

# Impact of COVID-19 on Financial Reporting

Presented by:

James Halleran, CPA, Partner

Zach Chalifour, CPA, Partner



# Your Presenters



## **MEET** James Halleran, CPA Partner

James has more than 25 years of experience in the accounting profession, with an emphasis on governmental accounting and auditing. During his tenure with James Moore, he has been extensively involved with entities that receive state and federal financial assistance subject to Government Auditing Standards, the Florida Single Audit Act and OMB Uniform Grant Guidance. James also serves as a CAFR reviewer for the Government Finance Officers Association.



## **MEET** Zach Chalifour, CPA Partner

With nearly 15 years of experience, Zach serves as the leader of the Government Services Team at James Moore. In addition to his audit responsibilities working with dozens of counties, municipalities, and special districts, Zach brings a unique perspective to the audit environment based on his inside working knowledge of local government finance, having served as the contract Finance Director for the City of Lake Helen since early 2019. Zach also serves as a CAFR reviewer for the GFOA.



# Agenda

- COVID-19 Impact in Review
- Accounting for the CARES Act and COVID-19
- Single Audit Impact
- Q&A

The background of the slide features a close-up, slightly blurred image of a person's hands. One hand holds a magnifying glass over a document, while the other hand holds a pen, ready to write. The document appears to be a financial statement or ledger with columns and rows. The overall tone is professional and focused on financial review.

