



County CARES Dollars and Fiscal Compliance Workshop

Presented July 13, 2020

Via Zoom

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Audit Partner

Outside of work, I enjoy...

Family
Jump shots
Peaks and Canyons
Traveling

Success at work is.....

Problem Solving
Simplification
Finishing



CARES Act Funding Announced For Nevada Counties and Cities

Gov. Sisolak announces distribution of CARES Act funding to local governments to assist with COVID-19 expenses

CARSON CITY, NV - June 11, 2020

Today, Governor Steve Sisolak announced the distribution of federal CARES Act funding to local governments throughout the State to assist with unanticipated expenditures created by the COVID-19 pandemic.

The funds will help counties and cities recuperate expenses already incurred related to the COVID-19 pandemic and will help pay for eligible expenses going forward as the State continues to recover from the impacts of this pandemic.

"COVID-19 has spared no corner of the State with its devastating physical and economic impacts. Nevadans took quick and decisive action to help slow the spread of the virus and save lives and now we are able to begin the financial recovery," **said Gov. Steve Sisolak.** "I am proud we are able to provide funding back to these counties and cities so they can put this money directly into their communities to help their local economies and residents begin their recovery from this virus."

Counties and incorporated cities can expect to receive the CARES Act allocations in the coming weeks.

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Attachments

[CARES Act Funding to Local Governments to Assist with COVID-19 Expenses \(Updated June 29, 2020\)](#)

CARES Act Funding is on its way.....



Coronavirus Relief Fund – Allowable Costs

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 the Coronavirus Disease 2019 (COVID-19); - KEY PRINCIPLE**
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.**

Necessary Expenditures Incurred Due to the Public Health Emergency

“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. These may include expenditures incurred to allow the State, territorial, local, or Tribal government to respond directly to the emergency, such as by addressing medical or public health needs, as well as expenditures incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures.”

Necessary Expenditures Incurred Due to the Public Health Emergency

Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments.

The statute also specifies that expenditures using Fund payments must be “necessary.” The Department of the Treasury understands this term 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.

Cost Not Accounted for in the Budget Most Recently Approved as of March 27, 2020

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.

The “most recently approved” budget refers to the enacted budget for the relevant fiscal period for the particular government, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to the COVID-19 public health emergency. A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund, or similar reserve account.

Cost Incurred During the Period that Begins on March 1, 2020 and ends December 30, 2020

Finally, the CARES Act provides that payments from the Fund may only be used to cover costs that were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020 (the “covered period”). Putting this requirement together with the other provisions discussed above, section 601(d) may be summarized as providing that a State, local, or tribal government may use payments from the Fund only to cover previously unbudgeted costs of necessary expenditures incurred due to the COVID-19 public health emergency during the covered period.

Cost Incurred During the Period that Begins on March 1, 2020 and ends December 30, 2020

Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Upon further consideration and informed by an understanding of State, local, and tribal government practices, Treasury is clarifying that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred).

Nonexclusive Examples of Eligible Expenditures

1. Medical expenses such as:

- COVID-19-related expenses of public hospitals, clinics, and similar facilities.
- Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs.
- Costs of providing COVID-19 testing, including serological testing.
- Emergency medical response expenses, including emergency medical transportation, related to COVID-19.
- Expenses for establishing and operating public telemedicine capabilities for COVID-19-related treatment.

Nonexclusive Examples of Eligible Expenditures

2. Public health expenses such as:

- Expenses for communication and enforcement by State, territorial, local, and Tribal governments of public health orders related to COVID-19.
- Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection with the COVID-19 public health emergency.

Nonexclusive Examples of Eligible Expenditures

2. Public health expenses such as:

- Expenses for disinfection of public areas and other facilities, e.g., nursing homes, in response to the COVID-19 public health emergency.
- Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety.
- Expenses for public safety measures undertaken in response to COVID-19.
- Expenses for quarantining individuals.

Nonexclusive Examples of Eligible Expenditures

3. Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

Nonexclusive Examples of Eligible Expenditures

4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:

- Expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 public health precautions.
- Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions.
- Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.

