

Single Audit – 2020 Compliance Supplement and the CARES Act

Bhakti Patel, CPA

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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Create Opportunities

Disclaimer

- *This presentation is for educational purposes only. It should not be construed or relied on as legal advice or to create any client, advisory, fiduciary, or professional relationship between you and CLA.*
- *This presentation considers guidance provided by the US Department of the Treasury and OMB through October 19, 2020 for the CRF. Additional guidance is being provided on a regular basis, please refer to the US Department of the Treasury website (<https://home.treasury.gov/policy-issues/cares/state-and-local-governments>) for recent updates.*
- *This presentation considers guidance provided by Health and Human Services and OMB through October 22, 2020 for the PRF. Additional guidance is being provided on a regular basis, please refer to the US Health and Human Services website (<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/index.html>) for recent updates.*



Introduction



Bhakti Patel, CPA
CliftonLarsonAllen LLP
State and Local Government
Principal

- ✓ Over 18 years of assurance and consulting experience with federal, state and local governments
- ✓ Engagement Principal for the State of Texas Statewide Federal Single Audit
- ✓ Past AGA Austin Chapter President
- ✓ Current AGA Austin Chapter Communications Chair
- ✓ AGA Member since 2014

Learning Objectives

By the end of this session, you will be able to -

- Recognize when a single audit is required
- Describe the CARES Act and related funding.
- Review potential uses of *Coronavirus Relief Funds*.
- Review potential uses of *Provider Relief Funds*.
- Review your organization's preparedness for the approaching *Uniform Guidance* audit (Single Audit) related to CARES Act funding.





The Single Audit and 2020 Compliance Supplement

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What is a Single Audit?

- Audit of financial statements
- Obtain an understanding and perform testing of internal controls
- Testing of compliance with terms and conditions of federal awards that have a direct and material effect on each major program
- Subject to three layers of audit requirements
 - Generally Accepted Audit Standards (GAAS)
 - Generally Accepted Government Audit Standards (GAGAS)
 - Uniform Guidance (2 CFR Part 200)



Objectives of a Single Audit

To determine if the entity has complied with direct and material compliance requirements of each major program



Used by federal agencies to review program compliance

Auditor provides opinion regarding compliance

Auditor reports on internal controls over compliance

Used to find and address problems with grantees



When is a Single Audit Required?

- A non-federal entity that expends federal awards in excess of \$750,000 in their fiscal year is subject to an audit in accordance with the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements
 - 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards



Single Audit Basics

- Catalog of Federal Domestic Assistance (CFDA) - Unique number assigned to each federal program
- 2 CFR Part 200 Subpart F – Single Audit Requirements
- Compliance Supplement – issued by OMB each year
- Compliance Requirements - 12 requirements 

Requirement	
A	Activities Allowed or Unallowed
B	Allowable Costs/ Cost Principles
C	Cash Management
E	Eligibility (individuals, group, subrecipients)
F	Equipment & Real Property Management
G	Matching, Earmarking and Level of Effort
H	Period of Performance
I	Procurement, Suspension and Debarment
J	Program Income
L	Reporting
M	Subrecipient Monitoring
N	Special Test and Provisions



2020 Compliance Supplement Changes

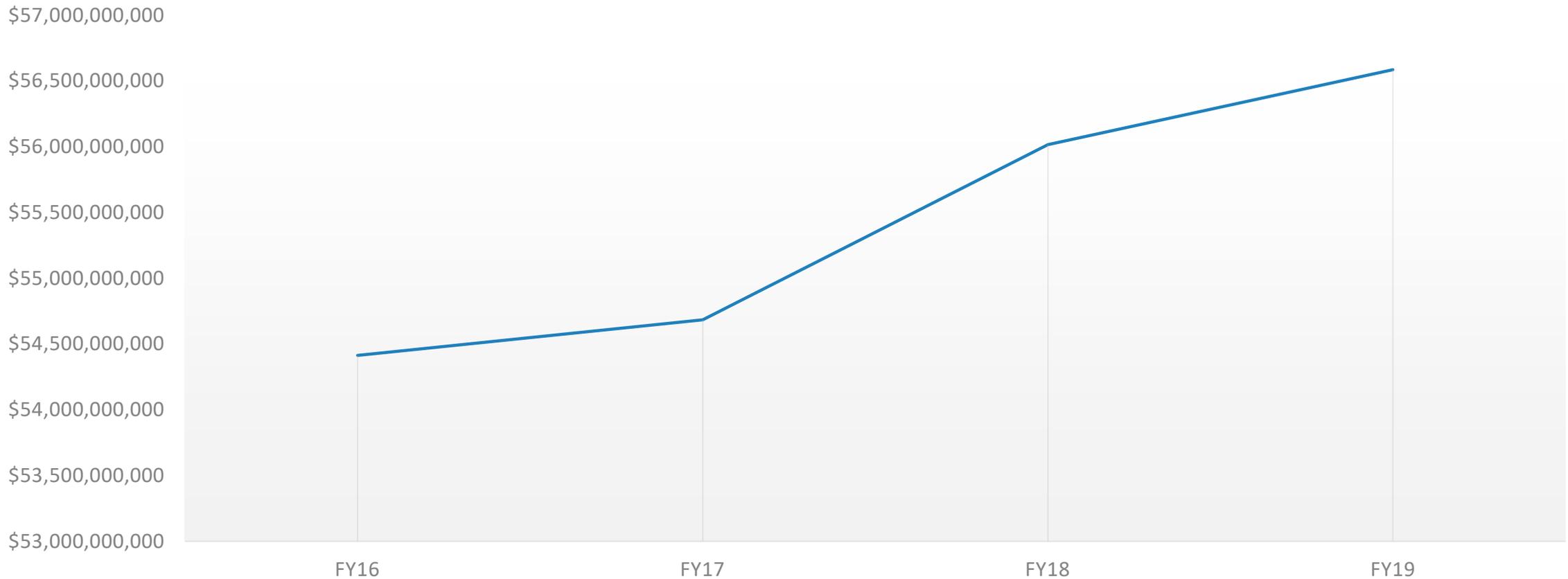
- Appendix V - List of changes for the 2020 Compliance Supplement
 - Provides a list of changes from the 2019 Supplement dated August 2019
 - The following CFDA's/ clusters had changes (updates, additions and deletions):

CFDA					Clusters	
10.500	11.611	20.001	84.011	93.566	SNAP Cluster	Head Start Cluster
10.511	14.241	20.106	84.048	93.569	Child Nutrition Cluster	Medicaid Cluster
10.512	14.872	20.223	84.181	93.658	Foster Grandparent/Senior Companion Cluster	CDBG – Disaster Recovery Grants Cluster
10.515	14.881	21.015	84.287	93.676	Highway Planning and Construction Cluster	
10.520	16.710	21.016	84.424	93.686	Highway Safety Cluster	
10.557	16.738	21.020	84.938	93.767	Clean Water State Revolving Fund Cluster	
10.558	16.922	84.000	87.051	94.006	Special Education Cluster (IDEA)	
10.566	17.225	84.002	87.052	97.036	Health Center Program Cluster	
10.760	17.245	84.010	93.558	97.067	CCDF Cluster	