# COVID-19 Impact in Review



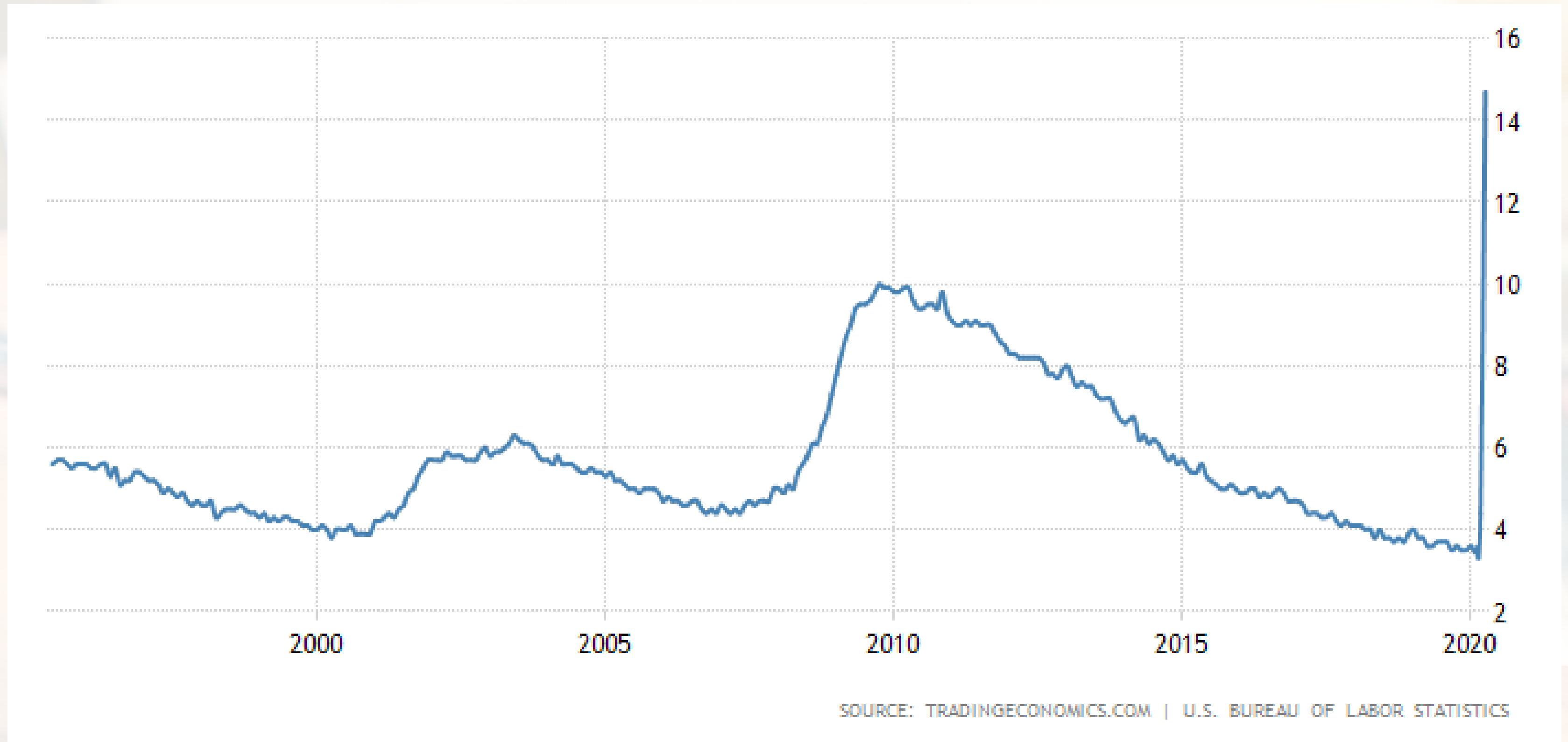
# What We Know – General

- **The situation is continuously evolving**
- Things may still get worse before they get better
- Unemployment levels

## The Bottom Line?

We know this is something we've never seen before, and something that is going to be impossible to predict.

# What We Know – Unemployment





# What We Know – National League of Cities Survey

## **Municipalities Expecting Shortfall Due to:**

- Revenue Decline: 96%
- Expenditure Increase: 44%

## **Municipalities Expecting to Have to Cut Services**

- Populations < 50,000: 50%
- Populations > 200,000: 73%

Source (April 2020):

<https://www.nlc.org/sites/default/files/NLC%20USCM%20Survey%20Results.pdf>

# What We Know – Federal and Other Support

## **CARES Act Funding**

- Passed through to local governments with in excess of 500,000 residents
- State Allocations – passed through to counties with less than 500,000 residents
- Restrictions on spending

## **Payroll Protection Program (PPP) Loans and Other Support**

- Almost all not applicable to local governments



# What We Know – CARES Act Funding (CRF)

## Authorized Uses

- COVID-19 testing
- Personal protective supplies and equipment in excess of normal
- Building sanitation improvements
- Personnel costs for additional workforce or time not budgeted for
- Families First Coronavirus Response Act (FFCRA)
- Telework improvements
- Social distancing measures

## NON-Authorized Uses

- Revenue loss

**But wait, there's more...**

# Coronavirus Relief Fund – Supplemental Guidance

**Treasury Supplemental Guidance – September 2, 2020 Update**

**(<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>)**

**Treasury OIG FAQ - Coronavirus Relief Fund – September 21, 2020 Update**

**(<https://www.treasury.gov/about/organizational-structure/ig/Audit%20Reports%20and%20Testimonies/OIG-CA-20-028.pdf>)**



# Coronavirus Relief Fund – Supplemental Guidance

## Treasury Supplemental Guidance Issued September 2, 2020

- Non-budgeted expenditures = new or substantially different use
- Eligible Expenditure under substantially different use criteria: “Payroll and benefits expenses for public safety, public health, health care, human services, and similar employees who services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.”
- Eligible payroll period: March 1, 2020 through December 30, 2020

# Coronavirus Relief Fund – Supplemental Guidance

## Treasury OIG FAQ Updated September 21, 2020

- Q63: indicates OIG will allow for an administrative accommodation to be made for public health and public safety employees to be for services substantially dedicated to mitigating or responding for the public health emergency and covered by CRF.
- Q70: no specific support to demonstrate “substantially dedicated” criteria due to administrative accommodation, but must maintain payroll records for reimbursed expenses.
- Q71: reiterates no specific analysis or documentation required for “substantially dedicated” conclusion



# Coronavirus Relief Fund – What's Next?

**Is this the lifeline we've been waiting for?**

**Very similar to evolution of PPP program**

**Consideration of front-line versus administrative personnel**

**CARES Act vs. FEMA funding – consider deferring PPE costs to FEMA**

**Next steps – County, City, Other**

# Polling Question

**Question:** What type of entity do you work with?

- County
- City
- School / Special district / other government
- Nonprofit under GASB
- Other



# What We Know – State Funding

## August 2020 Florida Office of Economic and Demographic Research – Monthly Revenue Report:

- Sales Tax Collections: down \$163 million from original estimates and down 4.6% from August 2019
- However, UP \$153 million (8%) from revised estimates

Get the full report here:

<http://edr.state.fl.us/Content/revenues/reports/monthly-revenue-report/newsletters/nlaug20.pdf>

# What We Don't Know - General

## COVID-19 Vaccine and/or Treatment

- Will there be one?
- When?
- Availability?