Nonexclusive Examples of Eligible Expenditures

4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:

- Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions.
- COVID-19-related expenses of maintaining state prisons and county jails, including as relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions.
- Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.

Nonexclusive Examples of Eligible Expenditures

5. Expenses associated with the provision of economic support in connection with the **COVID-19** public health emergency, such as:
- Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.
 - Expenditures related to a State, territorial, local, or Tribal government payroll support program.
 - Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.

Nonexclusive Examples of Eligible Expenditures

6. Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

Nonexclusive Examples of Ineligible Expenditures

1. Expenses for the State share of Medicaid.
2. Damages covered by insurance.
3. Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
4. Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.
5. Reimbursement to donors for donated items or services.
6. Workforce bonuses other than hazard pay or overtime.
7. Severance pay.
8. Legal settlements.

COVID 19 Accounting and Reporting Item from GASB Technical Bulletin No. 2020-1

5. The U.S. Treasury has determined that CRF resources are not grants and instead has identified the resources as “other financial assistance” under 2 C.F.R. §200.40. However, the provisions in paragraph 8 of Statement 33 require that, for accounting and financial reporting purposes, the focus of the analysis be on the substance of a transaction. The CARES Act, as clarified through the FAQs, stipulates certain conditions that are required to be met, such as the incurrence of eligible expenditures. Those conditions are identified, for accounting and financial reporting purposes, as eligibility requirements. In addition, the recipient government has the ability not to accept the resources. Therefore, the CRF funds are identified as voluntary nonexchange transactions, subject to eligibility requirements rather than purpose restrictions.

6. Based on the provisions in paragraph 15 of Statement 33, as amended, a recipient government should recognize resources received from the CRF as liabilities until the applicable eligibility requirements are met, including the incurrence of eligible expenditures. When the recipient government has met the eligibility requirements established in the CARES Act, that government should recognize revenue for CRF resources received.

Voluntary Nonexchange Transactions

No. 33: Accounting and Financial Reporting for Nonexchange Transactions

20. Eligibility requirements for government-mandated and voluntary nonexchange transactions comprise one or more of the following:

- a) **Required characteristics of recipients.** The recipient (and secondary recipients, if applicable) has the characteristics specified by the provider. - **State or Local Government**
- b) **Time requirements.** Time requirements specified by enabling legislation or the provider have been met. (The period when the resources are required to be used [sold, disbursed, or consumed] or when use is first permitted has begun, or the resources are being maintained intact, as specified by the provider.) - **3/1/20 to 12/30/20**
- c) **Reimbursements.** The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program. - **Allowable costs have been incurred**
- d) **Contingencies** (applies only to voluntary nonexchange transactions). The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred. (For example, the recipient is required to raise a specific amount of resources from third parties or to dedicate its own resources for a specified purpose and has complied with those requirements.) - **No contingencies**

Anticipated Basic Accounting for Nevada Counties

FY19-20

Expenses

DR – COVID Expenses
CR – Cash / Payables

Revenues

DR – Due from State
CR – CRF Revenues to match
FY20 COVID expenses

FY20-21

Receipt of Funds

DR – Cash
CR – Due from State (FY20)
CR – CRF Liability

Expenses

DR – COVID Expenses
CR – Cash / Payables

Revenues

DR – CRF Liability
CR – CRF Revenues to match FY21
COVID expenses

Single Audit Requirements

Information per <https://beta.sam.gov/>

- Assistance Listing Title - Coronavirus Relief Fund (CRF)
- CFDA Number is 21.019
- 2020 Compliance Supplement is not yet available
- AICPA Letter to OMB
- Timing of the single audit
- Be on the same page with your independent auditor
- Currently only two sections of the Uniform Guidance will apply to the CRF -section 200.303 on internal control and sections 200.330 - .332 on subrecipient monitoring

Matrix of Compliance Requirements

Compliance Requirements											
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 and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

