

THE CORONAVIRUS RELIEF FUND AUDIT CONSIDERATIONS

November 18, 2020

Presentation for the Minnesota State Auditor Local Government Training
Conference

PRESENTER INFORMATION

- Tom Karlson, CPA, Manager of Standards and Procedures, Office of the State Auditor
 - 651-296-4715
 - Tom.Karlson@osa.state.mn.us

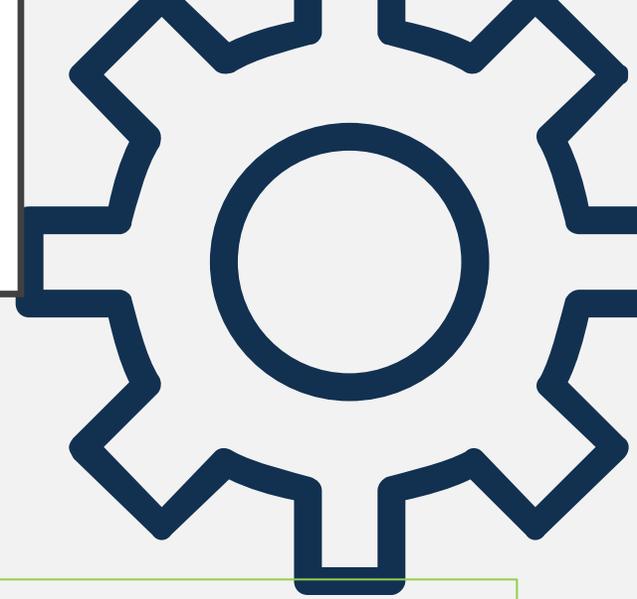
SINGLE AUDITS

- Single Audits
 - Threshold is \$750,000 of federal expenditures
 - Expected for all counties, but there could be exceptions
 - Significant number of cities, some possibly for the first time
- Coronavirus Relief Fund
 - Major program
 - 21.019
 - Be aware of other federal programs
 - Program specific
- Entities need to follow applicable requirements of the Uniform Guidance

COMPLIANCE REQUIREMENTS

- Activities allowed or unallowed
- Cash management
- Eligibility
- Period of Performance
- Reporting
- Subrecipient monitoring

QUALIFYING COSTS I - NECESSARY EXPENDITURES



To qualify, expenses must satisfy three distinct elements.

1 NECESSARY EXPENDITURES

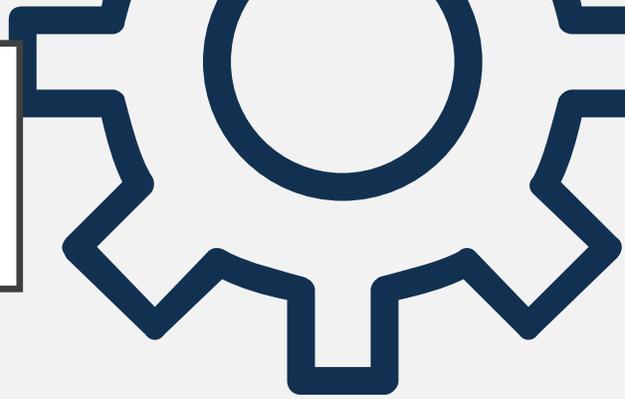
Necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)

“NECESSARY”: Expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.

Review the documentation for expenses supporting necessary costs

“DUE TO”: Expenditures must be used for actions taken to respond to the public health emergency; including expenditures incurred to respond directly to the emergency, as well as expenditures incurred to respond to second-order effects, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures. **Review the documentation supporting the actions taken were a result of the responses to COVID-19 emergency**

QUALIFYING COSTS 2 – UNACCOUNTED-FOR EXPENSES



To qualify, expenses must satisfy three distinct elements.

Costs not accounted for in the budget most recently approved as of March 27, 2020

2 UNACCOUNTED-FOR EXPENSES

“NOT ACCOUNTED FOR”: (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.

Review documentation supporting that a cost is not in the current budget or is “substantially different”

“MOST RECENTLY APPROVED” budget: 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.

QUALIFYING COSTS 3 – INCURRED DURING COVERED PERIOD

To qualify, expenses must satisfy three distinct elements.

3

INCURRED DURING COVERED PERIOD

“**INCURRED**” - for MN local governments, funds must be **EXPENDED** by the end of the covered period. Remember the two exceptions.

“**COVERED PERIOD**” for cities and townships: March 1, 2020 – November 15, 2020.

“**COVERED PERIOD**” for counties: March 1, 2020 - December 1, 2020.

- Test expenditures to determine they were incurred during the covered period or meet one of the exceptions

PUBLIC HEALTH AND SAFETY PAYROLL COSTS

- Presumption that costs are substantially dedicated and significantly different
 - Identify that this is decision
- Document the total costs claimed
 - Should tie to financial records
- Be aware of potential double dipping
 - Exclude amounts charged to other grants
 - Exclude amounts reimbursed by policing contracts

PERIOD OF PERFORMANCE

- Prime Recipients
 - March 1 through December 30, 2020
- State of Minnesota Sub-recipients
 - State deadlines
 - Cities and Towns-March 1 through November 15, 2020
 - Excess remitted to home county by November 20
 - Counties-December 1, 2020
 - Excess remitted to state by December 10, 2020
 - Exceptions:
 - Accrued payroll costs
 - Supply change disruptions
 - Evidence supporting meeting the exceptions

SUBRECIPIENT MONITORING

- Entity responsible for carrying out the requirements of the program
- Subrecipient vs. contractor vs. beneficiary examples:
 - A County contracts with a non-profit that determines who is eligible to receive economic assistance,. The non-profit is considered a subrecipient.
 - A County has an agreement with a non-profit to assist with documentation and screenings. The County makes the final determinations regarding eligibility. The non-profit is considered a contractor.
 - A non-profit applies for support/funding and submits documentation/certifications regarding their COVID-19 costs in certain categories. The non-profit is considered beneficiary/recipient.
- Auditor would look at what procedures the entity is performing to monitor subrecipient,

EQUIPMENT

- FAQ 58
- The expenses of acquiring or improving real property and of acquiring equipment (e.g., vehicles) may be covered with payments from the Fund in certain cases. For example, Treasury's initial guidance referenced coverage of the costs of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs, as an eligible use of funds. Any such use must be consistent with the requirements of section 601(d) of the Social Security Act as added by the CARES Act.
- As with all uses of payments from the Fund, the use of payments to acquire or improve property is limited to that which is necessary due to the COVID-19 public health emergency. In the context of acquisitions of real estate and acquisitions of equipment, this means that the acquisition itself must be necessary. In particular, a government must (i) determine that it is not able to meet the need arising from the public health emergency in a cost-effective manner by leasing property or equipment or by improving property already owned and (ii) maintain documentation to support this determination. Likewise, an improvement, such as the installation of modifications to permit social distancing, would need to be determined to be necessary to address the COVID-19 public health emergency.
- Previous guidance regarding the requirement 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 focused on the acquisition of goods and services and leases of real property and equipment, but the same principles apply to acquisitions and improvements of real property and acquisitions of equipment. Such acquisitions and improvements must be completed and the acquired or improved property or acquisition of equipment be put to use in service of the COVID-19-related use for which it was acquired or improved by December 30, the appropriate deadline. Finally, as with all costs covered with payments from the Fund, such costs must not have been previously accounted for in the budget most recently approved as of March 27, 2020.

DOCUMENT! DOCUMENT!



QUESTIONS