## Economic Recovery

- Shape – V or L?



# What We Don't Know - Financial

## Continued & Future Revenue Challenges

- Property Tax – 1/1/2021 Values?
- Sales Tax and Stated Shared Revenues
- Charges for Services – Decreases and Uncollectible



A person is working on a laptop on a wooden desk. The laptop screen is open, and the person's hands are visible, pointing at a document with various financial charts and graphs. The background is a soft-focus image of the person's face and the laptop. A green banner with white text is overlaid across the middle of the image.

# Accounting for the CARES Act & COVID-19



# GASB Statement No. 95 – Quick Refresher

## WHAT

- Statement 95 postpones the effective dates of several recently issued standards.

## WHY

- Provide some relief to governments dealing with the COVID-19 pandemic.

## WHEN

- Effective immediately.

# Polling Question

**Question:** How long should the GASB have delayed Statement No. 87, Leases?

- 1 year
- 18 months
- 2 years
- 3 years
- Forever



# GASB Statement No. 95 Summary

- Statement 83—reporting periods beginning after June 15, 2019
- **Statement 84—reporting periods beginning after December 15, 2019**
- **Statement 87—fiscal years beginning after June 15, 2021, and all reporting periods thereafter**
- Statement 88—reporting periods beginning after June 15, 2019
- Statement 89—reporting periods beginning after December 15, 2020
- Statement 90—reporting periods beginning after December 15, 2019
- Statement 91—reporting periods beginning after December 15, 2021
- Statement 92—reporting periods beginning after June 15, 2021
- Statement 93—fiscal years beginning after June 15, 2021, and all reporting periods thereafter



# Accounting Considerations – Revenue Recognition

## **CARES Act Funding**

Was grant agreement in place at year-end?

Matching principle: recognize revenue to extent of allowable expenditures



# Other Recent Accounting Updates & Developments

- GASB Technical Bulletin No. 2020-1
  - Issued June 2020
  - What's in it?
    - Answers to six pandemic-related questions, including revenue recognition questions related to certain CARES Act resources and extraordinary and special items
    - [https://gasb.org/jsp/GASB/Document\\_C/DocumentPage?cid=1176174832053](https://gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176174832053)



# GASB Technical Bulletin No. 2020-1

- Revenue Recognition
  - Q1: Are resources received from the CRF (Coronavirus Relief Fund) of the CARES Act subject to eligibility requirements or to purpose restrictions? When should these resources be recognized as revenue?
  - A1: ...recognize resources received from the CRF as liabilities (unearned revenue) until the applicable eligibility requirements are met, including the incurrence of eligible expenses.
  - Practical Consideration: normal revenue recognition treatment.



# GASB Technical Bulletin No. 2020-1

- Eligibility Requirements
  - Q2: ...Should a provision that addresses a government's loss of revenue be considered an eligibility requirement, for purposes of revenue recognition?
  - A2: Yes. Specific example related to specific DHHS funds through the Provider Relief Funds that were designated for loss of revenue.
  - Practical Consideration: this does not apply to the majority of CARES Act funds, as revenue loss is not an eligible use.



# GASB Technical Bulletin No. 2020-1

- Subsequent Events

- Q3: If amendments to the CARES Act are enacted after the government's statement of net position date but prior to the issuance of the financial statements, should the government consider those amendments as the basis for recognition in financial statements for the period reports?
- A3: No. Any amendment to the CARES Act enacted subsequent to the statement date should be considered in the reporting period.
- Practical Consideration: the material impact of any such changes would be a subsequent event disclosure.



# GASB Technical Bulletin No. 2020-1

- PPP Loans

- Q4: If a governmental entity (i.e nonprofit under GASB) receives a payroll protection program (PPP) loan, should that loan be recorded as a liability at the end of the period?
- A4: Yes. Like with any debt, it should be reported as a liability until the entity is *legally released from the debt*.
- Practical Consideration: wouldn't it have been nice if governments could apply for PPP loans?



