

Emerging Issues in Government Accountability

Rutgers Governmental Accounting &
Auditing Update Conference

December 3, 2020



NASACT

National Association of State
**Auditors, Comptrollers
and Treasurers**



Today's Agenda

- State Fiscal Outlook
- Legislative and Regulatory Issues: COVID-19
- Other Emerging Issues
 - GREAT Act
 - Uniform Guidance Revisions

State Fiscal Outlook

NATIONAL OVERVIEW



▼
GDP growth:
2020 – 3rd qtr. rose 7.4% (30% annual); 2nd qtr. decline 7.8% (31% annual)
2.7% decline estimated for 2020, but 3.6% increase in 2021

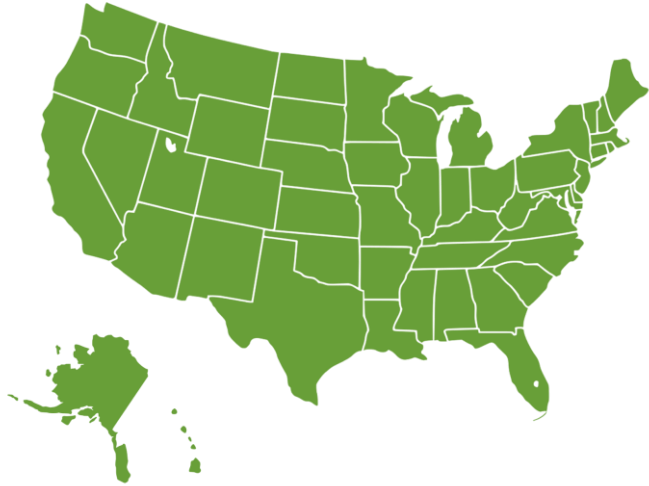
▼
Stock Market:
2020 – DJIA lost 23% for first qtr. (worst showing since 1987); up 18% in 2nd qtr. (best qtr. since 1987); up 7.6% in 3rd qtr.

▼
Recession:
February 2020 – recession starts. Economists believe recession lasts through the 2nd qtr.

▼
Unemployment:
October 2020 – 6.9%, down from 7.9% in September
Still remains at high levels (was 3.5% before pandemic)

▼
Jobs:
October 2020 – added 638,000 jobs
March 2020 – 701,000 jobs lost (broke streak of 113 consecutive months of positive job creation)

▼
Interest rates:
Fed Reserve lowered rates 1.50% in March 2020 following three cuts in 2019
Fed officials see rates staying near zero through 2022, 2023



What's the current State Fiscal Environment?

All sources of revenue (personal income, sales, corporate income, motor fuel, gaming) are being impacted by COVID-19

State revenues estimated to decline 0.8% in FY 2020 – first decline since Great Recession

NCSL estimates FY 2021 revenues could experience a \$300-\$400 billion shortfall

Different than other recessions – public health emergency and sharp economic declines

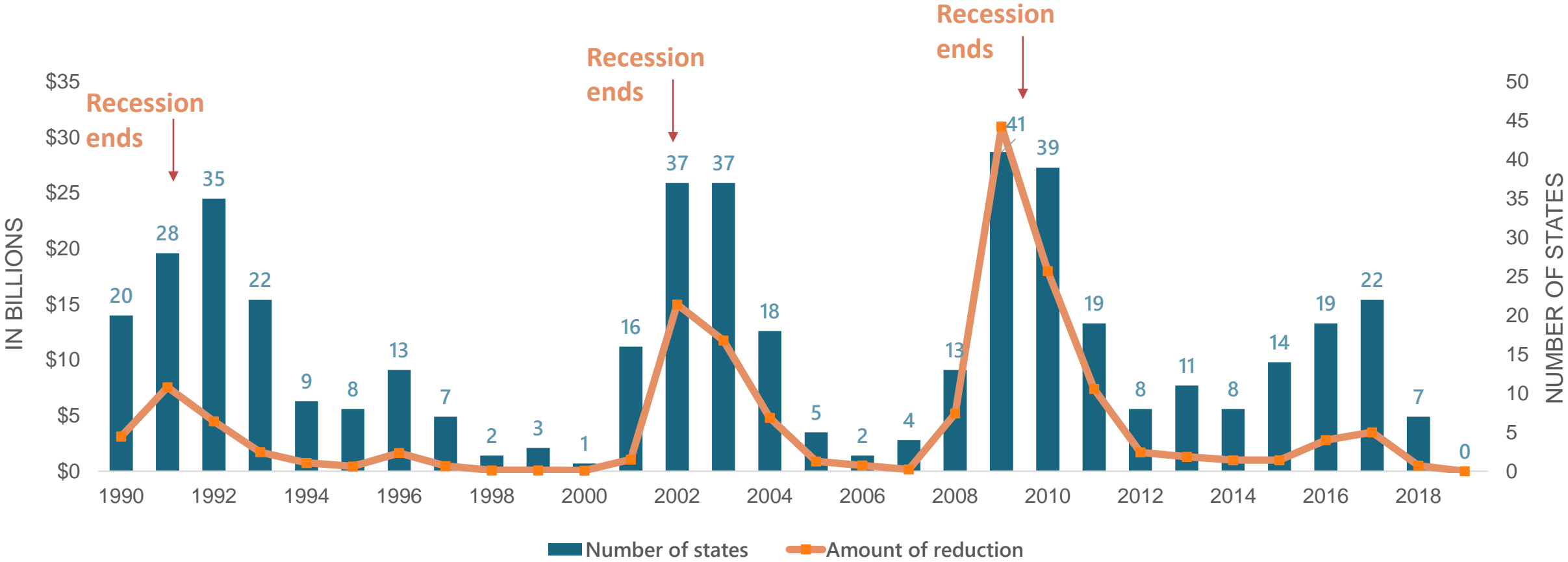
States are facing both increased spending demands and significant revenue declines; states are revising revenue forecasts



