

Uniform Guidance and COVID-19 Funding

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Rea & associates
a brighter way



American Rescue Plan



Significant Programs Included

- State Fiscal Recovery (CFDA 21.027)
- Local Fiscal Recovery (CFDA 21.027)
- Coronavirus Capital Projects Fund
- ESSER (Additional allocation from CARES Act)
- GEER (Additional allocation from CARES Act)
- HEERF (Additional allocation from CARES Act)

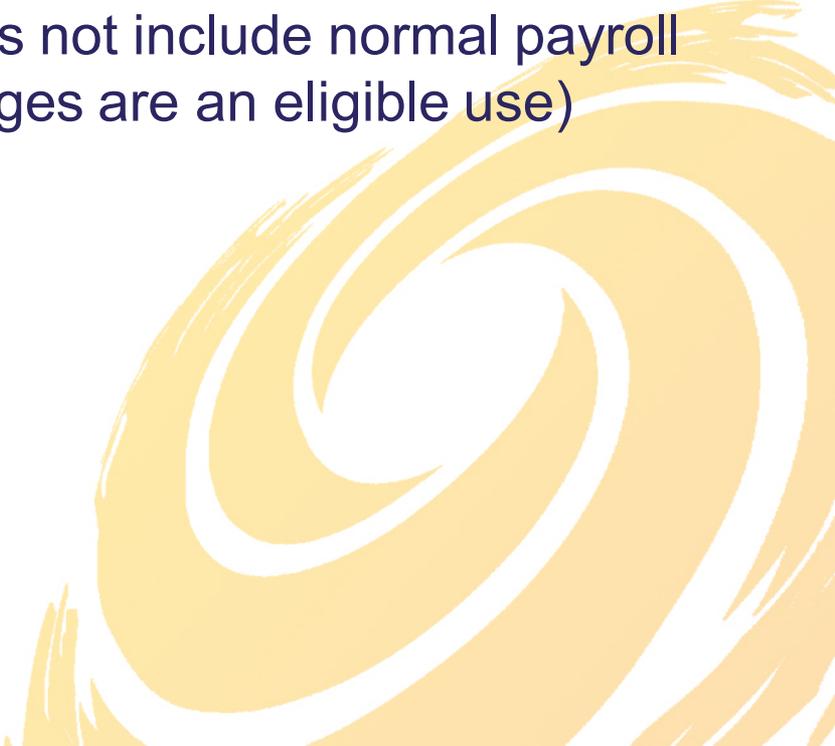


State and Local Fiscal Recovery

- 🌀 Requires a separate fund
- 🌀 PoP – costs obligated through 12/31/24 with liquidation through 12/31/26
- 🌀 Allowable Uses
 - To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality
 - To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;
 - For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency
 - To make necessary investments in water, sewer, or broadband infrastructure

State and Local Fiscal Recovery

Specific Unallowable Uses

- Directly or indirectly offsetting a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation
 - Deposits into pension funds (does not include normal payroll contributions when employee wages are an eligible use)
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State and Local Fiscal Recovery

- 🌀 Non-exclusive list of uses that address effects of public health emergency:
 - COVID-19 mitigation and prevention
 - Medical expenses
 - Behavioral Health Care
 - Public Health and Safety Staff
 - Expenses to improve the design and execution of health and public health programs
- 

State and Local Fiscal Recovery

🌀 Eligible uses to respond to negative economic impacts of the public health emergency:

- Assistance to Unemployed Workers
- State Unemployment Insurance Trust Funds
- Assistance to Households
- Expenses to improve efficacy of economic relief programs
- Small businesses and non-profits
 - Loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure, for example by supporting payroll and benefits costs, costs to retain employees, mortgage, rent, or utilities costs, and other operating costs;
 - Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics, such as physical Start Printed Page 26795plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs; and
 - Technical assistance, counseling, or other services to assist with business planning needs.

Polling Question

 Is a separate fund required to be established for fiscal recovery funds?