# GASB Technical Bulletin No. 2020-1

- Enterprise Funds
  - Q5: Should CARES Act resources to a business-type activity or enterprise fund be reported as nonoperating revenues?
  - A5: Yes, because these resources are subsidies and should be reported as nonoperating revenues.
  - Practical Consideration: Just for fun...what about under the new financial reporting model?



# GASB Technical Bulletin No. 2020-1

- Special Items
  - Q6: Should outflows of resources incurred in response to the pandemic be reported as extraordinary items or special items?
  - A6: No. Because such items must be unusual in nature and infrequent in occurrence, and “it is reasonable to expect that coronavirus diseases will recur in the foreseeable future”.



# Polling Question

**Question:** Which of the following has the strongest case for being reported as an extraordinary item under GASB?

- COVID-19 pandemic
- Murder hornets arrive in the USA
- Wildfires all over the USA
- Federal Government approves the next stimulus package
- James and Zach win the lottery



# Other Recent Accounting Updates & Developments

- AICPA SLG COVID-19 FAQs

- The AICPA developed a frequently asked questions document to provide guidance to state and local governments on specific accounting and auditing considerations that many auditors and auditees are facing as a result of the COVID-19 pandemic.
  - Topics include: Subsequent Events, MD&A, Going Concern, Internal Control, and other various topics
  - [Link to AICPA FAQs](#)



# AICPA SLG COVID-19 FAQs

- Subsequent Events
  - Generally 2 types:
    - Recognized – financial impact recorded in financial statements
    - Nonrecognized – note disclosure impact
      - » COVID-19 falls under this classification since there is no direct, tangible financial impact



# Reporting Considerations – Notes to Financial Statements

- Sample Note Disclosure – Subsequent Event (Pre-COVID YE)

Subsequent to *DATE OF FINANCIAL STATEMENTS*, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the entity as of *AUDIT REPORT DATE*, management believes that a material impact on the entity's financial position and results of future operations is reasonably possible.



# Reporting Considerations – Notes to Financial Statements

- Sample Note Disclosure – Contingency (Post-COVID YE)

During the year ended *DATE OF FINANCIAL STATEMENTS*, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the entity as of *AUDIT REPORT DATE*, management believes that a material impact on the entity's financial position and results of future operations is reasonably possible.



# AICPA SLG COVID-19 FAQs

- Fair Value Declines
  - Pension Impact
  - OPEB Impact
  - Other Impact
- Reporting Impact
  - Reports Issued in March/April 2020: very possible
  - Based on market at 9/30/2020: likely no impact
  - Monitor as FY20 audits are wrapped up



# AICPA SLG COVID-19 FAQs

- Management's Discussion and Analysis
  - Significant FY20 fluctuation explanations due to COVID-19
  - Do not just repeat information already disclosed in subsequent event or contingency note
  - Future economic outlook
- Per the AICPA:
  - "For governmental entities with fiscal years ending after the commencement of the COVID-19 pandemic, MD&A would likely include information related to the pandemic throughout. The pandemic will generally affect analysis throughout MD&A, including discussions on financial position, results of operations, balances and transactions of specific funds, capital assets, and long-term debt activity, as well as the budget and currently known facts, decisions, or conditions."



# Reporting Considerations – MD&A

- Sample Discussion – Future Economic Conditions

Local governments continue to be significantly affected by many factors including the general state of the economy, the health of the stock and real estate markets, consumer spending trends, and other factors with substantial uncertainty due to the COVID-19 pandemic. While various revenue declines took place in the current year and are expected to repeat to some degree in the next year due to the pandemic, the property values underlying the entity's 2021 budget and millage rate determination were as of a date prior to the start of the pandemic. As a result, the future financial uncertainty due to the COVID-19 pandemic may extend beyond the next fiscal year.



