20.500/20.507/20.525/20.526	Federal Transit Cluster
Treasury	21.019	Coronavirus Relief Fund
Treasury	21.023	Emergency Rental Assistance*
Education	84.425	Education Stabilization Fund

- Still need clarification on how “higher risk” will work



Coronavirus Relief Fund (CRF)

- Provided \$150 billion to
 - States
 - Eligible units of local government (*populations > 500,000*)
 - District of Columbia
 - U.S. Territories
 - Tribal governments



Treasury CRF Guidance

- Treasury posted CRF Guidance and FAQs, and made multiple updates throughout the year
- Final guidance was codified in the Federal Register on January 15, 2021
 - https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf



Treasury CRF Guidance

Eligible Uses of Funds

- The CARES Act provides that payments from the Fund may only be used to cover costs that—
 1. are necessary expenditures incurred due to the public health emergency with respect to COVID-19;
 2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
 3. were incurred during the period that begins on March 1, 2020, and ends on ~~December 30, 2020~~ December 31, 2021.



Treasury CRF Guidance

Necessary Due to the Pandemic

- The requirement that expenditures be incurred “due to” the public health emergency means that expenditures must be used for actions taken to respond to the public health emergency.



Treasury CRF Guidance

Necessary Due to the Pandemic

- The Department of the Treasury understands the term “necessary” broadly to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.



Treasury CRF Guidance

Not Accounted for in the Budget

- The “most recently approved” budget refers to the enacted budget for the relevant fiscal period for the government
- A cost meets this requirement if either:
 - (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget or
 - (b) the cost is for a *substantially different use* from any expected use of funds in such a line item, allotment, or allocation.



Treasury CRF Guidance

Incurred Between 3/1/2020 and 12/31/2021

- Originally set to expire on 12/30/2020
 - Extended to 12/31/2021 on 12/27/2020 by the Consolidated Appropriations Act of 2021 (HR 133)
- Revised end date does not automatically change pass-through grantor requirements



Administrative Convenience

- As a matter of administrative convenience, the entire payroll cost of an employee whose time is **substantially dedicated** to mitigating or responding to the COVID-19 public health emergency is eligible, provided that such payroll costs are incurred by December 31, 2021. An employer may also track time spent by employees related to COVID- 19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department.



Administrative Convenience

- In recognition of the particular importance of **public health** and **public safety** workers to State, local, and tribal government responses to the public health emergency, Treasury has provided, as an administrative accommodation, that a State, local, or tribal government may presume that public health and public safety employees meet the substantially dedicated test, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise.



Administrative Convenience

- Treasury recognizes that schools are generally incurring an array of COVID- 19-related expenses to either provide distance learning or to re-open. To this end, as an administrative convenience, Treasury will presume that expenses of up to **\$500 per elementary and secondary school student are eligible expenditures**, such that schools do not need to document the specific use of funds up to that amount.



Treasury CRF Guidance

Applicability of the Uniform Guidance

- According to the Assistance Listing ([sam.gov](https://www.sam.gov)):
 - Fund payments are only subject to certain requirements in the Uniform Guidance:
 - 2 CFR 200.303 – internal controls
 - 2 CFR 200.330-.332 - subrecipient monitoring and management
 - Subpart F – single audit
 - Subpart E – Federal cost principles does not apply



Ineligible Expenditures

- Treasury OIG has the ability to recoup funds for noncompliant expenditures
 - However, recipients may demonstrate that other eligible expenses incurred during the covered period would qualify as allowable (i.e., identify “replacement costs”)



Provider Relief Fund (PRF)

- Provided \$178 billion to:
 - Hospitals and other healthcare providers
 - Includes governments, nonprofits, and for-profit entities
- Covers healthcare-related expenses and lost revenue attributable to COVID-19



Provider Relief Fund (PRF)

- 2020 OMB CS Addendum made reporting direct/material
 - Reporting on the SEFA is based on when payments were expended *and reported to HHS*
 - At the time the addendum was published, the “report and reporting portal were under development and not expected to be available before January 15, 2021”
 - Single audits were “on hold” for months, until the portal opened on July 1, 2021



Provider Relief Fund (PRF)

- 2021 OMB Compliance Supplement
 - Ties SEFA reporting to when funds were *received from HHS*