A. Yes

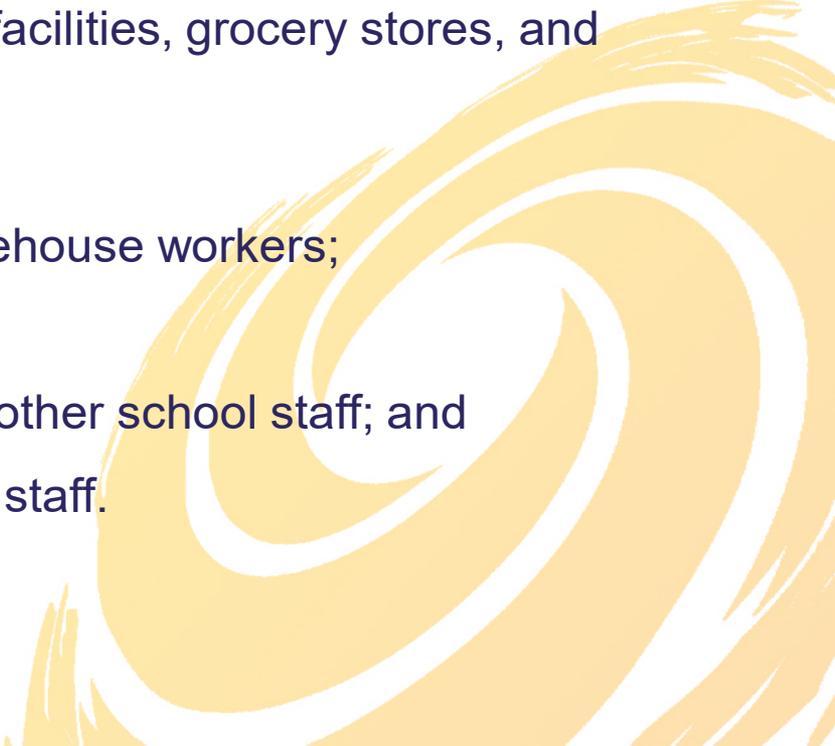
B. No



State and Local Fiscal Recovery

Premium pay to eligible workers performing essential work

→ Such workers include:

- Staff at nursing homes, hospitals, and home care settings;
 - Workers at farms, food production facilities, grocery stores, and restaurants;
 - Janitors and sanitation workers;
 - Truck drivers, transit staff, and warehouse workers;
 - Public health and safety staff;
 - Childcare workers, educators, and other school staff; and
 - Social service and human services staff.
- 

State and Local Fiscal Recovery

Revenue Loss

→ General Revenue Definition

- “General Revenue from Own Sources”
 - Revenues general from underlying economy as well as other types of revenue available to support government services
 - Should include all revenue streams covered as general revenue
 - Excludes:
 - » Refunds and other correcting transactions
 - » Proceeds from issuance of debt or sale of investments
 - » Agency or private trust transactions

State and Local Fiscal Recovery

- Excludes:
 - » Utilities and insurance trusts
 - » Intergovernmental transfers from federal gov't including those made via state pursuant to CRF and fiscal recovery
- Includes:
 - » Intergovernmental transfers between state and local



State and Local Fiscal Recovery

→ Calculation

- *Step 1:* Identify revenues collected in the most recent full fiscal year prior to the public health emergency (*i.e.*, last full fiscal year before January 27, 2020), called the *base year revenue*.
- *Step 2:* Estimate *counterfactual revenue*, which is equal to *base year revenue* * $[(1 + \text{growth adjustment})^{(n/12)}]$, where *n* is the number of months elapsed since the end of the base year to the calculation date, and *growth adjustment* is the greater of 4.1 percent and the recipient's average annual revenue growth in the three full fiscal years prior to the COVID-19 public health emergency.
- *Step 3:* Identify *actual revenue*, which equals revenues collected over the past twelve months as of the calculation date.
- *Step 4:* The extent of the reduction in revenue is equal to *counterfactual revenue* less *actual revenue*. If actual revenue exceeds counterfactual revenue, the extent of the reduction in revenue is set to zero for that calculation date.