Before COVID 19: The Good News

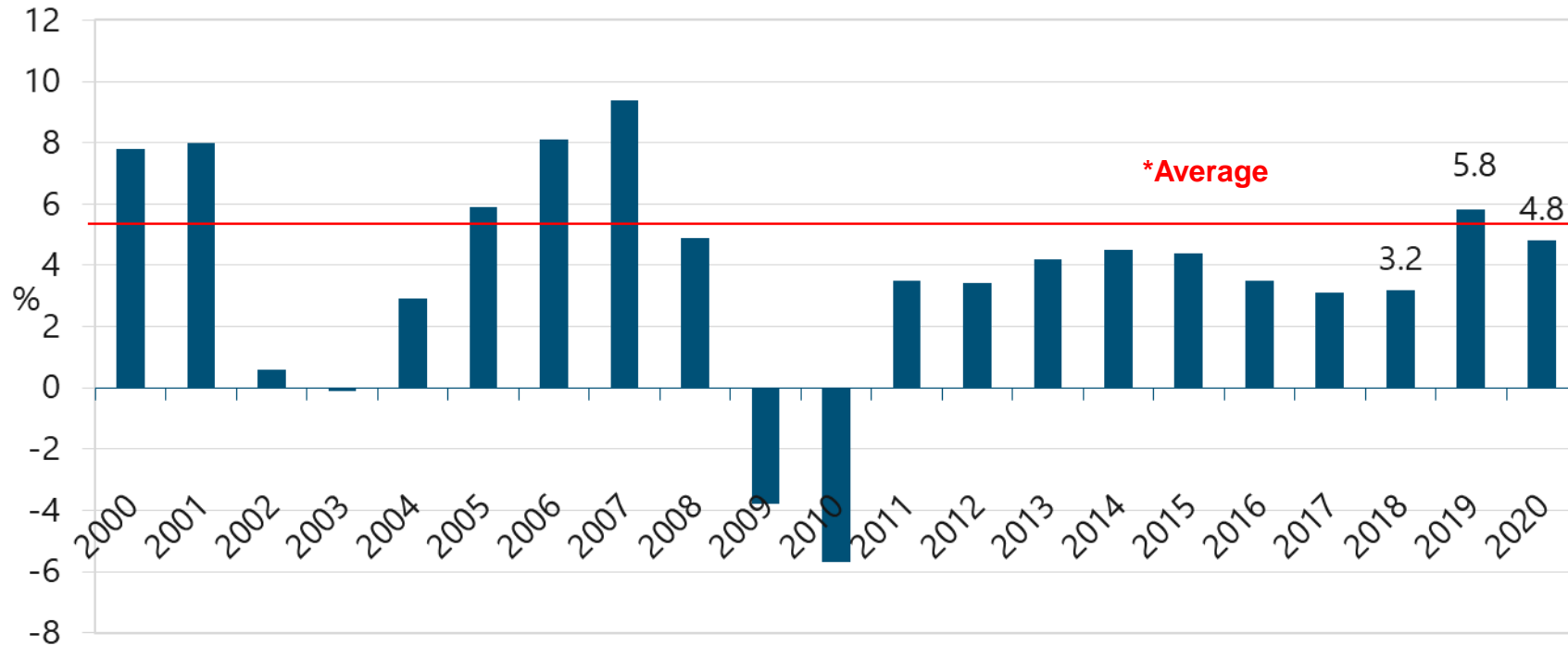
Photo by: Jake McGuire

No States Made Mid-Year Budget Cuts in FY 2019



Source: NASBO

Annual General Fund Expenditure Growth, Nominal (%)



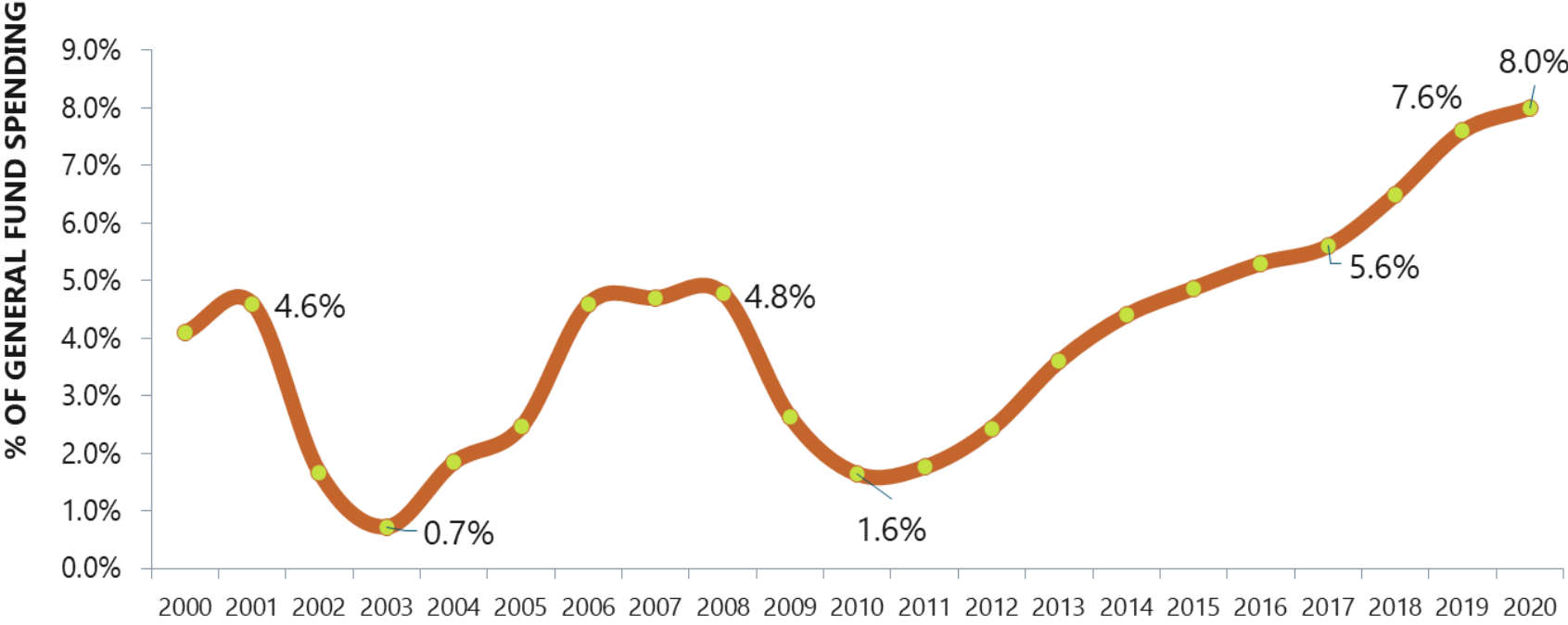
State General Fund Spending Expected to See Moderate Increase In Fiscal 2020, Following Above-Average Growth in Fiscal 2019

45 States Enacted Spending Increases in Fiscal 2020

* 41-year historical average annual nominal growth rate in state general fund spending is 5.4 percent.