# AICPA SLG COVID-19 FAQs

- **Going Concern**
  - Analysis required by both auditor and management
    - Areas of concern similar to those as in defined Financial Emergency criteria
    - May have additional audit questions/documentation required this year
  - Going concern issues generally very uncommon in government environment
    - More plausible for a special-purpose government
  - May consider need for disclosure of future plans and/or basis for alleviation of concern in notes and/or MD&A



# AICPA SLG COVID-19 FAQs

- Loss Contingencies, Claims, and Judgments
  - Allowance for uncollectible accounts – take a hard look
  - Debt guarantees for any component units or related entities
- Noncompliance with Legal or Contractual Provisions
  - Debt covenants
  - Fund balance policies
  - Budgetary compliance
  - Pension funding requirements
  - Single audit / grant compliance (more to come!)



# AICPA SLG COVID-19 FAQs

- Fair Value of Investments
  - Consideration of impact on Level 2 and Level 3 investments
- Capital Asset Impairment Considerations
  - Identifying and testing potentially impaired assets. Potential impacted assets could be:
    - Inactive rental assets with no recovery in sight
    - Obsolete or no longer useful assets due to changes in safety guidelines and other operational changes



# AICPA SLG COVID-19 FAQs

- Termination Benefits
  - Early retirements and other
  - Recognize all costs and liability when offer is accepted and the amount can be estimated
- Revenue Availability Period
  - Potential delay in timing of receipt of taxes when deferrals offered to taxpayers
  - “GASB literature addresses this situation in paragraph 8 of NCGA Interpretation No. 3 (or GASB Codification Section P70.104) and indicates that ‘if, because of unusual circumstances, the facts justify a period greater than 60 days, the governmental unit should disclose the period being used and the facts that justify it.’ ”



# AICPA SLG COVID-19 FAQs

- Pension and OPEB Valuations
  - Annual valuations performed – no significant impact
  - Biannual valuations performed – potential impact
    - If current valuations would just be rolled forward, may need to reconsider significant factors and assumptions (employee staffing levels, major assumptions, etc.) in determining whether appropriate to roll forward the measurement from the actuarial valuation to the new measurement period
    - Most possible impact: OPEB valuation being rolled forward in an entity where material cuts have been made to the number of employees
    - Possible concerns about ability to roll forward? Discuss with your actuary and auditor!



# Other Accounting & Auditing Considerations

- **Electronic Records and Audits**
  - Consider establishing/furthering availability of electronic documentation, both for internal review if remote work is taking place and for audit purposes
  - Reassess internal controls for any changes in processes
  - Reconsider internal risk assessment of what could go wrong and where potential issues may arise, both financially and operationally

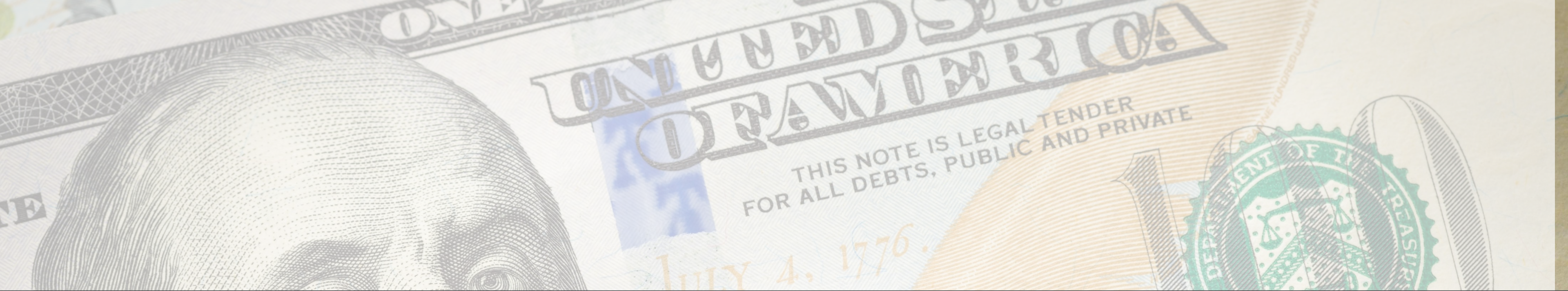


# Polling Question

**Question:** Do you have any questions related to financial reporting and COVID-19?

- Yes, I've already submitted them.
- Yes, and I'll submit them ASAP!
- Nope, all set for now!