State and Local Fiscal Recovery

→ Growth Adjustment

- Either 4.1 percent or
- Average annual growth over the 3 full fiscal years prior to COVID, whichever is higher



Polling Question

 Which is excluded from general revenues definition

A. Utilities

B. Tax Revenue

C. Charges for Services

D. Fines and Forfeitures



ESSER III

🌀 ARP ESSER application within CCIP FY2022

🌀 PoP 3/13/20-9/30/24

ESSER I	ESSER II	ESSER III
3/13/20-9/30/22	3/13/20-9/30/23	3/13/20-9/30/24

ESSER III

Additional Requirements:

→ Safe Return of In-Person Instruction and Continuity of Services Plan

- In Ohio, deadline is 6/24/21
- Requirements:
 - LEA's plan must include how it will maintain the health and safety of students, educators, and other school and LEA staff, and the extent to which it has adopted policies, and a description of any such policies, on each of the CDC's safety recommendations including: Universal and correct wearing of masks; modifying facilities to allow for physical distancing (e.g., use of cohorts/podding); handwashing and respiratory etiquette; cleaning and maintaining healthy facilities, including improving ventilation; contact tracing in combination with isolation and quarantine, in collaboration with the State, local, territorial, or Tribal health departments; diagnostic and screening testing; efforts to provide vaccinations to school communities; appropriate accommodations for children with disabilities with respect to health and safety policies; and coordination with State and local health officials.
 - 2. Describe how the LEA will ensure continuity of services, including but not limited to services to address students' academic needs and students' and staff social, emotional, mental health and other needs, which may include student health and food services.
 - 3. An LEA must periodically, but no less frequently than every six months, review and, as appropriate, revise its plan.
 - 4. Plans must be: In an understandable and uniform format; to the extent practicable, written in a language that parents can understand or, if not practicable, orally translated; and upon request by a parent who is an individual with a disability, provided in an alternative format accessible to that parent.

ESSER III

Additional Requirements:

→ Plan for the use of ARP ESSER Funds

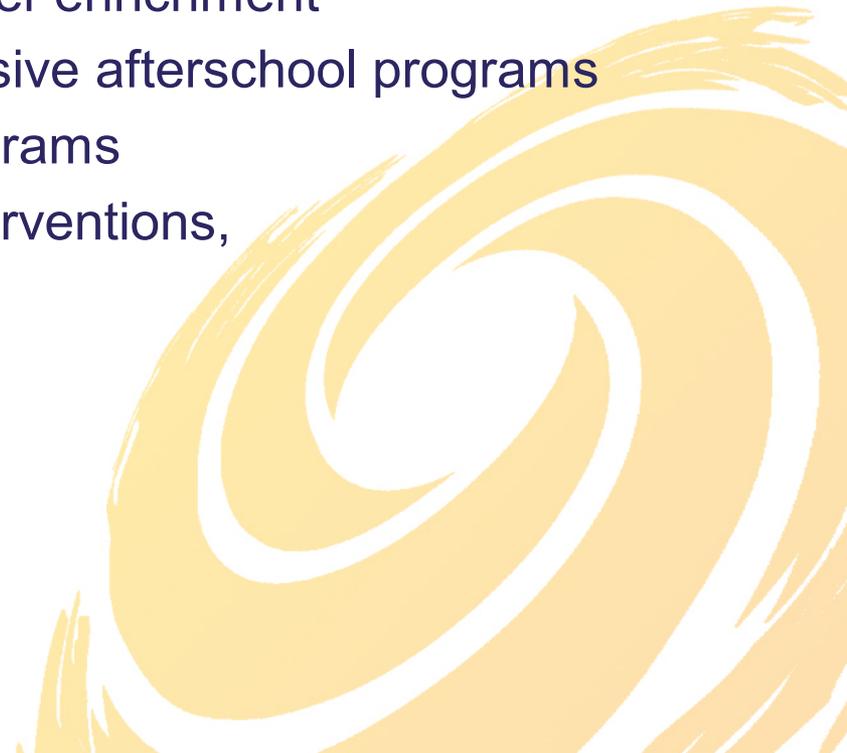
- Must be available on website by 8/20/21
- Must include:
 - The extent to which and how the funds will be used to implement prevention and mitigation strategies that are, to the greatest extent practicable, consistent with the most recent CDC guidance on reopening schools, in order to continuously and safely open and operate schools for in-person learning;
 - 2. How the LEA will use the funds it reserves under section 2001(e)(1) of the ARP Act to address the academic impact of lost instructional time through the implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year;
 - 3. How the LEA will spend its remaining ARP ESSER funds consistent with section 2001(e)(2) of the ARP Act; and
 - 4. How the LEA will ensure that the interventions it implements, including but not limited to the interventions implemented under section 2001(e)(1) of the ARP Act to address the academic impact of lost instructional time, will respond to the academic, social, emotional, and mental health needs of all students, and particularly those students disproportionately impacted by the COVID–19 pandemic, including students from low-income families, students of color, English learners, children with disabilities, students experiencing homelessness, children in foster care, and migratory students.