	Payment Received Period (Payments Exceeding \$10,000 in Aggregate Received)	Deadline to Use Funds	Reporting Time Period
Period 1	04/10/2020 – 06/30/2020	06/30/2021	07/01/2021 – 09/30/2021
Period 2	07/01/2020 – 12/31/2020	12/31/2021	01/01/2022 – 03/31/2022
Period 3	01/01/2021 – 06/30/2021	06/30/2022	07/01/2022 – 09/30/2022
Period 4	07/01/2021 – 12/31/2021	12/31/2022	01/01/2023 – 03/31/2023



Provider Relief Fund (PRF)

- For FYE between March 31, 2020, and through March 31, 2021, no expenditures should be reported on the SEFA.
- Recipients with FYE on June 30, 2021, or before December 31, 2021, should include, in the SEFA, the expenditures from the Period 1 PRF report.
- Recipients with FYE December 31, 2021, should include, in the SEFA, the expenditures in both the Period 1 and Period 2 PRF reports.
- Recipients who received payments in Period 3 and Period 4 will complete a PRF report starting in July 2022 and will be covered under the 2022 Compliance Supplement.



Coronavirus State and Local **Fiscal Recovery Fund (FRF)**

- Provides \$350 billion to
 - States & District of Columbia
 - Counties
 - Metropolitan cities (populations > 50,000)
 - Tribal governments
 - U.S. Territories
 - Non-entitlement units of local government (NEUs)



Coronavirus State and Local **Fiscal Recovery Fund (FRF)**

- Paid in two tranches (50% in May 2021 / 50% next year)
- An [Interim Final Rule](#) is posted, and was open for public comment until July 16, 2021
 - Funds must be obligated by 12/31/2024 (and paid out by 2026)
 - May be used to: support public health expenditures; address negative economic impacts of the pandemic; replace lost public sector revenue; provide premium pay for essential workers; and invest in water, sewer, and broadband infrastructure



Treasury FRF Guidance

Eligible Uses of Funds

- Support public health expenditures
- Address negative economic impacts caused by the public health emergency
- Replace lost public sector revenue
- Provide premium pay for essential workers
- Invest in water, sewer, and broadband infrastructure



Applicability of the Uniform Guidance

- According to the Assistance Listing ([sam.gov](https://www.sam.gov)):
 - 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards applies to this program
 - Differs from CFR, though the FAQs indicate that “Generally, funding uses eligible under CRF as a response to the direct public health impacts of COVID-19 will continue to be eligible under CSFRF/CLFRF”



Subrecipients vs. Beneficiaries

- Differences between the Treasury FAQs, Treasury OIG, and UG definitions of “subrecipient” have caused some confusion



Uniform Guidance

Subrecipients vs. Beneficiaries

- § 200.93 Subrecipient

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a **beneficiary** of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

- UG definition is not technically applicable to CRF, but is for most other programs (including FRF)



Subrecipients vs. Beneficiaries

- 13. What are the differences between a subrecipient and a beneficiary under the Fund for purposes of the Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements?
...subrecipients would not include individuals and organizations (e.g., businesses, non-profits, or educational institutions) that are **beneficiaries** of an assistance program established using payments from the Fund. The Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements do not apply to beneficiaries.



Treasury FRF Interim Final Rule

Subrecipients vs. Beneficiaries

- *Analysis of Costs.* This regulatory action will generate administrative costs relative to a pre-statutory baseline. This includes, chiefly, costs required to administer Fiscal Recovery Funds, oversee subrecipients and beneficiaries, and file periodic reports with Treasury.



Subrecipients vs. Beneficiaries

- 2. Who is a sub-recipient or a beneficiary?

Since there is no separate category to capture a beneficiary's data in the portal, the prime recipient must report on the **beneficiary** in the sub-recipient data fields. As such, for GrantSolutions reporting, a subrecipient/beneficiary is any entity to which a prime recipient issues a contract, grant, loan, direct payment, or transfer to another government entity of \$50,000 or more.



Practice Points

Subrecipients vs. Beneficiaries

- Subrecipients run federal programs, beneficiaries do not
- Beneficiaries are not subject to subrecipient monitoring or single audit
- A nonfederal entity can be a subrecipient for some CRF programs and a beneficiary for others
- Only the pass-through entity can make this determination (not the nonfederal entity receiving funds)



Questions?



For more information...



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