Source: NASBO's Fall 2019 Fiscal Survey of States

Median Rainy Day Fund Balance Over Time



Most States Continue to Strengthen Rainy Day Funds

Median balance reaches all-time high

41 States Reported Increases in Fiscal 2019;

32 States Forecast Increases in Fiscal 2020

Source: NASBO State Expenditure Report, 50-state median



Post-COVID 19: Growing Concerns

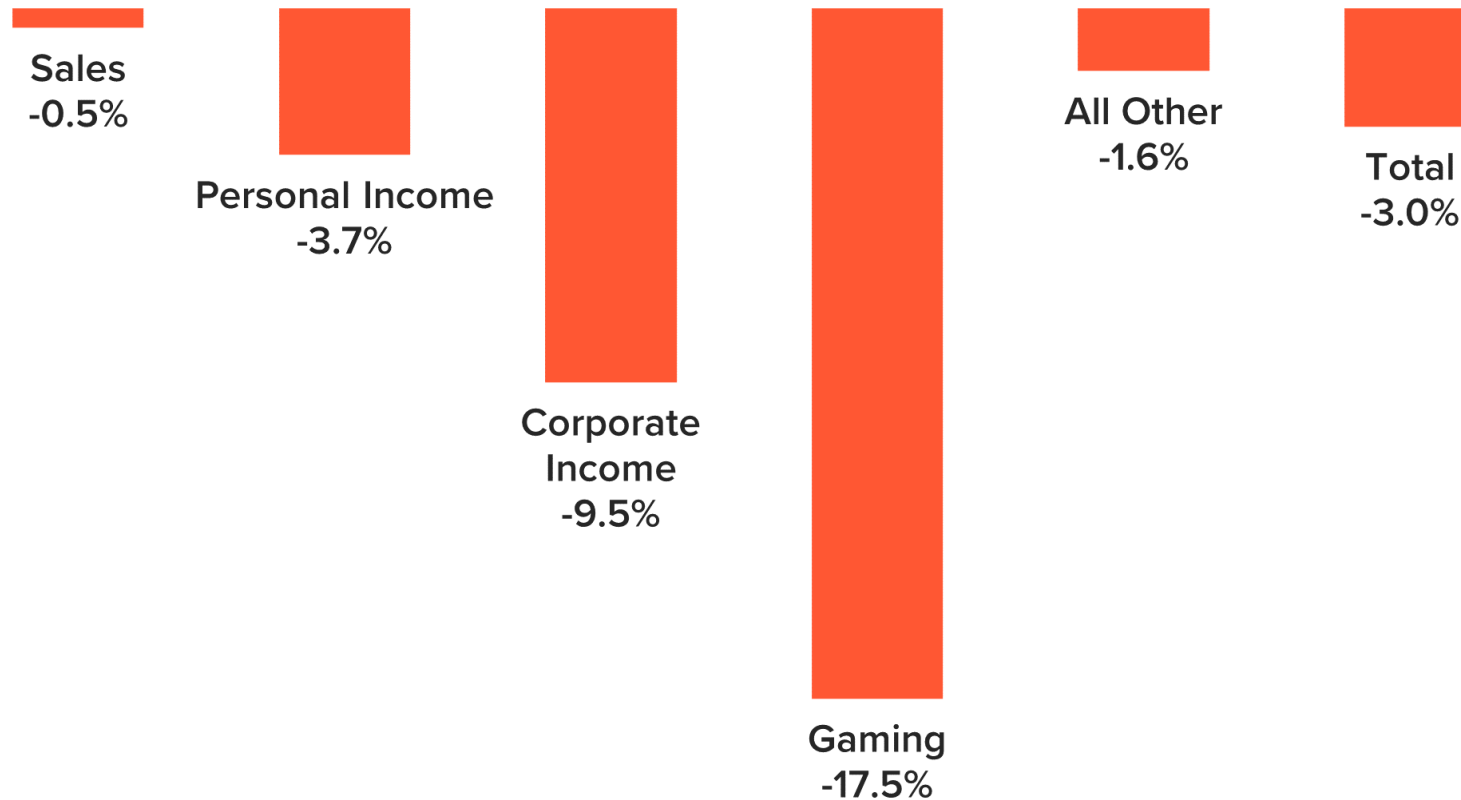
Photo by: Jake McGuire

COVID-19: Impact on State Revenues

- FY 2020 revenue collections
 - *State Revenues Decline for First Time Since the Great Recession, With the Worst Still to Come*
 - 6% overall shortfall in just a few months' time
 - The start of what is expected to be a multi-year revenue challenge
 - 3% decline in general fund revenue compared to FY 2019; was expected to grow 3%
 - Revenue losses across all major types of revenue categories

COVID-19: Impact on State Revenues

Fiscal 2020 Year-Over-Year Change In State General Fund Revenue*



Source: NASBO [blog](#) post 9-8-20

COVID-19: Impact on State Revenues

- FY 2021 Outlook
 - Most states expecting more severe declines in FY 2021
 - Coming into this crisis, most states were seeing revenues coming in at or ahead of projections creating a cushion to soften the blow
 - As economic activity remains significantly depressed and unemployment remains high, this crisis will affect the full fiscal year of state revenue collections for fiscal 2021
 - Federal stimulus measures have been propping up the economy, and therefore state tax revenues, but those have largely ended
 - State tax returns for fiscal 2020 reflected the strong economic activity of 2019, while returns for fiscal 2021 will reflect the much weaker economy in 2020
 - The decline in state tax collections typically lags the start of national economic downturns
 - For example, state revenues grew 4.2 percent in fiscal 2008 even though the Great Recession began in December 2007 (the middle of fiscal 2008 for most states), while tax collections declined 10.0 percent in fiscal 2009