ESSER III

Additional Requirements:

→ 20% Requirement for addressing learning loss

- Evidence-based interventions, such as;
 - summer learning or summer enrichment
 - extended day, comprehensive afterschool programs
 - extended school year programs
 - other evidence-based interventions,



Polling Question

 ESSER III PoP ends on?

A. 6/30/24

B. 9/30/23

C. 6/30/23

D. 9/30/24

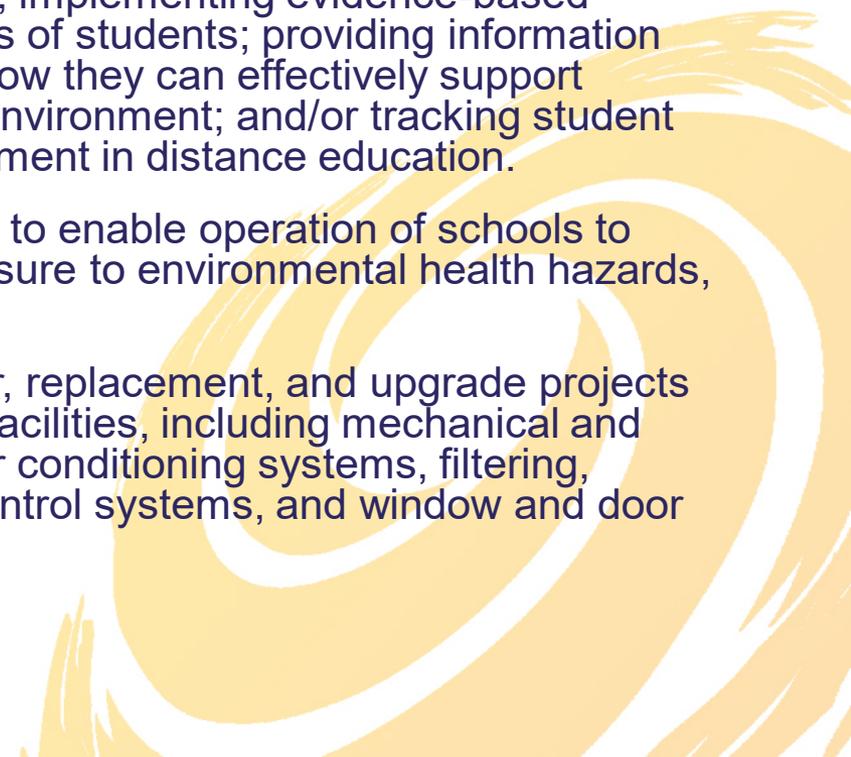


ESSER III

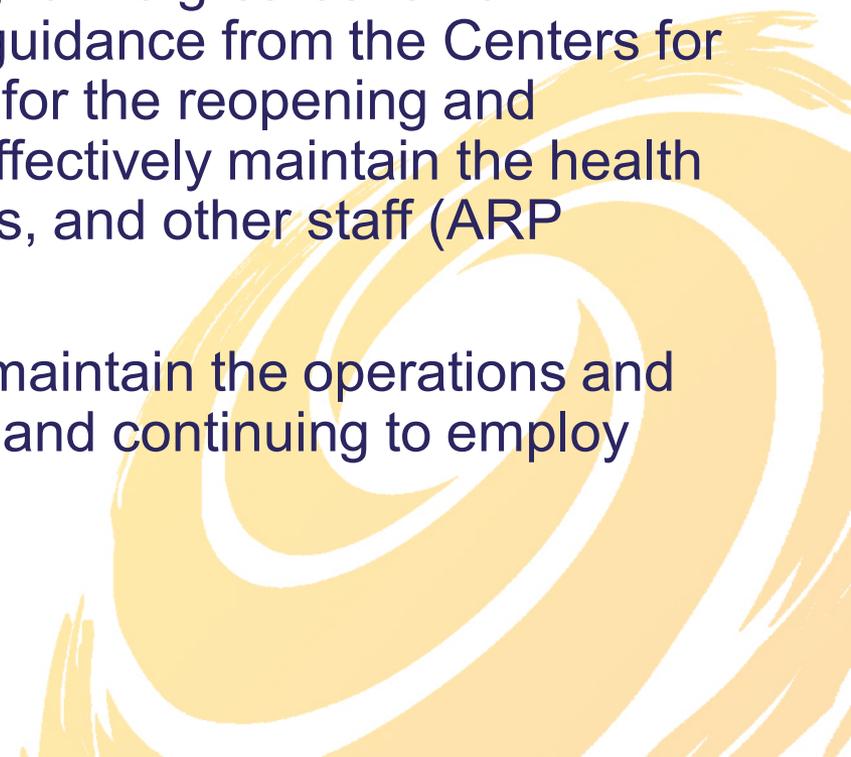
Allowable Uses:

- a) Activities authorized under ESEA, IDEA, Perkins, McKinney-Vento subtitle B, Adult Education and Family Literacy Acts.
- b) Coordinate preparedness and response efforts of LEA with state, local, Tribal, and territorial public health departments and other relevant agencies to prevent, prepare for, and respond to COVID-19.
- c) Activities to address unique needs of low-income students, students with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, foster youth.
- d) Develop and implement procedures and systems to improve the preparedness and response efforts of LEA.
- e) Training and PD for staff of LEA on sanitation and minimizing spread of infectious diseases.
- f) Purchase supplies to clean and sanitize facilities of the LEA.
- g) Planning for and coordinating during long-term closures (meals, technology, IDEA, and other educational services provided consistent with Federal, state, local requirements).
- h) Purchase educational technology (including hardware, software, and connectivity) for students served by LEA, including low-income and IDEA.

ESSER III

- i) Provide mental health services and supports.
 - j) Plan and implement summer learning and supplemental afterschool activities.
 - k) Addressing learning loss by: administering and using high-quality assessments to assess students' academic progress and meet students' academic needs, including through differentiating instruction; implementing evidence-based activities to meet the comprehensive needs of students; providing information and assistance to parent and families on how they can effectively support students, including in a distance learning environment; and/or tracking student attendance and improving student engagement in distance education.
 - l) School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
 - m) Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and nonmechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.
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ESSER III

- n) Provide principals and other school leaders with resources necessary to address needs of their individual schools (ESSER I and II); Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the Centers for Disease Control and Prevention for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff (ARP ESSER).
 - o) Other activities necessary to maintain the operations and continuity of services in the LEA and continuing to employ existing staff of the LEA.
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ESSER SEFA Guidance

 Since PoP goes back to 3/13/20:



- Expenditures reported on the financial statements in the original purchasing fund.
- Consolidated Appropriation Act of 2021 approved additional funding referred to as ESSER II.
- ODE requests ESSER I funds be spent prior to ESSER II.
- Therefore, some schools chose to charge additional FY 20 expenditures to ESSER.
- AOS anticipates a similar situation will occur for the ESSER II and new ESSER III funding authorized under the American Rescue Plan.
- District identifies allowable expenditures from FY20 that could be reimbursed using ESSER I and / or ESSER II.
- District records the ESSER Revenue in ESSER Fund 507 and/or ESSER Fund SCC.
- Original fund invoices ESSER Fund for expenditures to be reimbursed.
- ESSER Fund records the expenditure and the original fund records a Refund of Prior Year's Expenditure.
- ESSER II Fund Expenditures are reported on the FY 21 Schedule of Expenditures of Federal Awards
- Entities should reclassify the Refund of Prior Year's Expenditure to a revenue line item for reporting purposes.

Polling Question

 Does ESSER III have different allowable uses from ESSER I & II?

A. Yes

B. No



Uniform Guidance Overview

2 CFR 200.500 – 200.521 Audit Requirements

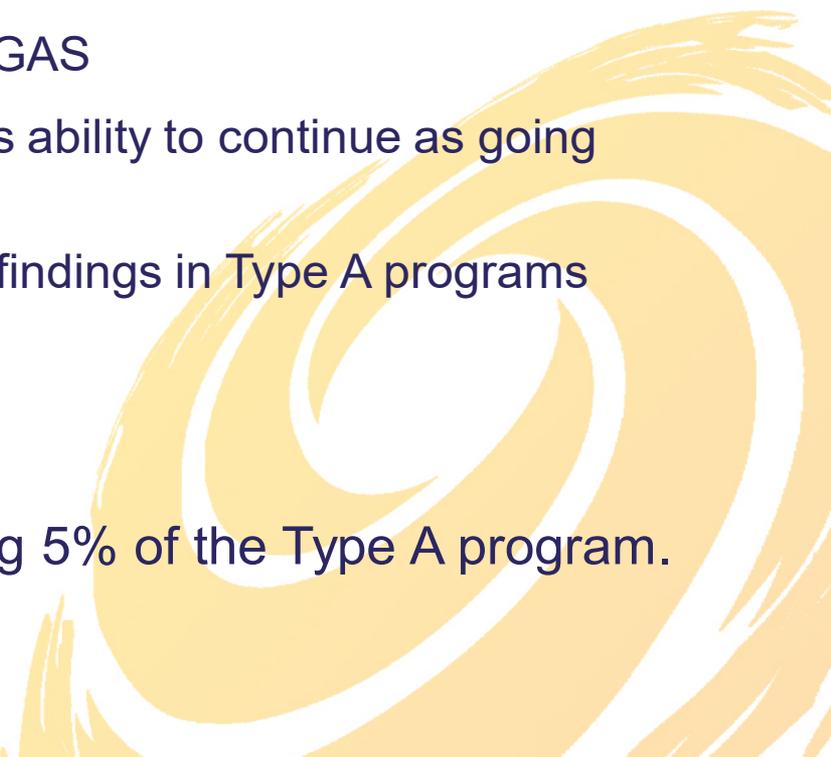
- (a) *Audit required.* A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part



Uniform Guidance Overview

High risk vs. Low Risk Auditee (2 CFR 200.520)

→ 2 proceeding audits

- Single Audit Performed
 - Unmodified opinion on the financial statements
 - No material weaknesses under GAGAS
 - No substantial doubt about auditees ability to continue as going concern
 - No Federal Programs had auditing findings in Type A programs identified as:
 - Material weakness
 - Modified opinion
 - Questioned costs exceeding 5% of the Type A program.
- 

Uniform Guidance Overview

🌀 High Risk Auditee:

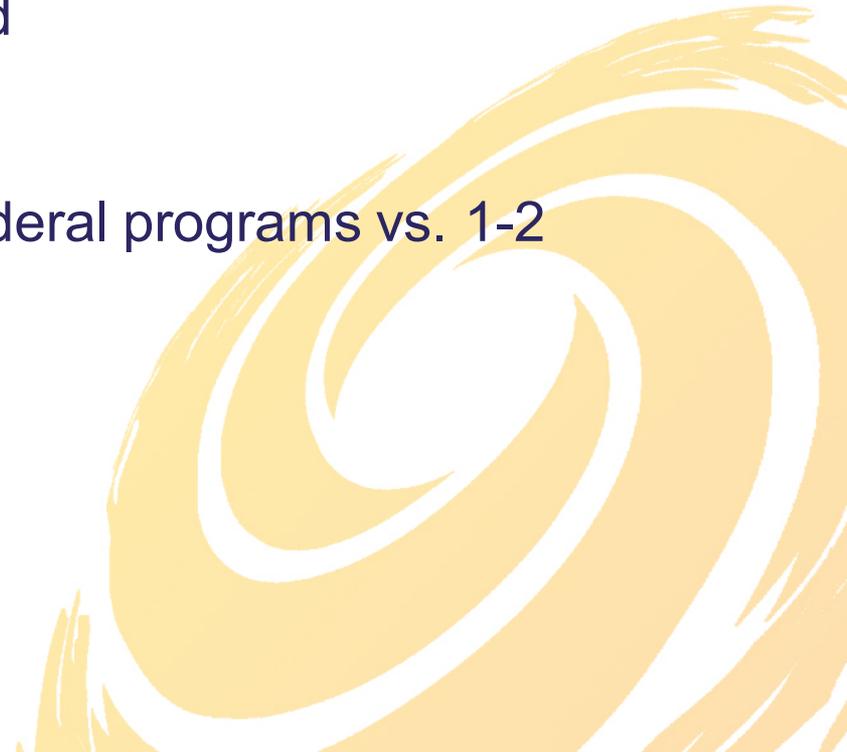
→ 40% of total federal awards expended

🌀 Low Risk Auditee:

→ 20% of federal awards expended

🌀 Impact for the City

→ 2019 will have an audit of 3-4 federal programs vs. 1-2 federal programs

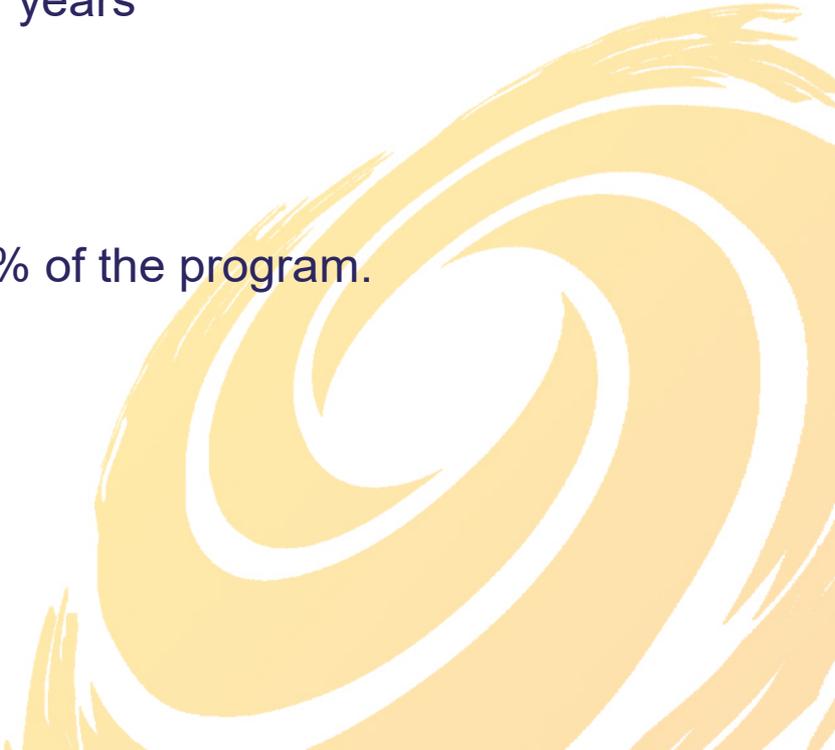


Uniform Guidance Overview

Type A Programs

→ Over \$750,000

→ High Risk vs. Low Risk

- Audited as major in 1 of previous 2 years
 - No material weaknesses
 - Unmodified Opinion
 - No questioned costs that exceed 5% of the program.
- 