State of Texas Federal Expenditures

State of Texas Annual Federal Expenditures



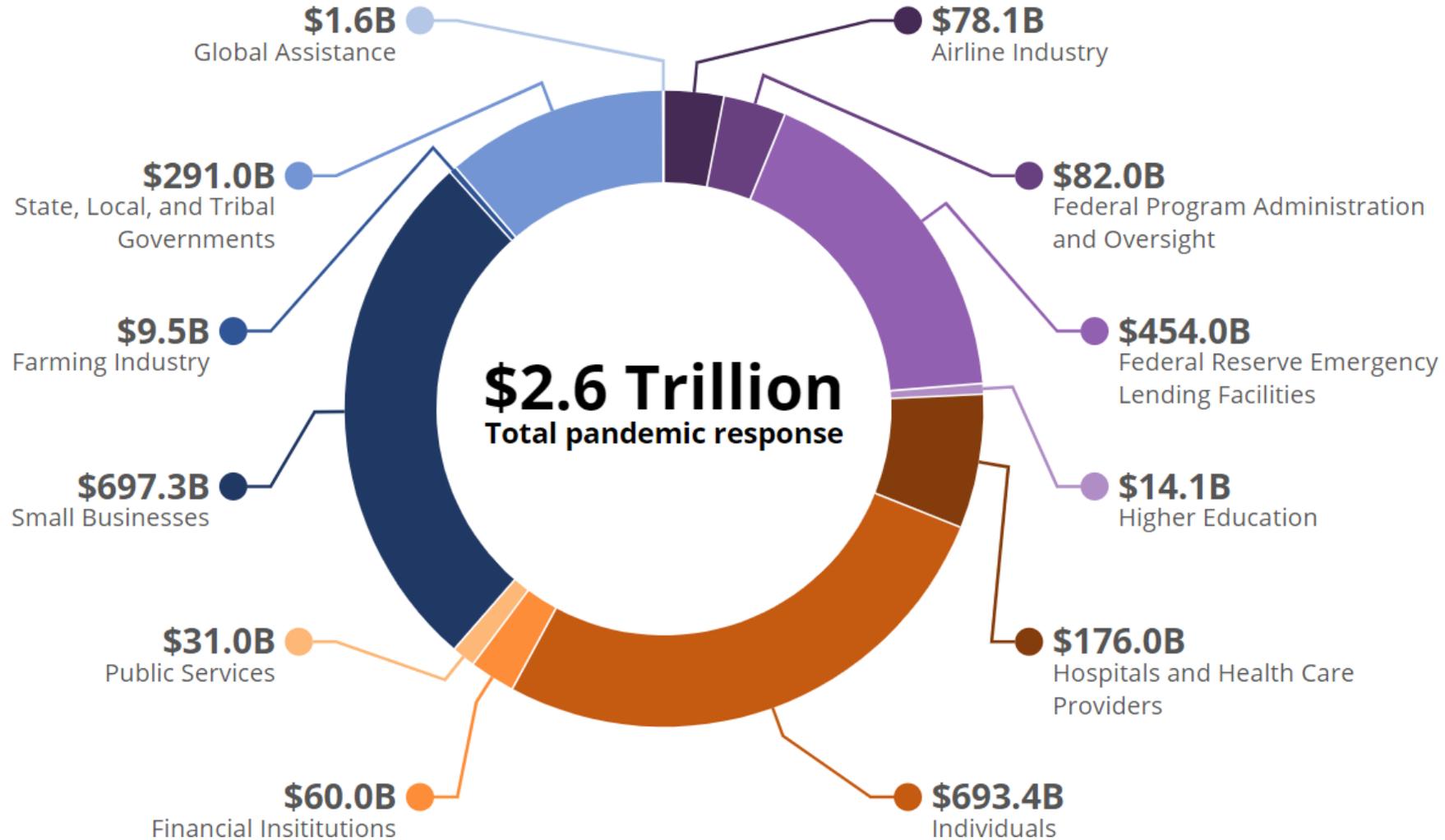


CARES Act

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Coronavirus Response – Funding Overview



<https://www.pandemicoversight.gov/track-the-money/funding-overview>



Overview, Coronavirus Aid, Relief, and Economic Security Act (CARES) Act

- Issued into law March 27, 2020
- Over \$339 billion in funding sent to various federal agencies with some impact to state and local governments
- 16 *new* federal programs with CFDA's have been established as a result of the Coronavirus (COVID-19) pandemic
- Not all programs will be subject to the UG or Subpart F (Single Audit requirements) of the UG
- GAQC has issued a non-authoritative summary of information based on public information in <https://beta.sam.gov/>



New CARES Act Programs – UG applicability (nonauthoritative)

Program Title	CFDA	Does the Assistance Listing indicate that UG applies?	Does the Assistance Listing indicate that the single audit requirements in Subpart F of the UG apply?
Coronavirus Emergency Supplemental Funding Program	16.034	Yes	Yes
Coronavirus Relief Fund (CRF)	21.019	Yes	Yes
COVID-19 Telehealth Program	32.006	Yes	Yes
Disaster Assistance Loans	59.008	Yes	Yes
CARES Act Project SERV	84.184C	Yes	Yes
Education Stabilization Fund	84.425	Yes	Yes
Uninsured COVID Testing and Treatment	93.461	Yes	Yes
Provider Relief Fund	93.498	Yes	Yes
New & Expanded Services Under Health Center Program	93.527	Yes	Yes
Emergency Grants to address Mental and Substance use Disorders During COVID 19 Pandemic	93.665	Yes	Yes
Rural health Clinic Testing	93.697	Yes	Yes
Coronavirus Food Assistance Program	10.130	No	N/A
Coronavirus Relief –Pandemic Relief for Aviation Workers	21.018	No	N/A
Economic Injury Disaster Loan Emergency Advance	59.072	No	N/A
Payroll Protection Program Loans	59.073	No	N/A
OED Resource Partners Training Portal	59.074	No	N/A





Coronavirus Relief Fund (CFDA 21.019)

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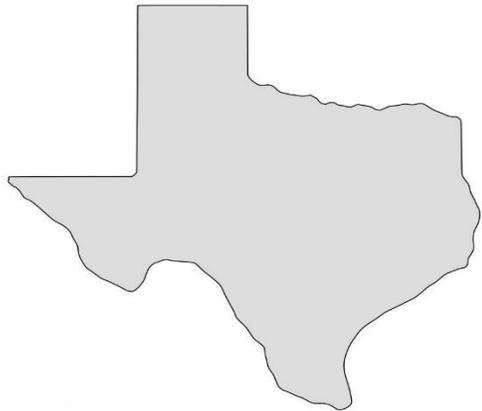
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Coronavirus Relief Fund (CFDA 21.019)