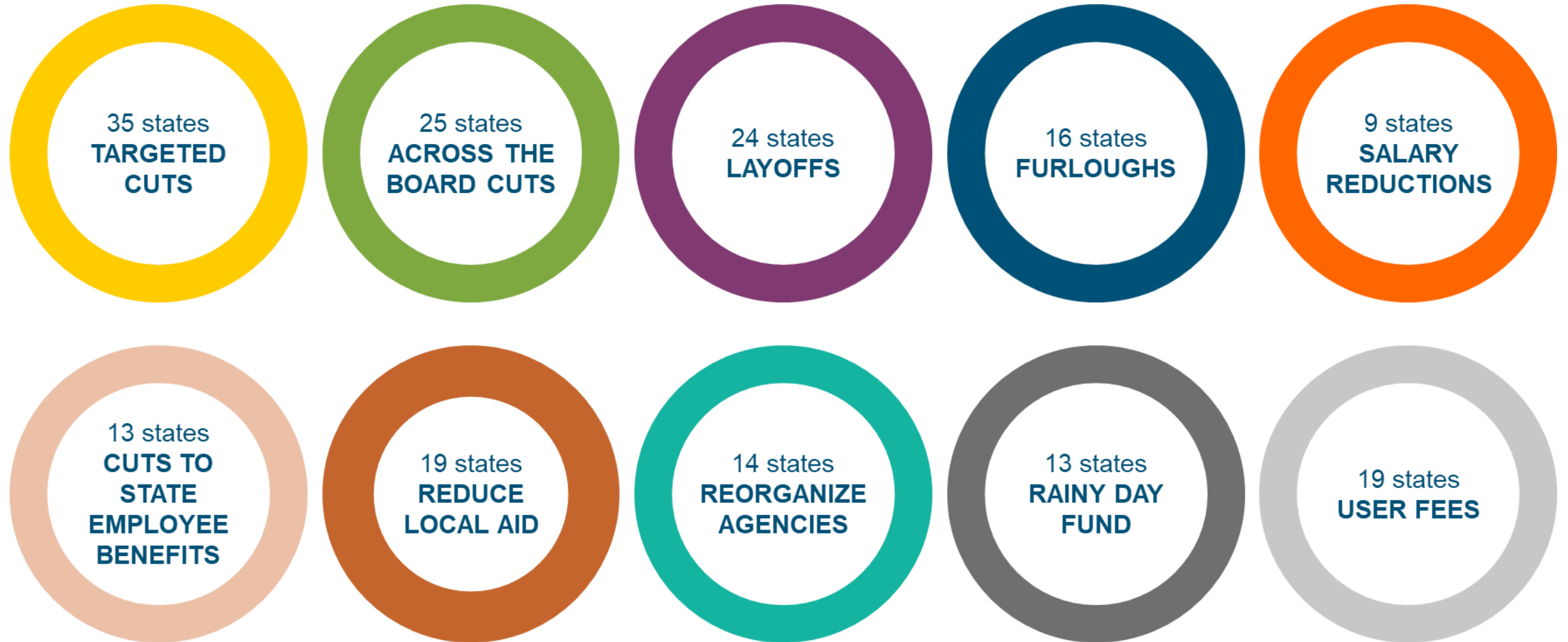
Source: NASBO [blog](#) post 9-8-20

Budget Impacts for Fiscal 2021 and FY 2022

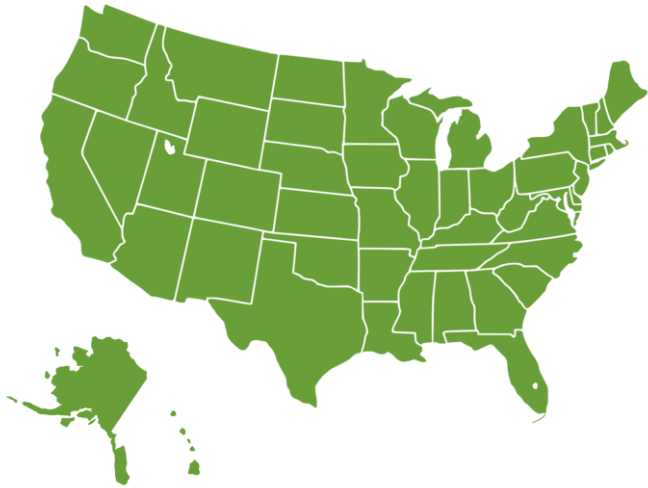
- Significant losses projected, especially without additional federal aid
 - Overall revenue losses are expected to exceed the 11.6% decline during the Great Recession
 - Some states expecting declines of 20% or more
 - Moody's Analytics [analysis](#) suggests state budgets could experience an economic shock of \$498 billion
 - Governors are asking agencies for FY 2021 or 2022 budget reductions as much as 15-20% in some states
 - Numerous states have called special sessions to revise budgets
 - Eliminating pay increases
 - Making cuts to baseline spending and personnel
 - Cancelling planned investments

Source: NASBO [blog](#) post 9-8-20

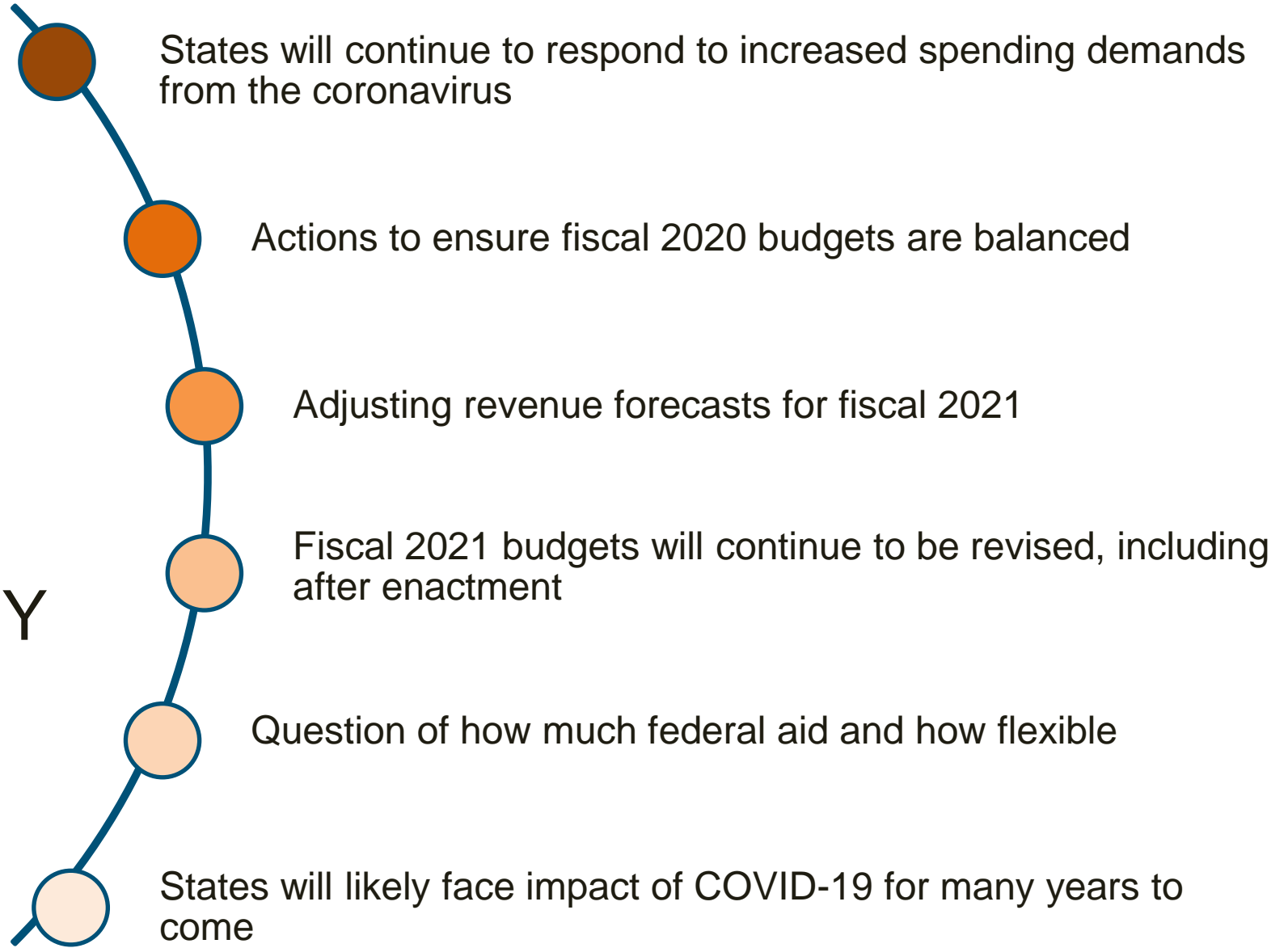
Strategies Used to Manage Budgets, FY 2010



Source: NASBO



Outlook for states FY 2020 and beyond



Legislative and Regulatory Issues: COVID-19

COVID-19: Congressional Response

- Three wide-ranging laws have been enacted:
 - March 6: Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 ([Public Law 116-123](#))
 - March 18: Families First Coronavirus Response Act ([Public Law 116-127](#))
 - March 27: Coronavirus Aid, Relief, and Economic Security Act ([Public Law 116-136](#))
 - April 24: Paycheck Protection Program and Health Care Enhancement Act ([Public Law 116-139](#)) (relief package 3.5)
- \$2.8 trillion to date (12.9% of GDP; 60% of total expected spending in FY 2021)
- Is a fourth round of relief forthcoming?