200.303 Internal Controls

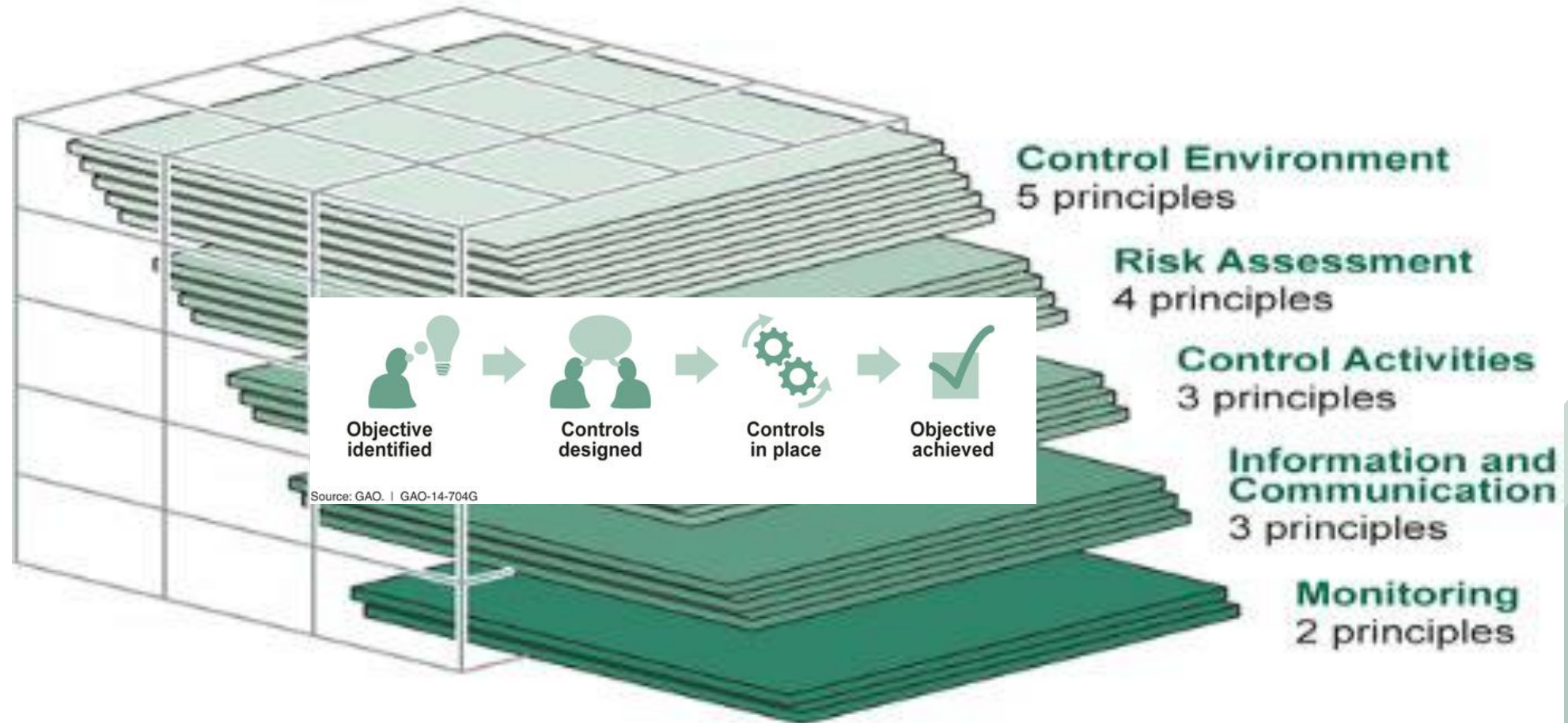
The non-Federal entity must

(a) establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Internal controls should be in compliance with guidance in:

- “Standards for Internal Control in the Federal Government” (**Green Book**) issued by the Comptroller General of the United States, or
- the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**)

Green Book



Source: GAO. | GAO-14-704G

COSO: 5 Components & 17 Principles of Effective Internal Control



200.303 Internal Controls

See also Part 6 – Internal Control of the OMB Compliance Supplement 2019 for more information and examples of controls over compliance

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

200.303 Internal Controls

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

Keep it simple...