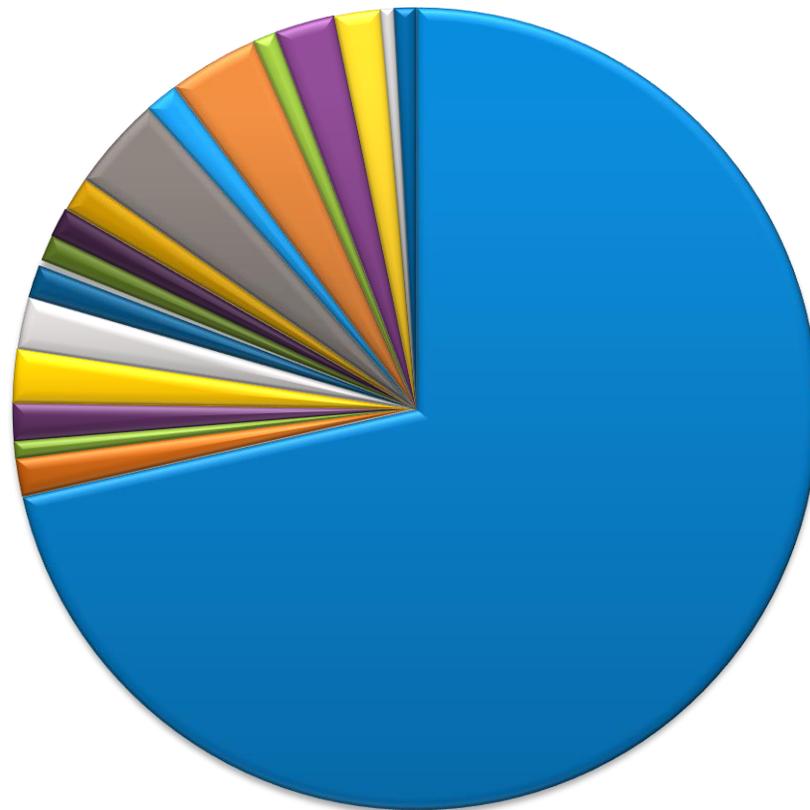
- \$150 billion for the Coronavirus Relief Fund (CFDA #21.019)
 - Administered by U.S. Department of Treasury
- Amounts were paid based on 2019 population data
- Each state received a minimum of \$1.25 billion
- Texas was allocated \$11.243 billion



Texas Allocation of Coronavirus Relief Fund (CFDA 21.019)



Total Allocation to Texas



State of Texas	\$8,038,314,291
City of Austin	\$170,811,897
Bexar County	\$79,626,415
Collin County	\$171,453,156
Dallas County	\$239,952,373
City of Dallas	\$234,443,128
Denton County	\$147,733,722
El Paso County	\$27,484,280
City of El Paso	\$118,956,279
Fort Bend County	\$134,262,394
City of Fort Worth	\$158,715,568
Harris County	\$425,942,656
Hidalgo County	\$151,582,673
City of Houston	\$404,868,873
Montgomery County	\$104,983,285
City of San Antonio	\$269,983,717
Tarrant County	\$209,816,857
Travis County	\$61,147,507
Williamson County	\$93,382,340

Source: <https://home.treasury.gov/system/files/136/Payments-to-States-and-Units-of-Local-Government.pdf>



Interim Report State & Local Recipients - Costs Incurred by Spend Category through June 30 Data (Texas only)

	Payment Amount	Transferred to other governments	Payroll for public health and safety employees	Budgeted personnel and services diverted to a substantially different use	Improvements to telework capabilities of public employees	Medical expenses	Public health expenses	Distance learning	Economic support	All items not listed above	Total Costs Incurred	Percent Spent
Total allocation	\$11,243,461,411	\$963,602,291	\$190,543,480	\$30,652,063	\$10,447,345	\$12,763,264	\$32,396,779	\$360,165	\$95,861,723	\$29,914,662	\$1,366,541,773	12.2%
<i>Eligible local</i>												
Austin city	170,811,897	-	32,850,000	5,000,000	3,000,000	10,000,000	10,000,000	-	1,000,000	15,000,000	76,850,000	45.0%
Bexar County	79,626,415	-	-	-	354,732	-	621,904	-	6,908,000	-	7,884,636	9.9%
Collin County	171,453,156	49,831,355	12,139,972	55,631	-	63,460	1,622,101	-	31,674,413	1,446,468	96,833,400	56.5%
Dallas County	239,952,373	11,459,866	-	-	-	-	496,557	-	1,150,000	944,479	14,050,901	5.9%
Dallas city	234,443,128	-	24,000,000	10,400,000	1,488,436	647,767	5,123,807	-	-	-	41,660,010	17.8%
Denton County	147,733,722	-	22,961,265	-	63,872	202,236	913,638	-	4,546,962	-	28,687,973	19.4%
El Paso County	27,484,280	34,727	-	-	48,309	469,065	78,728	-	52,732	1,785	685,346	2.5%
El Paso city	118,956,279	-	46,270	-	4,157	35,623	51,386	-	-	-	137,436	0.1%
Fort Bend County	134,262,394	82,380	14,859	-	294,418	-	5,185	360,165	344,425	36,933	1,138,366	0.8%
Fort Worth city	158,715,568	-	9,127,585	4,542,461	-	-	3,013,923	-	164,659	1,991,662	18,840,290	11.9%
Harris County	425,942,656	-	-	-	4,159,503	-	46,026	-	-	8,989,001	13,194,530	3.1%
Hidalgo County	151,582,673	13,829,674	-	-	205,506	-	858,065	-	-	167,232	15,060,477	9.9%
Houston city	404,868,873	-	15,564,786	3,832,074	623	-	3,969,613	-	14,804,733	-	38,171,828	9.4%
Montgomery	104,983,285	-	19,781,389	922,336	115,037	116,232	323,510	-	-	-	21,258,503	20.2%
San Antonio city	269,983,717	-	53,428,475	5,899,563	-	590,709	3,496,366	-	911,556	-	64,326,669	23.8%
Tarrant County	209,816,857	51,928,580	-	-	-	-	-	-	32,050	-	51,960,630	24.8%
Travis County	61,147,507	3,742,915	17,250	-	207,108	37,795	939,576	-	1,009,911	1,281,675	7,236,230	11.8%
Williamson County	93,382,340	-	309,541	-	505,644	599,841	749,664	-	33,262,282	55,021	35,481,993	38.0%
Payment to the state	8,038,314,291	832,692,794	302,089	-	-	537	86,730	-	-	406	833,082,555	10.4%



Interpreting the Guidance for CRF

Title VI – Coronavirus Relief Fund, CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress with overwhelming, bipartisan support and signed into law by President Trump on March 27th, 2020.

Title VI – Coronavirus Relief Fund

- a. Appropriation
- b. Authority to make payments
- c. Payment amounts
- d. **Use of funds**
- e. Certification
- f. Inspector General oversight, recoupment
- g. Definitions

Guidance for State, Territorial, Local, and Tribal Governments

Document created by U.S. Treasury.

The purpose of this document is to provide guidance to recipients of the Coronavirus Relief Fund (the “Fund”)

June 30, 2020 version

Frequently Asked Questions (FAQ)

The answers to frequently asked questions supplement Treasury’s Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments.

Amounts paid from the Fund are subject to the restrictions outlined in the Guidance and the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”).