COVID-19: Congressional Response

- Coronavirus Aid, Relief, and Economic Security (CARES) Act
 - Provided \$2.2 trillion to support the government's response and help businesses and individuals
 - \$150 billion for aid to state, local, and tribal governments
 - Coronavirus Relief Fund (CRF) (§ 5001)
 - Direct aid to states, tribal governments, territories and local governments with populations over 500,000
 - Bulk of funding goes to states using population-based formula
 - No state receives less than \$1.25 billion
 - Large local governments apply for their own direct funding
 - Smaller local governments need to go through their state for funding

COVID-19: Congressional Response

- Key Provisions for S&L governments/recipients:
 - Reporting on Use of Funds (§ 15011, page 260)
 - Not later than 10 days after each quarter, each covered recipient shall submit to the agency (grantor) **and** the PRAC a report that contains:
 - Amount of large covered funds (more than \$150,000) received;
 - The amount of **large covered funds expended** or obligated for each project or activity;
 - A detailed list of projects or activities for which large covered funds were expended or obligated, including:
 - » the name of the project or activity;
 - » a description of the project or activity; and
 - » the estimated number of jobs created or retained by the project or activity; and
 - Detailed information on any level of subcontracts or subgrants awarded by the covered recipient to include the data elements required to comply FFATA
 - First report (§ 15011(b)(2), page 261)
 - Due not later than 45 days after the end of the first full quarter following the enactment date
 - August 15, 2020

COVID-19: Congressional Response

- Key Provisions for S&L governments/recipients:
 - Use of CRF Funds (§ 601(d), p. 223)
 - Qualifications:
 - The costs incurred are necessary expenditures due to COVID-19
 - The expenditures were not accounted for in the budget most recently approved as of the date of enactment
 - Expenses were incurred from March 1, 2020 through December 30, 2020
 - Certification
 - In order to receive payment, local governments shall provide the Secretary a certification signed by the local government's Chief Executive that the use of funds are proper

CRF: Treasury Guidance and FAQs

- Treasury [Guidance](#) and [FAQs](#)
 - Initial release on April 22, 2020
 - Guidance updated twice since initial release
 - FAQs updated seven times
 - Current guidance document is September 2, 2020
 - Current FAQs are October 19, 2020

CRF: Treasury Guidance and FAQs on CRF

- Provides explanation of:
 - What are necessary expenditures “due to” the public health emergency?
 - What are “costs not accounted for in the most recent budget?”
 - What are costs “incurred?”
 - Examples of eligible and ineligible expenditures
 - Supplemental guidance on use of funds to cover:
 - Payroll and benefits of public employees
 - Administrative costs
 - Subrecipient vs. beneficiary

CRF: Treasury Guidance

- What are necessary expenditures “due to” the crisis?
 - Include costs to respond directly and to respond to “second-order effects” (e.g., providing support to those suffering from employment or business interruptions)
 - Funds may not be used to fill revenue shortfalls
 - Must be “necessary”
 - based on the judgment of responsible government officials

CRF: Treasury Guidance

- What are “costs not accounted for in the most recent budget?”
 - Costs must be new; i.e., were not included in a line item, within that budget or is for a substantially different use
 - “Most recently approved” budget is the enacted budget
 - Does not include subsequent supplemental appropriations made in response to COVID-19

CRF: Treasury Guidance

- What are “incurred” costs?
 - Incurred when funds are **expended** to cover the cost
 - Clarified to include performance or delivery must occur during the covered period **but** payment of funds need not be made during that time
 - Payment is generally expected to take place with 90 days of a cost being incurred (extends actual payment to March 31, 2021)
 - Goods delivered in the covered period need not be used during the covered period in all cases
 - Bulk purchases and durable goods may be allowed
 - Guidance applies in a like manner to costs of subrecipients

CRF: Treasury Guidance

- Examples of Eligible Expenditures
 - Medical expenses
 - Public health expenses
 - Payroll expenses
 - Compliance with public health measures expenses
 - Economic support expenses
 - Other expenses

CRF: Treasury Guidance

- Examples of *Ineligible* Expenditures
 - Expenses for the state share of Medicaid
 - Damages covered by insurance
 - Payroll or benefits for employees not substantially dedicated to responding to COVID-19
 - Expenses reimbursed by other parts of the Act
 - Workforce bonuses other than hazard pay or overtime
 - Severance pay

CRF: Treasury Guidance

- Supplemental Guidance on Payroll and Benefits of Public Employees
 - Treasury is not limiting eligible costs to those that are incremental increases above amounts previously budgeted
 - Rather, Treasury has interpreted this provision to exclude items that were already covered for their original use (or a substantially similar use)
 - Personnel expenses should include those to “allow recipients facing budget pressures not to have lay off or furlough employees who would be needed to assist with that purpose”

CRF: Treasury Guidance

- Supplemental Guidance on Payroll and Benefits of Public Employees (cont.)
 - Public health and public safety
 - As an **administrative accommodation**, Treasury has provided that a government may presume that public health and safety employees meet the substantially dedicated test
 - Unless government's chief executive determines otherwise
 - Includes police officers (including state police), sheriffs and deputy sheriffs, firefighters, EMS responders, correction and detention officers, dispatchers and supervisory personnel

CRF: Treasury Guidance

- Supplemental Guidance on Administrative Costs
 - General
 - Payments from the CRF are not part of a traditional grant
 - Provisions of Uniform Guidance applicable to indirect costs do **not** apply
 - Recipients may not apply their indirect cost rates to CRF payments
 - Compliance Costs
 - Reasonably proportionate share audit costs are allowable
 - Necessary audit costs after December 31 may be incurred
 - Recipient must report ongoing audit costs to the Treasury OIG by the quarter ending September 2021

CRF: Treasury FAQs

- Treasury FAQs
 - General
 - October 19, 2020 version contains 72 questions
 - Two major categories:
 - Eligible expenditures (59)
 - Administration of fund payments (13)

CRF: Treasury FAQs

- Key Treasury FAQs
 - How does a government determine whether payroll expenses for a given employee satisfy the “substantially dedicated” condition? (A.2; related question A.47)
 - As a matter of **administrative convenience**, a government may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency, unless the chief executive of the relevant government determines that specific circumstances indicate otherwise.
 - What would qualify as a “substantially different use” for purposes of Fund eligibility? (A.3)
 - Costs incurred for a “substantially different use” include, but are not necessarily limited to, costs of personnel and services that were budgeted for in the most recently approved budget but which, due entirely to the COVID-19 public health emergency, have been diverted to substantially different functions.

CRF: Treasury FAQs

- Key Treasury FAQs (cont.)
 - Could Fund payments be used **for capital improvement projects** that broadly provide potential economic development in a community? (A.28)
 - In general, no. If capital improvement projects are not necessary expenditures incurred due to the COVID-19 public health emergency, then Fund payments may not be used for such projects. However, Fund payments may be used for the expenses of, for example, establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity or improve mitigation measures, including related construction costs.
 - May funds be used to satisfy non-federal **matching** requirements under the Stafford Act? (A.42)
 - Yes, payments from the Fund may be used to meet the non-federal matching requirements for Stafford Act assistance to the extent such matching requirements entail COVID-19-related costs that otherwise satisfy the Fund's eligibility criteria and the Stafford Act. Regardless of the use of Fund payments for such purposes, FEMA funding is still dependent on FEMA's determination of eligibility under the Stafford Act.

