

OHIO AUDITOR OF STATE
KEITH FABER

COVID 19 and Impact on Single Audits

Chief Meeting May 29, 2020

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ATTENTION!!!

- The information in this slide show may be subject to change.
- Additional COVID guidance is being provided by Federal and State Agencies every day is an attempt to clarify requirements and provide implementation guidance to prime recipients and subrecipients.

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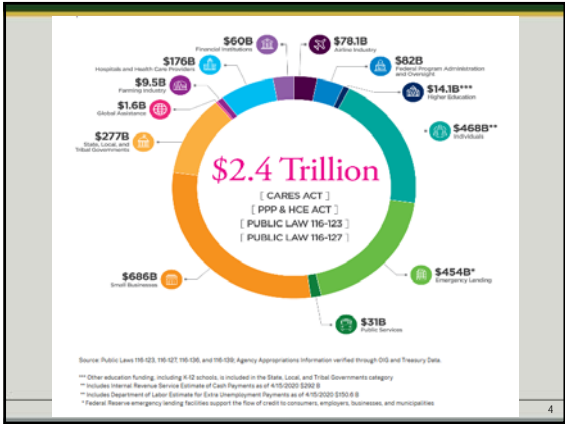
ACTS

Coronavirus Aid, Relief, and Economic Security Act (CARES) H.R. 748

Families First Coronavirus Response Act—H.R. 6201

Coronavirus Preparedness and Response Supplemental Appropriations Act—H.R. 6074

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OMB Memos

- OMB M-20-11 dated March 9, 2020**
 - Specific to entities directly impacted by COVID 19
- OMB M-20-17 dated March 19, 2020**
 - Extends to recipients affected by the loss of operations and increased costs
 - Allowability of salaries and benefits
 - Allowability of costs normally not chargeable (cancellation fees, etc)
 - Extends single audit deadline six months beyond the due date for FYE up until June 30, 2020
- OMB M-20-20 dated April 9, 2020**
 - Agencies MAY allow recipients to donate medical equipment purchased with federal funds to entities serving the public for COVID response

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National COVID Overview

- Approximately \$139 billion being allocated to state governments through CARES
- More than 90 federal programs (and counting) that this impacts
- Supplemental Funding, New Programs, Waivers/Flexibilities

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New Coronavirus Relief Fund

Entities with a population over \$500,000 received these funds direct from the Department of Treasury

City of Cbus, Cuyahoga Co, Franklin Co, Hamilton Co, Montgomery Co, & Summit Co. receiving direct payments from Feds

Rest of money will flow through the State (S.B. 310) with subgrants to counties, townships, cities, and villages (except for 6 prime recipients)

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New Coronavirus Relief Fund

Payments from this fund can only be used for expenses that:

- Are necessary expenditures incurred due to the public health emergency (COVID 19)
- Were NOT accounted for the budget most recently approved as of March 27, 2020
- Were incurred during the period that begins March 1, 2020 and ends of December 30, 2020

US Treasury has issued several FAQs (most recent May 4th) <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>

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New Coronavirus Relief Fund

- The six prime/direct local government recipients can make subgrants to public or private entities, establishing grant programs that comply with the Act and US Treasury's guidance
 - Each are likely to look and feel very different based on early conversations with them.
- The State of Ohio must make its subgrants pursuant to the Act, guidance of US Treasury and, **upon passage**, SB 310 requirements.

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New Coronavirus Relief Fund

• DRAFT SB 310 –

- To fund necessary COVID-19 pandemic-related expenses
- Subgrantees will include counties, municipalities, and townships.
 - Excludes the six local governments receiving direct Coronavirus Relief Fund payments
- Distributes funding based on proportion of Local Government Fund revenue allocated to subdivisions in 2019.
 - Counties will be middlemen for local govt. distribution but not responsible for any compliance requirements beyond their own county-award

New Coronavirus Relief Fund

• DRAFT SB 310 –

- Requires subdivision, before receiving a payment, to adopt a resolution affirming it will spend only on pandemic-related expenses.
- Ohio Office of Budget and Management (OBM) will administer the program and is developing a template resolution/ordinance.
- Requires local funds unspent as of October 15, 2020, to be redistributed to local governments that have spent their full allocation.
- Requires subdivisions to return unspent Coronavirus Relief Fund dollar to the state by December 28, 2020.

New Coronavirus Relief Fund

• US Treasury announced this morning that UG will apply to this program.

- CRF is considered to be a *payment* (not a grant) within the definition of Federal Financial Assistance.
- CFDA No. is 21.019
- Subject to Single Audit and related provisions of UG, including *internal controls* (2 CFR 200.303) and *subrecipient monitoring* (2 CFR 200.330-332).