Use of Funds Under Title VI, CRF – The CARES Act

Governments shall use the funds to cover only those costs of the state, tribal government, or unit of local government that meeting all three (3) requirements.



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



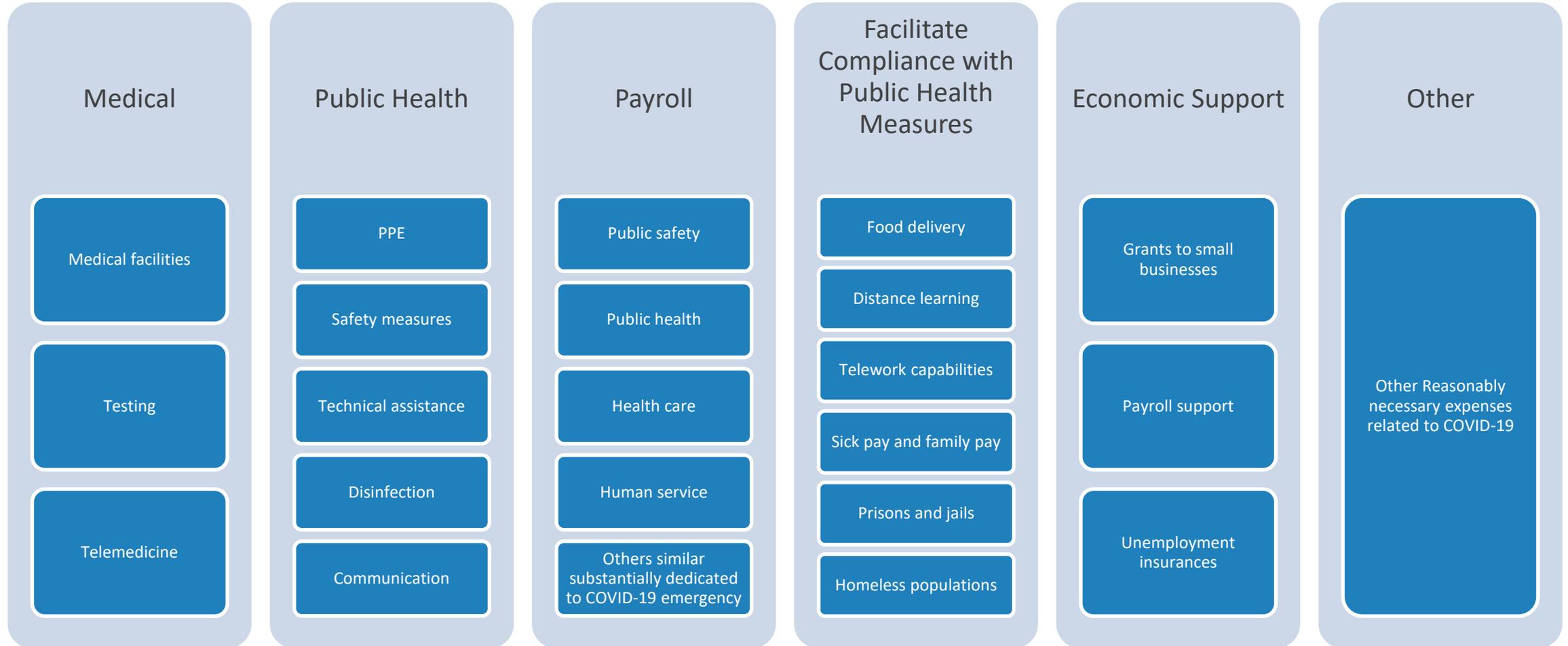
Cost were not accounted for in the budget most recently approved as of March 27, 2020 for the State or government



Cost were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020



Coronavirus Relief Funds (CRF) – Eligible Expenditures



Coronavirus Relief Funds (CRF) – Ineligible Expenditures



Expenses for the State share of Medicaid.

Replacement of lost revenues, including property tax relief.

Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

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.

Reimbursement to donors for donated items or services.

Workforce bonuses other than hazard pay or overtime.

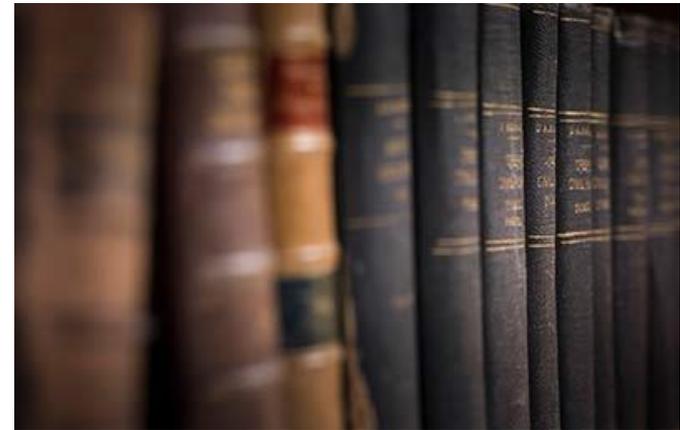
Severance pay or legal settlements

Damages covered by insurance.