CRF: Treasury FAQs

- Key Treasury FAQs (cont.)
 - May Fund recipients incur expenses associated with the safe reopening of schools? (A.53)
 - Yes, payments from the Fund may be used to cover costs associated with providing distance learning (e.g., the cost of laptops to provide to students) or for in-person learning (e.g., the cost of acquiring personal protective equipment for students attending schools in-person or other costs associated with meeting Centers for Disease Control guidelines).
 - To this end, as an **administrative convenience**, Treasury will presume that expenses of up to \$500 per elementary and secondary school student to be eligible expenditures, such that schools do **not** need to document the specific use of funds up to that amount.
 - \$500 limit applies across all levels of government

CRF: Treasury FAQs

- Key Treasury FAQs (cont.)
 - In addition to \$500 per student, can other re-opening costs be covered? (A.53)
 - The recipient may **not** also cover additional re-opening costs **other than** those associated with:
 - Expanding broadband capacity
 - Hiring new teachers
 - Developing online curriculum
 - Acquiring computers and similar digital devices
 - Acquiring and installing additional ventilation/other air filtering
 - Incurring additional transportation costs
 - Incurring additional costs of providing meals

CRF: Treasury FAQs

- Key Treasury FAQs (cont.)
 - Do governments have **to return unspent funds**? (B.1)
 - Yes, for funds that have not been used for costs incurred by December 30, 2020
 - May recipients deposit Fund payments into **interest bearing accounts**? (B.3)
 - Yes, provided that if recipients separately invest amounts received from the Fund, they must use the interest earned or other proceeds of these investments only to cover allowable expenditures
 - Fund payments are not subject to the Cash Management Improvement Act of 1990
 - May governments **retain assets** purchased with these funds? (B.4)
 - Yes, if the purchase was consistent with eligible uses of funds

CRF: Treasury FAQs

- Key Treasury FAQs (cont.)
 - Are Fund payments to State, territorial, local, and tribal governments **considered grants**? (B.6)
 - No. Fund payments are not considered to be grants but are “other financial assistance” under 2 CFR § 200.40
 - Are Fund payments considered federal financial assistance for purposes of the **Single Audit Act**? (B.7)
 - Yes, Fund payments are considered federal financial assistance subject to the Single Audit Act
 - Are Fund payments subject to other requirements of the **Uniform Guidance**? (B.8)
 - Fund payments are subject to the following requirements in the Uniform Guidance:
 - 200.303 regarding internal controls, 200.330 through 200.332 regarding subrecipient monitoring and management, and subpart F regarding audit requirements

CRF: Treasury FAQs

- Key Treasury FAQs (cont.)
 - Is there a Catalog of Federal Domestic Assistance (**CFDA**) **number** assigned to the Fund? (B. 9)
 - Yes. The CFDA number assigned to the Fund is 21.019.
 - If a government has transferred funds to another entity, from which entity would Treasury seek to **recoup the funds** if they have not been used appropriately? (B.12)
 - Treasury would seek to recoup the funds from the government that received the payment **directly**. State, territorial, local, and Tribal governments receiving funds from Treasury should ensure that funds transferred to other entities are used in accordance with section 601(d) of the Social Security Act as implemented in the Guidance.

CRF: Treasury FAQs

- Key Treasury FAQs (cont.)
 - What are the differences between a subrecipient and a beneficiary for Single Audit purposes? (B.13)
 - Subrecipients of payments from the CRF include recipients of transfers from a State, territory, local government, or tribal government that received a payment directly from Treasury.
 - However, subrecipients would not include individuals and organizations (e.g., businesses, non-profits, or educational institutions) that are beneficiaries of an assistance program established using CRF payments.

CARES Act: Role of Treasury OIG

- Treasury Office of Inspector General (OIG) plays a significant role under the CARES Act
 - Responsible for monitoring and oversight of the receipt, disbursement, and use of CRF payments
 - Authority to recover funds spent improperly
 - Issued on reporting and record retention requirements
 - July 2, 2020 [OIG-CA-20-021](#)
 - July 31, 2020 [OIG-CA-20-025](#)
 - August 28, 2020 [OIG-CA-20-028](#) (FAQs)
 - September 21, 2020 [OIG-CA-20-028](#) (FAQs)
 - November 25, 2020 [OIG-CA-20-028](#) (FAQs)

CRF: Treasury OIG Guidance

- Reporting Requirements
 - Reporting is at the prime and first subrecipient level
 - Prime recipient has responsibility for subrecipient reporting
 - GrantsSolutions is the reporting portal
 - A grant management service provider under U.S. HHS
 - Portal is operational on September 1, 2020
 - Prepopulated with prime recipient data including payment amount, date, recipient DUNS number and contact information
 - Data will be provided to the PRAC which will report the data on its website

CRF: Treasury OIG Guidance

- Reporting Requirements
 - List all projects the prime recipient plans to complete
 - Projects are a grouping of related activities that together are intended to achieve a specific goal
 - For each project, the prime recipient should report:
 - Project name
 - Identification number (created by the prime recipient)
 - Description
 - Status of completion
 - Once a project is entered in GrantsSolutions, the project's obligations and expenditures can be reported

CRF: Treasury OIG Guidance

- Reporting Requirements
 - Expenditure Categories
 - Prime recipient reports expenditures into 18 categories from a dropdown menu.
 - Categories include such items as:
 - Administrative expenses
 - Budgeted personnel/services diverted to a substantially different use
 - COVID-19 testing and contact tracing
 - Economic support
 - Medical expenses
 - Payroll for public health and safety employees

CRF: Treasury OIG Guidance

- Reporting Requirements
 - Subrecipient reporting
 - Each prime recipient shall also provide detailed obligation and expenditure information to subrecipients greater than \$50,000 for the following:
 - Contracts
 - Grants
 - Loans
 - Transfers to Other Government Entities
 - Direct Payments
 - Aggregate reporting is allowed below \$50,000

CRF: Treasury OIG Guidance

- Certifications and Submission
 - Recipient Portal Access
 - Each prime recipient will have portal access for three individuals:
 - Two designees (preparers) to input quarterly data
 - One official authorized to certify that the data is true, accurate and complete
 - Treasury OIG will review the submissions and approve those determined to be complete
 - All prime recipient data will be captured on a quarterly and cumulative basis

CRF: Treasury OIG Guidance

- Reporting Timelines
 - Interim Reporting
 - Due July 17, 2020 for period March 1 through June 30, 2020
 - Quarterly reporting
 - Due 10 days after quarter end
 - First report is due September 21, 2020
 - Might be different reporting deadline for electronic upload
 - Last report with the calendar quarter after the COVID-19 related costs have been liquidated and paid or the quarter ending September 30, 2021, whichever comes first