# Single Audit Impact





# COVID-19 Funding – New and Existing Programs

- Funding for COVID-19 impacts provided from a series of laws by congress
  - Coronavirus Preparedness and Response Supplemental Appropriations Act
    - \$8.3 billion, signed into law March 6, 2020
  - Families First Coronavirus Response Act
    - ~\$3.4 billion, signed into law March 18, 2020
  - Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
    - ~\$2 trillion, signed into law March 27, 2020
    - CARES Act also expanded many existing programs with additional funding
- New programs: Over 20 new programs created!



# Overview of 4 Largest New Programs

- Payroll Protection Program (PPP) - >\$600 billion
  - Agency: SBA
  - Provides funding for: For-profits, NFPs (501(c)(3) primarily)
  - CFDA: 59.073, **NOT** subject to single audit
- Coronavirus Relief Fund - \$150 billion
  - Agency: Treasury
  - Provides funding for: Governmental Entities and Tribes
  - CFDA: 21.019, IS subject to single audit
  - Will be the primary CFDA applicable for most governments



# Overview of 4 Largest New Programs

- Provider Relief Fund- \$175 billion
  - Agency: HHS
  - Provides funding for: Governmental Entities, NFPs & For-Profits
  - CFDA: 93.498, IS subject to single audit
- Education Stabilization Fund- \$30.75 billion
  - Agency: Education
  - Provides funding for: States, Schools & Institutes of Higher Education
  - CFDA: 84.425 master CFDA (see next slide for sub-CFDA #s)
  - IS subject to single audit



# Education Stabilization Fund – CFDA 84.425

- Important: 84.425 is considered ONE program for major program determination purposes
- Sub-award funding breakout
  - Education Stabilization Fund Discretionary Grants
    - 84.425B – Rethink K12 Education Models
    - 84.425G – Reimagining Workforce Preparation Grants
  - 84.425C - Governor's Emergency Education Relief Fund
  - 84.425D - Elementary and Secondary School Emergency Relief Fund
  - 84.425N - FIPSIE
  - 84.425A - SEAs
  - 84.425H - Governors
  - Provides funding for: States, Schools & Institutes of Higher Education
  - CFDA: 84.425 master CFDA (see next slide for sub-CFDA #s)



# Education Stabilization Fund – CFDA 84.425

- Sub-award funding breakout (continued)
  - 84.425E – Student Portion
  - 84.425F – Institutional Portion
  - 84.425J – Historically Black Colleges and Universities
  - 84.425K – American Indian Tribally Controlled Colleges and Universities
  - 84.425L – Minority Serving Institutions Strengthening Institutions Program
  - 84.425M – Strengthening Institutions Program
- **Remember – 84.425 is considered one program for major program determination purposes!**
- See this [link](#) for AICPA GAQC 's summary of all the COVID-19 Programs



# Other COVID-19 Funding Updates

- The CARES Act added additional funding to many existing programs (CFDA numbers remain unchanged for those)
- Health and Human Services (HHS) has 99 programs that received additional funding under the CARES Act!
- Compliance Requirement Changes:
  - Be aware, some programs changed the compliance requirements due to COVID-19
    - Student Financial Assistance (SFA)
    - USDA Food Programs
    - Certain HUD housing programs



# OMB Memos M-20-17 & M-20-26

- OMB issued Memo M-20-17 on March 19, 2020
  - Provided a variety of administrative relief including:
    - Flexibility with application deadlines
    - Flexibility with SAM registration
    - No-cost extensions on expiring awards
    - Extensions on financial, performance and other reporting
    - Allowability to charge salaries and other costs normally charged to awards
    - Extension of single audit submission to clearinghouse with entities that have year-ends through June 30, 2020



# OMB Memos M-20-17 & M-20-26

- OMB issued Memo M-20-26 on June 18, 2020
  - Rescinded some aspects of the M-20-17 memo but left in place the following:
    - Extension of “item 1 (item 6 in M-20-17 memo)” – the allowability of salaries and other project activities through September 30, 2020
    - Rescinds previous 6-month audit submission extension for June 30, 2020, year-ends.
    - Provides a 6-month extension for single audits not yet submitted at March 19, 2020, with normal due dates from March 30, 2020 through June 30, 2020.
    - Audits with July 30, 2020 due dates through September 30, 2020 have a 3-month extension.
    - Clarifies no “double-dipping”



# Polling Question

**Question:** Are you having fun yet?

- Absolutely!
- Yes, but not as much as James.
- I thought accountants weren't allowed to have fun?