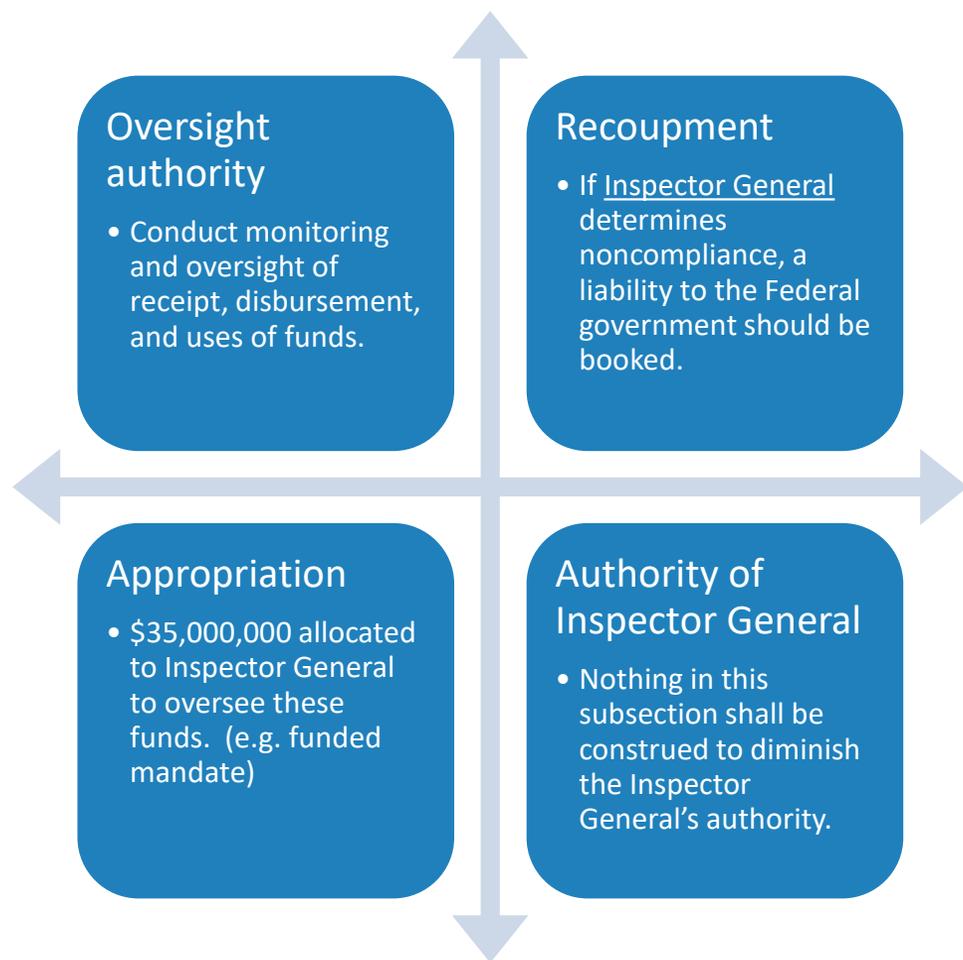


Frequently Asked Questions

- Supplement Treasury's Guidance
- Reminder that amount paid for CRF subject to the three criteria discussed earlier
- Treasury maintains an updated list of frequently asked questions at: <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>.



Department of Treasury Office of Inspector General

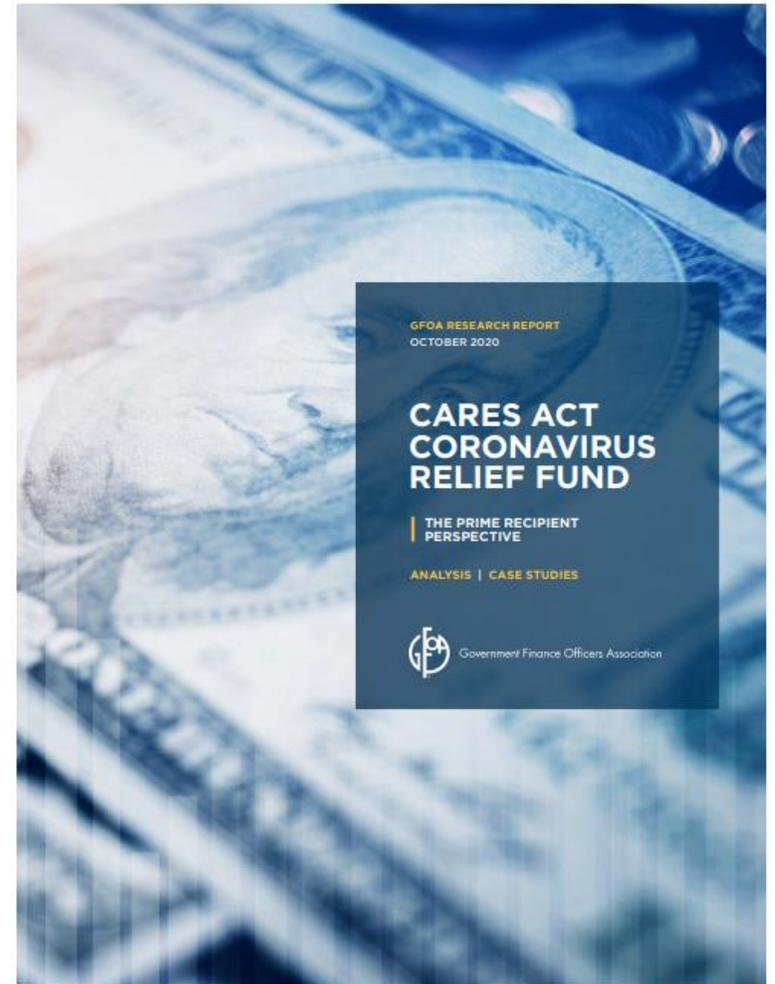


Beginning September 1, 2020, the prime recipient of CRF payments began reporting Coronavirus Disease 2019 (COVID-19) related costs incurred from March 1, 2020 to December 30, 2020 in the GrantSolutions portal.

Office of Inspector General released FAQ document OIG-CA-20-028 "Department of the Treasury Office of Inspector General Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping" on August 28, 2020

Research Report on the State and Local Prime Recipient Perspective

- GFOA surveyed 50 states and 171 eligible units of government that were prime recipients of CRF
- Objective was to assess effectiveness of the funds from their perspective
- Survey received a response rate of nearly 50% of prime recipients
- Three case studies
 - State of Indiana
 - City of Seattle, WA
 - Travis County, TX



https://gfoaorg.cdn.prismic.io/gfoaorg/e59192d8-9f81-47ea-8134-29e4c5869b66_CRF+Report_Final-10-20.pdf



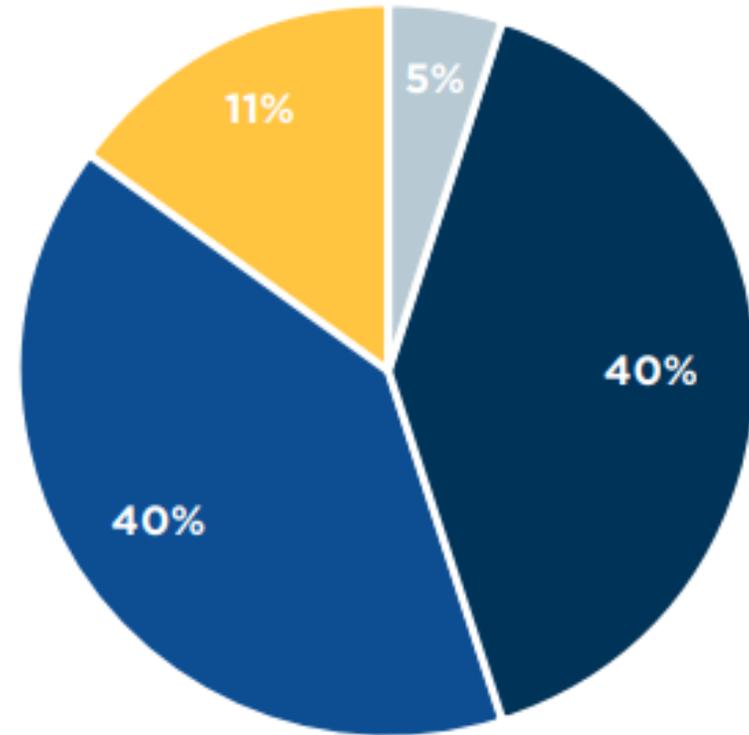
Research Report Results

“The ongoing, **changing guidance** is slowing down our response and effectiveness”

“One **complete document** providing guidance would be more organized than a patchwork of guidance and FAQs”

“The **piece meal approach** to updating guidance seems at odds with the urgency to spend CRF funds”

HOW CLEAR WAS THE DEPARTMENT OF TREASURY'S GUIDANCE FOR YOUR STATE/JURISDICTION IN DETERMINING THE USE OF CRF FUNDS?