CRF: Treasury OIG Guidance

- Record Retention Requirements
 - Recipients of CRF payments shall maintain and make available **all documents and financial records** sufficient to establish compliance with the CARES Act
 - Should be available upon request by Treasury OIG
 - Records may include, but not limited to, copies of:
 - General ledger and subsidiary ledger
 - Budget records
 - Payroll and time records to support costs
 - Grant agreements and grant subaward agreements
 - Records shall be maintained for five years after final payment

CRF: Treasury OIG FAQs

- FAQs
 - 86 overall FAQs in the following nine categories:
 1. Prime recipients
 2. System for Award Management (SAM.gov) Registration
 3. Terminology
 4. Reporting
 5. Reporting Corrections
 6. Reporting Deadline
 7. GrantsSolutions Portal
 8. Record Retention/Audit
 9. Recoupment

CRF: Treasury OIG FAQs

- Key FAQs (cont.)
 - Who is a subrecipient or a beneficiary? (#2)
 - For purposes of reporting in the GrantSolutions portal, 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.
 - The definition of a subrecipient/beneficiary provided by Treasury OIG is different than the definition in OMB's Uniform Guidance. Which definition is a prime recipient expected to comply with? (#3)
 - The prime recipient must comply with the Treasury OIG definition. For purposes of reporting in the GrantSolutions portal, a prime recipient is to report on subrecipients, as defined by Treasury OIG.

CRF: Treasury OIG FAQs

- Key FAQs (cont.)
 - If a prime recipient received CARES Act funding from different Federal agencies, are all costs incurred related to CARES funding to be reported in the GrantSolutions portal, regardless of the funding source? (#30)
 - No. The GrantSolutions portal is only for the reporting of costs incurred related to CRF proceeds received from Treasury. Financial assistance that a prime recipient may have received from other sources are not to be reported in this portal.

CRF: Treasury OIG FAQs

- Key FAQs (cont.)
 - If an error is identified or an addition/modification needs to be made, is there an ability to amend the previous submitted data? (#57)
 - Yes, if a prime recipient determines corrections or additions are necessary, the current GrantSolutions submission may be recalled, corrected, and resubmitted within the first 10 days after the quarter end. Also, changes to a previous quarterly submission may be made in a current reporting submission.
 - Prime recipient will have until September 21, 2021 (reporting cycle 6) to make any corrections in GrantsSolutions

CRF: Treasury OIG FAQs

- Key FAQs (cont.)
 - Can a prime recipient request extensions in filing their quarterly reports? (#63)
 - Yes, requests to extend the quarterly reporting deadline should be sent to Treasury OIG at CARES@oig.treas.gov for extension approval/disapproval. These decisions will be made on a case-by-case basis and consider extenuating circumstances.

CRF: Treasury OIG FAQs

- Key FAQs (cont.)
 - Will Treasury OIG audit the subrecipient as part of its prime recipient audit? (#77)
 - Treasury OIG may audit the subrecipient as part of its audit of the prime recipient.
 - What cost principles will Treasury OIG be applying to determine allowability of costs during audit if Subpart E of 2 CFR 200 is not applicable to this funding? (#78)
 - The CARES Act and the Treasury guidance and FAQs will be used as criteria for allowability of costs. Subpart E is not applicable.

CRF: Treasury OIG FAQs

- Key FAQs (cont.)
 - Will government have to demonstrate/substantiate that an employee's function/duties were in fact **substantially dedicated** to mitigating the emergency? (#80.a)
 - No, the government will not have to demonstrate/substantiate that a public health or public safety employee's function/duties were substantially dedicated to mitigating the emergency but must maintain records and documentation supporting payroll amounts reimbursed using CRF proceeds.

CRF: Treasury OIG FAQs

- Key FAQs (cont.)
 - For payroll that was accounted for in the FY2020 budget but was then "presumed" to be substantially dedicated to mitigating the emergency, will the government have to demonstrate/substantiate that an employee's function was a **substantially different use**? (#80.b)
 - No, the government will not have to demonstrate or substantiate that a budgeted public health or public safety employee's function was a substantially different use.

CRF: Treasury OIG Guidance

- Reporting Questions
 - CARES@oig.treas.gov; (855) 584-4853
- *Prime Recipient Quarterly Grant Solutions Submissions Monitoring and Review Procedures Guide*
 - [OIG-CA-20-029](#) (August 31, 2020)
- *Prime Recipient Desk Review Procedures*
 - [OIG-CA-21-004](#) (October 26, 2020)

CARES Act: Open/Remaining Issues

CARES Act: Open/Remaining Issues

- Treasury
 - Upload option
 - Currently limited to prime recipients with the most subrecipients
 - Filing date is estimated to be December 15, 2020
 - First upload cycle will cover two reporting cycles (March 1 – Sept. 30)
 - Capital expenditures
 - Subrecipients vs. beneficiaries

CARES Act: Open/Remaining Issues

- Office of Management and Budget
 - Compliance Supplements
 - 2020 [Supplement](#) (regular) issued August 18, 2020
 - COVID-19 Addendum
 - Expected in the fall 2020
 - Federal Register notice on August 13, 2020, lists 14 COVID-19 programs totaling \$367.5 billion, including:
 - » HHS Rural Health Clinic Testing – 93.697 (\$225 billion)
 - » HHS Provider Relief Program – 93.498 (\$175 billion)
 - » Treasury Coronavirus Relief Fund – 21.019 (\$150 billion)
 - » Education Stabilization Fund – 84.425 (\$30 billion)

COVID-19: Response from OMB & Standard-Setters

COVID-19: OMB's Response

- OMB Administrative Memorandums Issued:
 - [M-20-11](#) (March 9, 2020)
 - [M-20-17](#) (March 19, 2020)
 - [M-20-20](#) (April 9, 2020)
 - [M-20-21](#) (April 10, 2020)
 - [M-20-26](#) (June 18, 2020)
- OMB FAQs
 - [CARES Act and M-20-21](#) (June 24, 2020)
- Questions
 - GrantsTeam@omb.eop.gov

COVID-19: OMB's Response

- OMB Memo M-20-26
 - Extended two specific items from previous memos to allow a responsible transition to normal operations
 - *Allowability of salaries and other project activities* through September 30, 2020
 - *Extension of Single Audit submission* through December 31, 2020
 - Entities having normal due dates from:
 - » March 30, 2020-June 30, 2020 are extended six months
 - » July 31, 2020-September 30, 2020 are extended three months
 - **No other extensions allowed (includes most states)**
 - Requires recipients and subrecipients to separately identify COVID-19 expenditures on the SEFA and audit report findings
 - Appendix VII of 2020 Compliance Supplement
 - “COVID-19” should be used as a prefix to the program name

COVID-19: GASB's Response

- GASB Emergency [Toolbox](#) (21 issue areas)