# Single Audit Submission Deadlines under OMB Memo M-20-26

Year-ends still provided with a  
6-month single audit extension under M-20-26

Fiscal Year End	Normal Due Date	Extended Due Date
June 30, 2019	March 31, 2020	September 30, 2020
July 31, 2019	April 30, 2020	November 2, 2020*
August 31, 2019	May 31, 2020	November 30, 2020
September 30, 2019	June 30, 2020	December 31, 2020

\*Per section 200.512 of the UG, if the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day. Dates have been adjusted accordingly.



# Single Audit Submission Deadlines under OMB Memo M-20-26

Year-ends that have been reduced to a 3-month single audit extension under M-20-26

Fiscal Year End	Normal Due Date	Extended Due Date
October 31, 2019	July 31, 2020	November 2, 2020*
November 30, 2019	August 31, 2020	November 30, 2020
December 31, 2019	September 30, 2020	December 31, 2020

\*Per section 200.512 of the UG, if the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day. Dates have been adjusted accordingly.



# Single Audit Submission Deadlines under OMB Memo M-20-26

Year-ends that are no longer provided with an extension

Fiscal Year End	Normal Due Date	Extended Due Date
March 31, 2020	December 31, 2020	<b>No Extension – Normal UG due date applies</b>
June 30, 2020	March 31, 2021	<b>No Extension – Normal UG due date applies</b>
September 30, 2020	June 30, 2021	<b>No Extension – Normal UG due date applies</b>
December 31, 2020	September 30, 2021	<b>No Extension – Normal UG due date applies</b>



# AICPA Summary of Various COVID-19 Related Deadline Extensions

- The AICPA GAQC developed a summary document containing various COVID-19 program extensions for submissions of audited financial statements and other various reports.
- Here is the link to that summary!
- <https://www.aicpa.org/content/dam/aicpa/interestareas/governmentauditquality/resources/singleaudit/uniformguidanceforfederalrewards/downloadabledocuments/deadline-extensions-related-to-audits-covid19-20200414.pdf>





# Other Various OMB memos on COVID-19

- OMB Memo M-20-11
  - Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations
    - Expires on July 26, 2020
- OMB Memo M-20-20
  - Repurposing Existing Federal Financial Assistance Programs and Awards to Support the Emergency Response to the Novel Coronavirus (COVID-19)
    - Rescinded by M-20-26
- OMB Memo M-20-21
  - Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19)



# Common Questions surrounding OMB Memo M-20-26

- What does OMB mean by using “other available funding”?
  - OMB’s Answer: *“Due to the limited funding resources under each federal award to achieve its specific public program goals, awarding agencies must inform recipients to exhaust other available funding sources to sustain its workforce and implement necessary steps to save overall operational costs (such as rent renegotiations) during this pandemic period in order to preserve Federal funds for the ramp-up effort. Recipients should retain documentation of their efforts to exhaust other funding sources and reduce overall operational costs.”*



# Common Questions surrounding OMB Memo M-20-26

- Can you confirm that expenses paid with/applied to PPP federal funds cannot also be applied to other federal grants?
  - OMB's Answer: *"...payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs **must not** be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice."*



# Common Questions surrounding recording of PPP Funds

- Hot topic: How should I record funding received from the Paycheck Protection Program?
- Answer: Let's ask the AICPA and FASB!
  - The AICPA's response through a TQ&A issued in June 2020:
    - Staff Office of the Chief Accountant of the SEC stated that they would not object to recording the funds as a loan under FASB 470 or as a government grant in accordance with IAS 20.
    - For NFPs:
      - » If a loan, record and impute interest in accordance with the interest method. You would decrease the liability when the entity has been "legally released".
      - » If recording as a grant, then analogize to IAS and record as a deferred revenue and recognize revenue as cost associated with the forgiveness is recognized.
    - For business entities (non-NFPs):
      - » Similar to above, but refer to FASB ASC 958-605 or FASB ASC 450-30