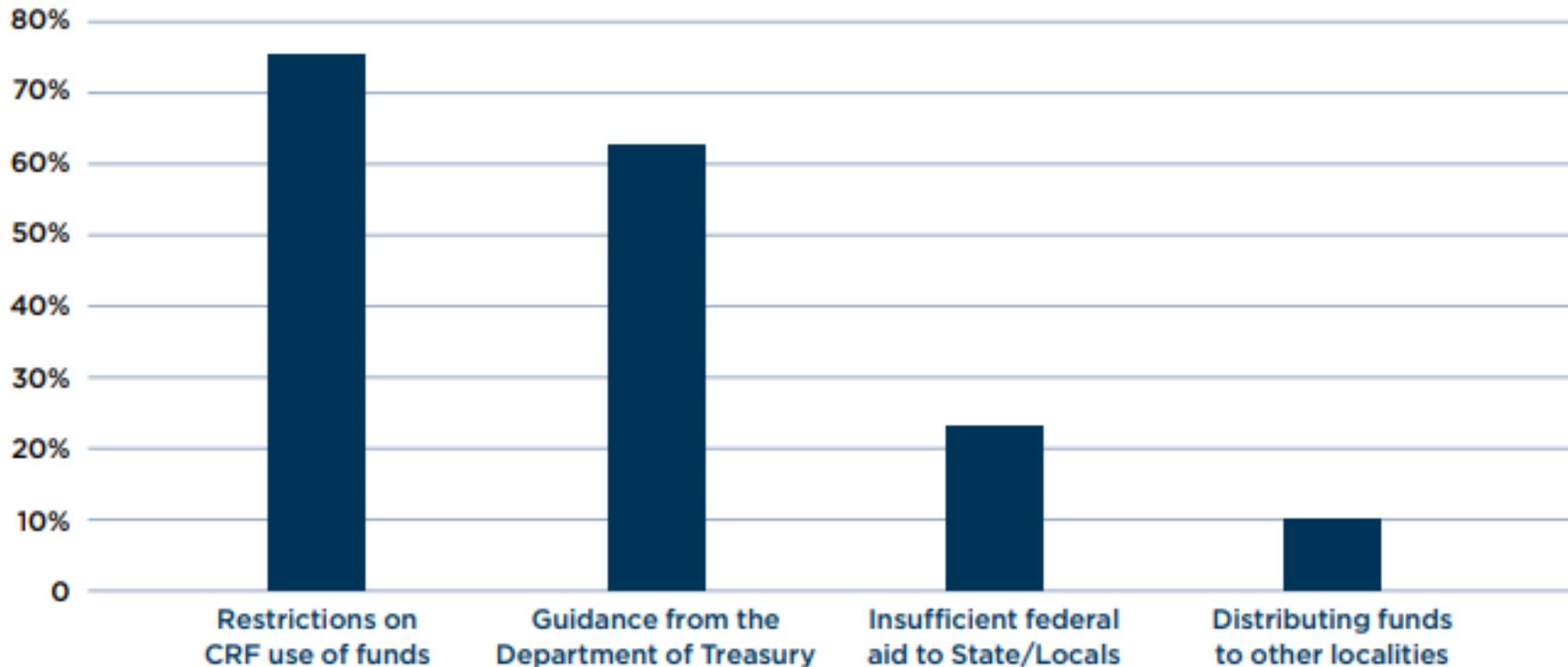


Very Clear Somewhat Unclear
Somewhat Clear Very Unclear



Research Report Results

WHAT HAS BEEN THE BIGGEST CHALLENGE FOR YOUR STATE/JURISDICTION IN SPENDING ITS CRF ALLOCATION?



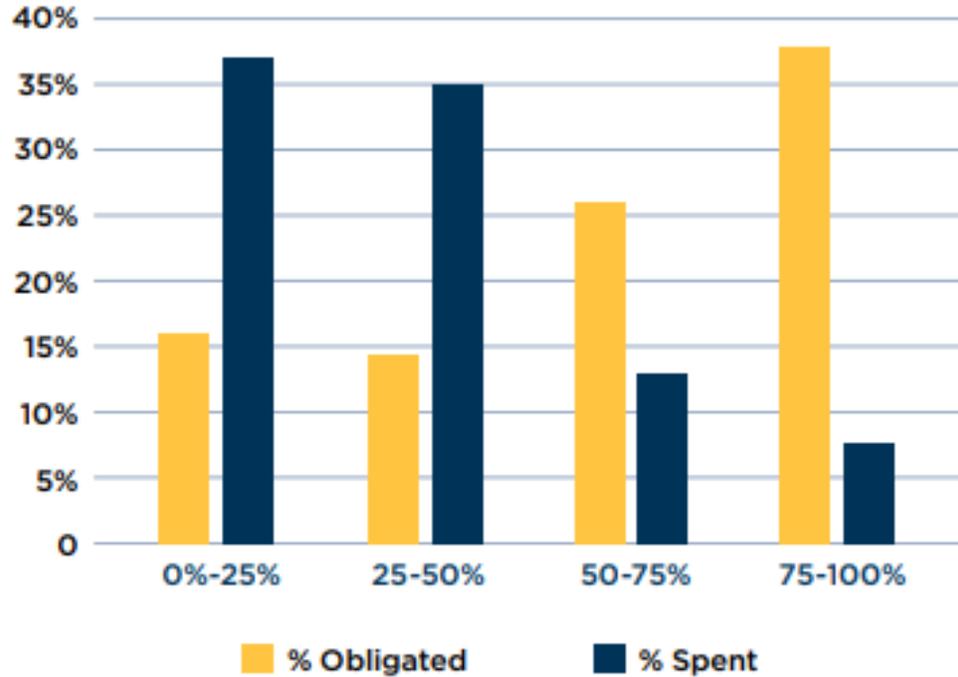
“Significant **help is needed** to assist the federal government in understanding how state and local governments account for finances”

“It is stressful being responsible as a prime recipient for fund disbursement to sub-entities, non-profits, hospitals, testing entities. Subject to **very strict timelines**”

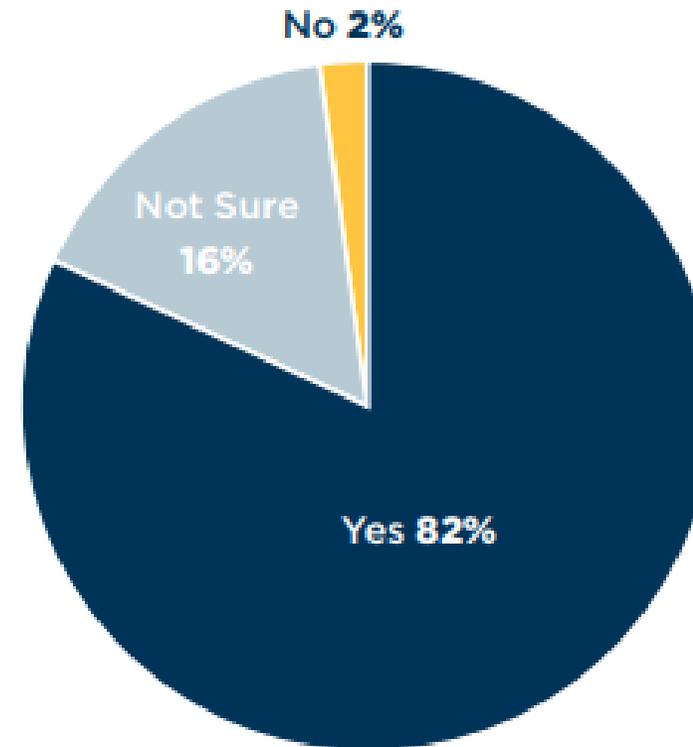


Research Report Results

WHAT PERCENTAGE OF YOUR STATE/JURISDICTION'S CRF ALLOCATION HAS BEEN OBLIGATED VS. HOW MUCH HAS BEEN SPENT?