Issue	Relevance	Codification Section
Capital asset impairment	Discontinued operations (other than temporary); idle impaired capital assets	1400—Reporting Capital Assets, paragraphs .176–.180
Contingencies	Risk-financing and insurance-related activities other than public entity risk pools	C50—Claims and Judgments, paragraphs .109–.148
	Contingent liabilities, including exchange financial guarantees and contingent assets	C50—Claims and Judgments, paragraphs .149–.168
Debt extinguishments	All extinguishments of debt, including refundings	D20—Debt Extinguishments and Troubled Debt Restructuring, paragraphs .103–.128
Demand bonds	Remarketing demand bonds, and counterparty take-out agreement	D30—Demand Bonds, Paragraphs .107–.112

COVID-19: GASB's Response

- [GASB Statement No. 95](#), *Postponement of the Effective Dates of Certain Authoritative Guidance*
 - Issued May 8, 2020
 - Postpones by **one year** the effective dates of certain provisions in the following pronouncements:
 - Statement No. 83, *Certain Asset Retirement Obligations*
 - Statement No. 84, *Fiduciary Activities*
 - Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
 - Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
 - Statement No. 90, *Majority Equity Interests*
 - Statement No. 91, *Conduit Debt Obligations*
 - Statement No. 92, *Omnibus 2020*
 - Statement No. 93, *Replacement of Interbank Offered Rates*
 - Implementation Guides – various, including 2017-3, 2018-1, 2019-1 and 2
 - Postpones by **18 months** the effective dates of the following pronouncements:
 - Statement No. 87, *Leases*
 - Implementation Guide No. 2019-3, *Leases*
 - Statement No. 94 not delayed since COVID-19 was factored in
 - Effective immediately

COVID-19: GASB's Response

- [Technical Bulletin No. 2020-1](#)
 - *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases*
 - Issued July 2, 2020
 - Clarifies:
 - Application of existing recognition requirements to resources received from certain programs established by the CARES Act
 - How existing presentation requirements apply to certain inflows of CARES Act resources and to the unplanned and additional outflows of resources incurred in response to the coronavirus disease

COVID-19: AICPA's Response

- AICPA [Guidance](#) updated April 15 addresses audit and financial reporting matters
 - General issues
 - Risk and uncertainties
 - Subsequent events
 - Going concern
 - Audit matters
 - Access to books and records
 - Internal control
 - Planning meetings
 - Accounting matters
 - Fair value of investments
 - Unusual or infrequent events

COVID-19: AICPA's Response

- Audit Standards Board delays standards
 - [Delay](#) approved on April 20, 2020
 - SASs 134-140 (primarily related to auditor reporting)
 - Effective dates delayed one year
 - Standards are now effective for audits of financial statements for periods ending on or after December 15, 2021
 - Early implementation is permitted, but ASB intends that the standards be implemented at the same time
 - Delay is designed to ensure firms will be able to implement the standards in the high-quality manner possible

COVID-19: AICPA's Response

- Professional Ethics Executive Committee (PEEC)
 - *State and Local Government Client Affiliates*
Interpretation
 - [Final](#) issued on June 13, 2019
 - This interpretation helps members identify the entities related to a state or local government (SLG) (such as component units or funds) that are "affiliates" of the SLG for independence purposes
 - Effective for years beginning after December 15, 2021
 - PEEC approved one-year delay due to COVID-19
 - Early implementation not allowed

COVID-19: GAO's Response

- GAO issues two alerts pertaining to COVID-19
 - GAGAS CPE [Alert](#) on May 7, 2020
 - Provides an additional six months to meet the two-year requirement on CPE
 - Auditors are not required to complete at least 20 hours of CPE for a 1-year CPE period that ends February 29, 2020, through December 31, 2020
 - From the audit organization's 2-year period in effect on February 29, 2020, auditors may carry over up to 40 hours of CPE, in excess of the 80-hour requirement, to the next CPE measurement period
 - GAGAS Audit [Alert](#) on August 6, 2020
 - Provides considerations and reminders
 - Informational only; does **not** amend Yellow Book

COVID-19: Resources

COVID-19: Resources

- [AICPA](#)
- [GASB](#)
- [GFOA](#)
- [NACO](#)
- [NASACT](#)
- [NASBO](#)
- [NCSL](#)
- [NGA](#)
- OMB
 - GrantsTeam@omb.eop.gov; coronaresponse@omb.eop.gov

Transparency Issues

FFATA, DATA, GREAT Act

GREAT Act

- *Grant Reporting Efficiency and Agreements Transparency Act of 2019*
 - [H.R. 150](#)
 - Signed by President on December 30, 2019
- Effective Date
 - Various

GREAT Act

- Requirements:
 - a. Establish government-wide data standards for information related to federal awards reported by **recipients** of federal awards (within 2 years)
 - b. Issue guidance to grant-making agencies on how to utilize new technologies and implement new data standards into existing reporting practices with minimum disruption (within 3 years)
 - c. Use data standards for all future information collection requests by federal awarding agencies (within 1 year after guidance on b. or c.)
 - d. Amends the Single Audit Act to provide for **grantee audits** to be reported in an electronic format consistent with the data standards (guidance to be issued within 3 years)
 - e. Enable the collection, public display and maintenance of Federal award information as a government-wide data set (within 5 years)

GREAT Act

- How the GREAT Act Changes Single Audit Requirements
 - [United States Code, Title 31, Section 7502](#)
 - (h) The non-Federal entity shall transmit the reporting package in an **electronic form** in accordance with the data standards established under chapter 64 and, which shall include the non-Federal entity's **financial statements**, schedule of expenditures of Federal awards, corrective action plan defined under subsection (i), and auditor's reports developed pursuant to this section, to a Federal clearinghouse designated by the Director, and make it available for public inspection ...

OMB Uniform Guidance Implementaton

Single Audit Issues

Uniform Guidance Implementation – Current Developments

- OMB issued latest round of [FAQs](#) in July 2017
 - 24 new FAQs bringing total to 122
- President’s Management [Agenda](#) – March 2018
 - Focus on reporting results and standardized data
- SF-SAC (Data Collection Form) – March 2019
- Finalized [Rule](#) changes as part of 5-year review – August 2020
- Improving Single Audit Report Intake; Data Elements – August 2020 (ongoing)

Uniform Guidance Changes

- OMB Releases Long-Awaited Changes to UG in August 2020
- Overarching Goals
 - Support implementation of the President's Management Agenda Results-Oriented Accountability for Grants CAP Goal and other Administration priorities
 - Meet statutory requirements and to align with other authoritative source requirements
 - Clarify existing requirements
- Effective dates
 - Effective November 12, 2020, except for amendments to:
 - 200.216 (controlling participants) and 200.340 (notification of termination requirement), which are effective on August 13, 2020

Uniform Guidance Changes

- Key Issues:
 - Cost allowability of:
 - Pensions
 - OPEB
 - Leases
 - Capitalization threshold
 - Negotiated Indirect Cost Rates
 - Governmentwide Audit Quality Project
 - De minimis indirect cost rate

**These continue to be
interesting times...**

Questions or Comments

R. Kinney Poynter, CPA

NASACT

kpoynter@nasact.org

(859) 276-1147