AOS COVID-19 Federal Program Spreadsheet / Tracker

- AOS developed a federal program listing based upon reading the acts and looking at the federal/state agency websites on what impacts their could be to Ohio
 - This ranges from supplemental funding to existing program, new grant programs to waivers and flexibilities in existing requirements
- Many questions regarding funding still exist
 - Are all programs subject to Uniform Guidance?
 - CFDA numbers? New or pre-existing?
 - SEFA Reporting? Clusters?

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Here's What We Know So Far

- The application period for some of the programs identified on our spreadsheet runs through the end of June 2020 or later.
- It's not too late for local governments looking for more assistance! They must go apply for it though!
- The COVID-19 funding authorized under these three acts is not "stimulus"/"budget stabilization" money -- in most cases, it is not allowed to be used for revenue replacement.

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Here's What We Know So Far

- Federal programs under the CARES Act will have special quarterly reporting requirements regarding the use of funds pursuant to Sec. 15011 of the Act.
 - Applies to "covered recipients" – includes states and any entity receiving more than \$150,000
 - Beginning with the quarter ended Sept 2020
 - Due within ten days after the end of each quarter an
 - Aggregated agency reports will be posted on PRAC website within 30 days after the end of each quarter

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Here's What We Know So Far

- CARES Act charges the following bodies with oversight of COVID-19 funding/programs:
 - Pandemic Response Accountability Committee (created by Sec. 15010 of the CARES Act) <https://pandemic.oversight.gov/>
 - Government Accountability Office (GAO)
 - Federal Offices of Inspectors General
 - Sec. 15010 requires PRAC to coordinate its oversight with GAO, IG's and State auditors.

Here's What We Know So Far

- **Decentralized Process** - It is up to each Federal Awarding Agency to determine UG applicability, assign CFDA numbers to new programs, interpret the legislative requirements and communicate the logistics of how to collect and accumulate covered recipients' required reporting information
- **Prime recipients** - those recipients receiving direct payments in federal program assistance - must determine whether/how to subgrant assistance to others.
 - Example: State of Ohio is a prime recipient for many programs and will need to collect detailed information from their subgrantees in order to complete Sec. 15011 quarterly reporting

Here's What We Know So Far

- Ohio Rev. Code Sec. 5705.09 requires a separate fund be established for new grants/federal programs.
 - That is, a special fund must be established for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.
 - AOS approval for new fund establishment is not required in this instance.
- Although still unclear, AOS highly encourages separate accountability for COVID-19 funding in pre-existing federal program due to the special reporting requirements.

Here's What We Know So Far

- In many programs, governments will need to document how they determined that expenditures made were necessary and related to the public health emergency.
- Although not required, we are encouraging governing board members to adopt, as a best practice, a resolution to document which employees should be paid and what documentation should be kept for work conducted during this time.
- If UG applies, additional Time & Effort, etc. requirements may be applicable

Here's What We Know So Far

- In many cases, unused COVID-19 funding at the end of calendar year 2020 will need returned to the awarding agency
 - Another reason we highly suggest separate accountability of COVID-19 funds, even in an existing federal program.
- A few words about schools
 - See DRAFT guidance that AOS has been developing jointly with ODE

Here's What We Know So Far

2020 OMB Compliance Supplement without COVID-19 updates expected late June

Possible follow-up addendum addressing COVID-19 matters in Fall 2020

- COVID-19 implications:
 - Significant influx of federal funds
 - Lack of clarity around whether subject to single audit
 - Challenges with new or revised compliance requirements
 - Potential for significant changes in processes and controls during the year
 - Audit extensions

Be Mindful...

- Funding is already flowing and there are still many compliance requirements that need to be determined at the federal level before we will have clear guidance to share.
- Local governments can use the AOS spreadsheet/tracker to help identify the source of the federal programs they are receiving funding through.
 - Particularly when they were unaware they were receiving anything.
- Divisions/regions should send any federal COVID-19/CARES Act funding questions to FACCR@ohioauditor.gov so that we can respond consistently to questions during this period where guidance is lacking or in flux.

Be Mindful...

- Many small schools or smaller units of government will be eligible to receive COVID-19 assistance.
 - STEM/STEAM/Community Schools, Ag Societies, townships, villages, just to name a few
- We could have some traditionally biennial auditees needing a Single Audit for 2020!
 - They will need DUNS number to file DCF
- Be nimble as you plan your book of business – touch base with smaller clients in the coming months to identify potential new Single Audits.

AOS Resources

AOS Covid Page

<http://portal/BP/Intranet/COVID/Resources.aspx>

- Links to Federal Acts, GAQC Alerts, Audit Guidance, various articles and other resource pages related to COVID and audit implications

AOS FAQs

http://www.ohioauditor.gov/publications/Coronavirus_FAQ_Final.pdf

- Designed to help local governments entities with decisions they may be facing
- Updated frequently

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