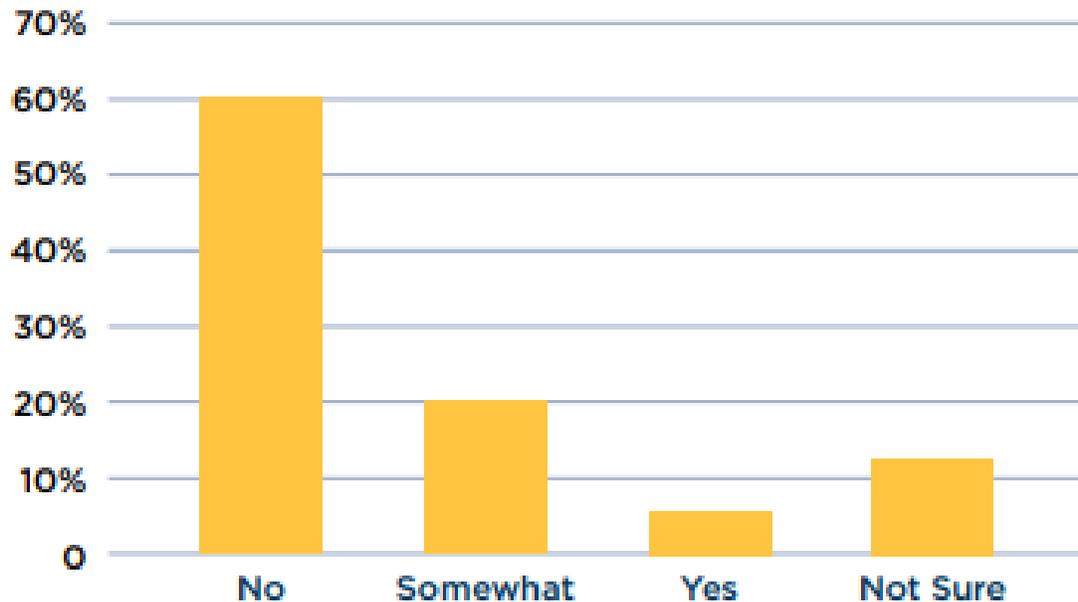


DOES YOUR STATE/JURISDICTION ANTICIPATE SPENDING ALL OF ITS CRF ALLOCATION BEFORE DECEMBER 30, 2020?



Research Report Results

ARE YOU CONFIDENT THAT THE FEDERAL RESPONSE THROUGHOUT THE REMAINDER OF THE PANDEMIC WILL BE PROPORTIONAL/ APPROPRIATE TO THE NEEDS OF STATE AND LOCAL GOVERNMENTS?



“Given how long it has taken to provide clear guidance on the fund, it would be helpful to have **additional time** to spend the funds provided”

“It isn’t enough funding to allow us to meet the **true needs of the community**. We are having to select winners and losers.”



Treasury Inspector General

Audit Finds Gov. Reynolds' use of \$21M in pandemic relief “not allowable”

- Iowa State Auditor and Treasury Department's Inspector General have advised Iowa Governor that decision to use millions of CARES Act dollars to help implement a new HR software system, Workday, for state government was not an allowable use of the funds.
- Governor directed to return those dollars to the Coronavirus Relief Fund, and then redeploy them for allowable uses.
- Iowa Governor's Office justified the expenditures as essential, even though Workday would not be implemented until next year.

“With Workday, the State of Iowa will be able to act quickly to assist essential government employees, giving them flexibility in a number of ways, such as requesting COVID-related hardship help, easier ways to request Family and Medical Leave Act leave types, and automate processes for donating leave, and borrowing leave.”





Provider Relief Fund (CFDA 93.498)

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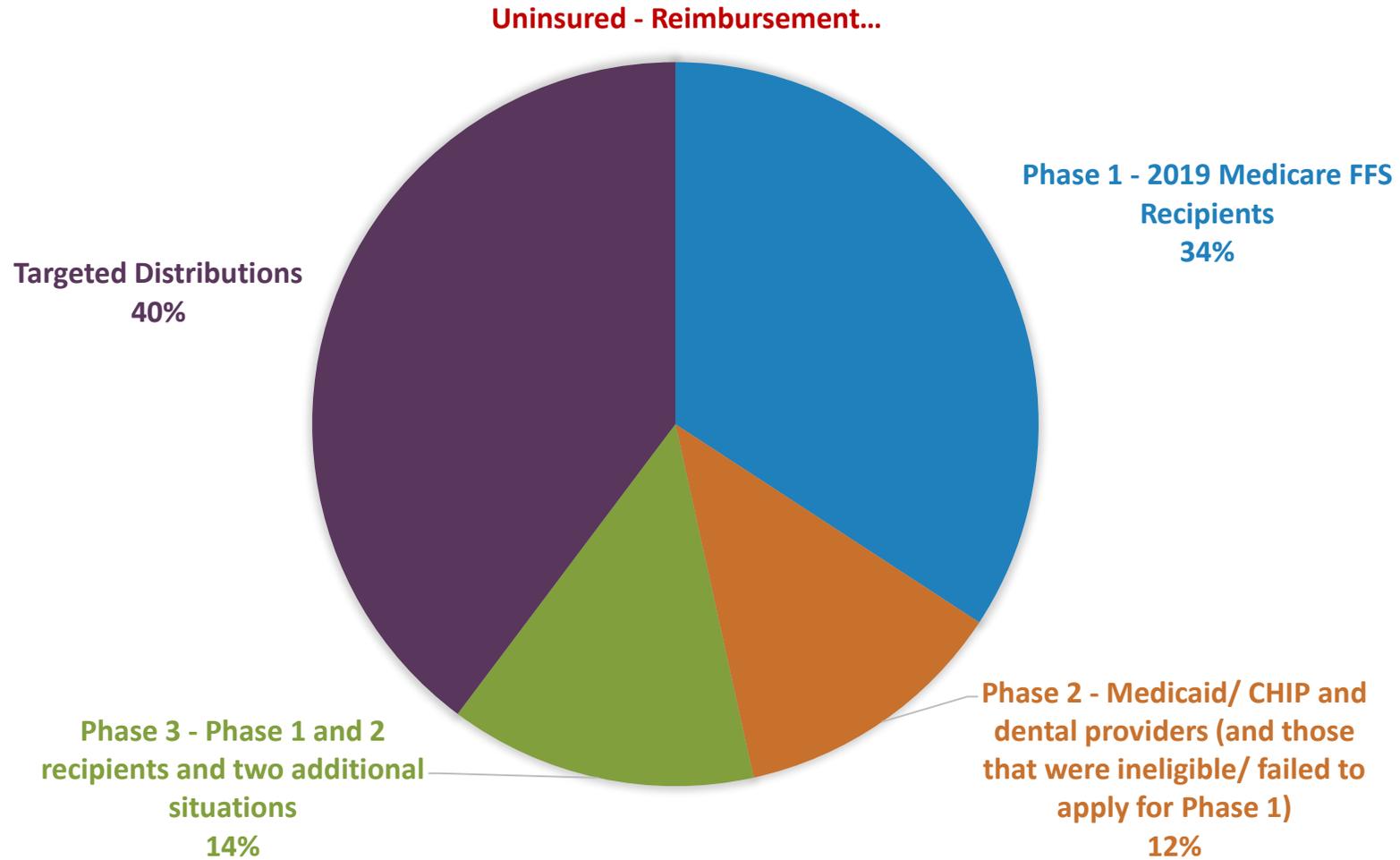
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Provider Relief Fund