Simplicity is the ultimate sophistication.

Leonardo da Vinci



Internal Control Suggestions

- Controls over compliance requirements vs controls over financial processes
- Determine the personnel that will oversee the grant
- Authorization – Recordkeeping – Custody of the Funds
- Document the big three
 - Necessary due to public health emergency
 - Not in your budget
 - Incurred between 3/1/20 to 12/30/20
- Separate the CRF activity in your general ledger or subsidiary ledger so it is easily identified for reports and auditors
- Retain records for 5 years

200.330 – 332 Subrecipient Monitoring and Management

§200.330 Subrecipient and contractor determinations.

§200.331 Requirements for pass-through entities.

§200.332 Fixed amount subawards.

200.331 Requirements for pass-through entities

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

(i) Subrecipient name (which must match the name associated with its unique entity identifier);

(ii) Subrecipient's unique entity identifier;

(iii) Federal Award Identification Number (FAIN);

200.331 Requirements for pass-through entities

- (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

200.331 Requirements for pass-through entities

- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- (xii) Identification of whether the award is R&D; and
- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

200.331 Requirements for pass-through entities

- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
- (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);

200.331 Requirements for pass-through entities

(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and

(6) Appropriate terms and conditions concerning closeout of the subaward.

200.331 Requirements for pass-through entities

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

200.331 Requirements for pass-through entities

(c) Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in §200.207 Specific conditions.

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

200.331 Requirements for pass-through entities

(e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- (1) Providing subrecipients with training and technical assistance on program-related matters; and
- (2) Performing on-site reviews of the subrecipient's program operations;
- (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

200.331 Requirements for pass-through entities

(g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

(h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

Reporting Requirements

- Quarterly reporting
- Reporting should be set up to provide:
 - Amount transferred to other governments;
 - Amount spent on payroll for public health and safety employees;
 - Amount spent on budgeted personnel and services diverted to a substantially different use;
 - Amount spent to improve telework capabilities of public employees;
 - Amount spent on medical expenses;
 - Amount spent on public health expenses;
 - Amount spent to facilitate distance learning;
 - Amount spent providing economic support;
 - Amount spent on expenses associated with the issuance of tax anticipation notes; and
 - Amount spent on items not listed above.

References

U. S. Department of Treasury Website

<https://home.treasury.gov/policy-issues/cares/state-and-local-governments>

Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal

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

Coronavirus Relief Fund Frequently Asked Questions

<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>

GASB Technical Bulletin No. 2020-1

https://www.gasb.org/cs/ContentServer?c=Document_C&pagename=GASB%2FDocument_C%2FDocumentPage&cid=1176174832053

References

AICPA COVID-19 Resource Page

<https://www.aicpa.org/interestareas/governmentalauditquality/resources/singleaudit/uniformguidanceforfederalrewards.html#COVID>

AICPA Summary of Uniform Guidance Applicability for New COVID-19 Related Federal Programs

<https://www.aicpa.org/content/dam/aicpa/interestareas/governmentalauditquality/resources/singleaudit/uniformguidanceforfederalrewards/downloadabledocuments/gaqc-summary-of-applicability-for-new-coronavirus-related-fed-programs-20200616.pdf>

AICPA Provides Feedback to OMB on Needed COVID-19 Single Audit Information

<https://www.aicpa.org/content/dam/aicpa/interestareas/governmentalauditquality/resources/singleaudit/uniformguidanceforfederalrewards/downloadabledocuments/aicpa-questions-on-covid-19-impact-for-omb-20200413.pdf>

References

Uniform Guidance

https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

OMB Compliance Supplement - 2019

https://www.whitehouse.gov/wp-content/uploads/2019/09/2-CFR_Part-200_Appendix-XI_Compliance-Supplement_August-2019_FINAL_v2_09.19.19.pdf

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