# More Changes: 2020 Compliance Supplement

- 2020 Compliance Supplement to be issued in two parts
  - Part 1: Issued August 18, 2020 (primarily pre-COVID-19 guidance)
    - [https://www.whitehouse.gov/wp-content/uploads/2020/08/2020-Compliance-Supplement\\_FINAL\\_08.06.20.pdf](https://www.whitehouse.gov/wp-content/uploads/2020/08/2020-Compliance-Supplement_FINAL_08.06.20.pdf)
  - Part 2: to be issued later this fall (likely November) with more extensive COVID-19 grant guidance on new programs and changes to existing programs



# More Changes: 2020 Compliance Supplement

- **SEFA Impact**
  - Grant schedule should explicitly identify COVID-19 awards (remember ARRA?)
  - Additional COVID funding provided for existing program will need to be shown on separate line so COVID portion and non-COVID portions are clearly reported
- **Subrecipients**
  - Subrecipient agreements must explicitly identify the COVID-19 portion of any grants being passed through



# 2020 Single Audits





# Polling Question

**Question:** Are you anticipating CARES Act funding being a major program in the single audit of your organization?

- Yes, in fiscal year 2020.
- Yes, in fiscal year 2021.
- Yes, in both fiscal years.
- No.
- What's a major program?



# What should I expect for my 2020 Single Audit?

- One word:





# 2020 Single Audit Challenges

- Speed of release of COVID-19 Funding
  - Funding was released and the rules were implemented later
  - Result: numerous questions and uncertainty surround many programs
  - [Link](#) to letter from AICPA GAQC to OMB containing single audit issues/questions submitted to date
  - Tip: Document, document, document!
- Potential for more single audits than in previous years or new major programs in the current year
  - Example: Many states and large localities received significant amounts of Coronavirus Relief Funds directly from the federal government; subsequent passthroughs to many other cities
  - Other funding from CARES Act to existing CFDA numbers may take a recipient over the \$750K threshold.



# 2020 Single Audit Challenges

- Potential COVID-19 Impacts for New Programs
  - A new program could change the major program determination process
  - Possible changes to the A/B program determination threshold
  - Possible high-risk type A/B programs as they have never been audited before
    - Currently no requirement to select these type B programs as “higher” risk
- Potential COVID-19 Impacts for Existing Programs
  - Inherent Risk not a factor for determining type A high risk (UG section 200.51(c))
  - Type B Risk Assessments: auditors will have to determine whether influx of additional funds trigger any new risk factors
  - Determine if compliance requirements have changed



# What should we do to respond to these challenges?

- One word: Communicate
  - Communication with your auditor will be key in smoothing out the audit process
- Things to discuss and consider:
  - Will the work need to be performed remotely?
    - This could have a significant impact of how the audits are completed
  - Will my funding go on the SEFA?
    - Review any new or nontraditional awards received or expended and determine if they will be on the SEFA
  - Have we taken measures to ensure expenditures are not being charged to more than one federal program?
  - Cash Management: are cash advances being handled in accordance with grant terms?



# Oversight of COVID-19 Oversight Funding

- \$275 million for federal agency oversight
  - Established the Pandemic Response Accountability Committee (<https://pandemic.oversight.gov/>)
  - Office of the Special Inspector General for Pandemic Recovery
  - Congressional Oversight Commission
  - Additional funds for various OIGs and GAO
  - Expect agencies to perform direct engagements on recipients of COVID-19 funding
    - Still unclear how/whether this will increase federal reviews of audit work



# What to Watch for and What's Next?

- CARES Act Amendments?
- HEROES Act?
- Sales tax and related trends?
- Real estate market – 1/1/2021 values?



# Q&A



# Contact



**James Halleran, CPA**  
**Partner**

[James.Halleran@jmco.com](mailto:James.Halleran@jmco.com)

<https://www.linkedin.com/in/jameshallerancpa/>



**Zach Chalifour, CPA**  
**Partner**

[Zach.Chalifour@jmco.com](mailto:Zach.Chalifour@jmco.com)

<https://www.linkedin.com/in/chalifour>

 [www.jmco.com](http://www.jmco.com)

 **James Moore**  
Certified Public Accountants and Consultants

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