- The Provider Relief Funds supports American families, workers, and the heroic healthcare providers in the battle against the COVID-19 outbreak.
- HHS is distributing \$175 billion to hospitals and healthcare providers on the front lines of the coronavirus response.

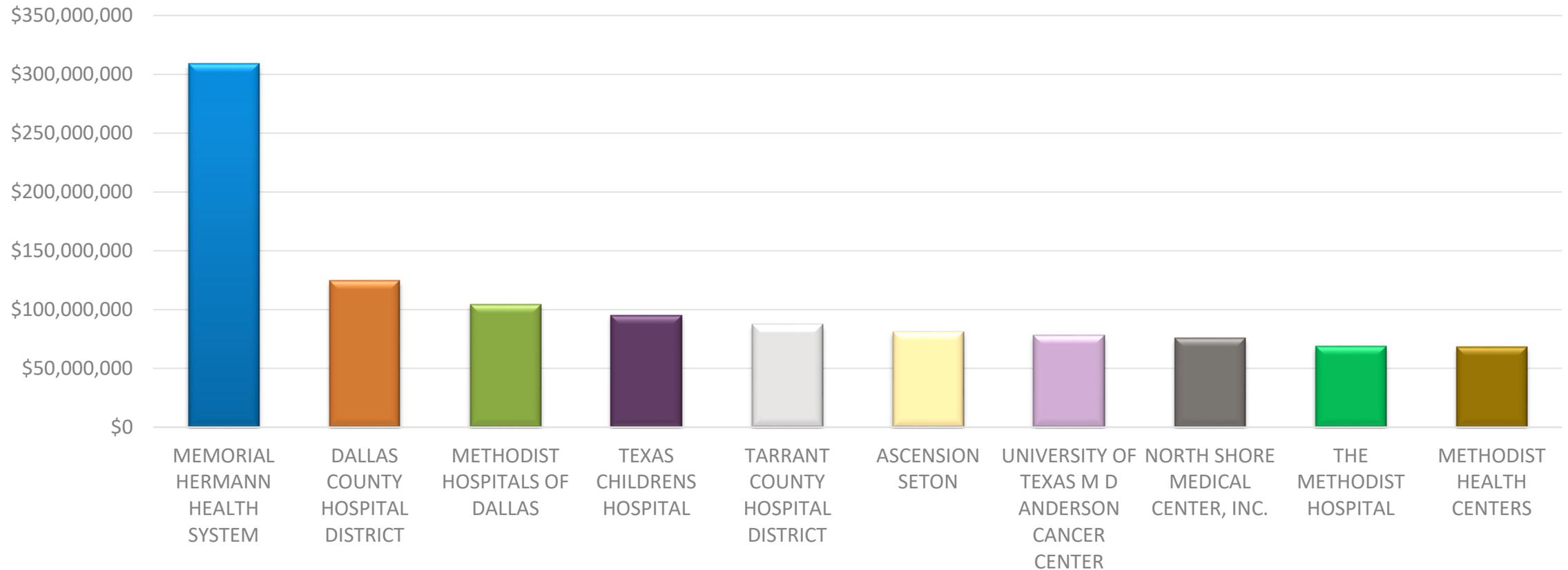


Provider Relief Fund Allocations



Top 10 PRF Allocations in Texas

Payment



Uses of PRF Funds

- Healthcare related expenses attributable to coronavirus that another source has not reimbursed and is not obligated to reimburse, which may include General and Administrative (G&A) or healthcare related operating expenses
- Patient care lost revenues, net of the healthcare related expenses attributable to coronavirus



Provider Relief Funds (PRF) – Eligible Healthcare Related Expenditures

Supplies

- Supplies used to prevent, prepare for, or respond to the coronavirus (PPE, hand sanitizer, or supplies for patient screening)

Equipment

- Purchase of equipment used to prevent, prepare for, or respond to the coronavirus (ventilators, updates to HVAC systems, etc.)

Information Technology

- IT or interoperability systems to expand or preserve care delivery (electronic health record licensing fees, telehealth infrastructure, increased bandwidth, and teleworking to support remote workforce)

Facilities

- Facility-related costs used to prevent, prepare for, or respond to the coronavirus (lease or purchase of permanent or temporary structures, or to modify facilities to accommodate patient treatment practices revised due to coronavirus)

Other Healthcare Related Expenses

- Any other actual expenses, not previously captured above, that were paid to prevent, prepare for, or respond to the coronavirus

Provider Relief Funds (PRF) – Lost Revenue

- Negative change in year-over-year actual revenue from patient care related sources
- Revenues and expenses include all lost patient care revenues and patient care cost/expense impacts
- Calculated on a calendar year basis



Provider Relief Funds (PRF) – General and Administrative Expenses

Monthly mortgage or rent for facility where reporting entity provides patient care services	Cooling/ventilation
Other monthly finance charges for real property and/or property taxes	Cleaning
Insurance premiums for property	Vendor services purchased from third party vendors
Employee health insurance	Consulting support
Malpractice insurance	Legal fees
Overhead salaries	Audit and accounting services
Healthcare and contractor salaries, fringe benefits	Food preparation and supplies
Lease payments	Logistics and transport
Lighting	Other costs not captured above, such as debt financing, for the relevant calendar year





Getting Prepared

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What to expect next...

- Goal to issue Supplemental Addendum to Compliance Supplement is Nov. 18, 2020. Conflicting priorities of current administration.
- Auditors will be assessing changing internal control environments in risk assessment
 - Changes in manual controls due to remote working environment
 - Changes in IT controls due to new requirements under CARES Act
- Additional guidance and FAQs from federal agencies on use of CARES Act funds
- Potential extension of the Single Audit deadline for June 30 and September year-end entities; CARES Act expenditures considered



Preparation

- Understand the resources available for the CARES Act funding, including FAQs
- Document your processes and controls
 - Changes to internal controls due to remote working
 - Changes in IT systems due to new requirements
- Understand your fraud risks
- Document your rationale for allowable expenses





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