Polling Question

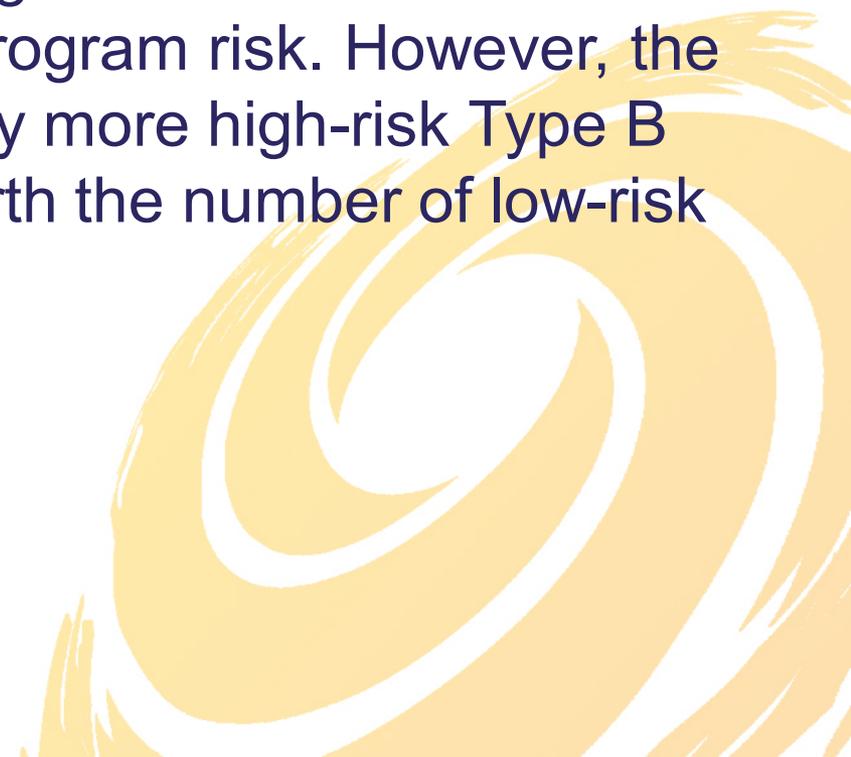
 High Risk Auditee must have 35% of SEFA expenditures tested.

A. True

B. False



Uniform Guidance Overview

- ☪ Type B Programs – Exceeds \$187,500, less than \$750,000
 - ☪ The auditor must identify Type B programs which are high-risk using professional judgment and the criteria in §200.519 Criteria for Federal program risk. However, the auditor is not required to identify more high-risk Type B programs than at least one fourth the number of low-risk Type A programs
- 

Uniform Guidance Overview

- At a minimum, the auditor must audit all of the following as major programs:
 - (1) All Type A programs not identified as low risk under step two (paragraph (c)(1) of this section).
 - (2) All Type B programs identified as high-risk under step three (paragraph (d) of this section).
- After programs meeting 1 and 2 are selected, the percentage of coverage rule applies.

Uniform Guidance Overview

2 CFR 200.514 Scope of Audit

- (c) Internal control. (1) The compliance supplement provides guidance on internal controls over Federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (2) In addition to the requirements of GAGAS, the auditor must perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs.
- (3) Except as provided in paragraph (c)(4) of this section, the auditor must:
 - (i) Plan the testing of internal control over compliance for major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program; and
 - (ii) Perform testing of internal control as planned in paragraph (c)(3)(i) of this section.
- (4) When internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in paragraph (c)(3) of this section are not required for those compliance requirements. However, the auditor must report a significant deficiency or material weakness in accordance with §200.516 Audit findings, assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control

Uniform Guidance Overview

2 CFR 200.514 Scope of Audit

- (d) Compliance. (1) In addition to the requirements of GAGAS, the auditor must determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs.
- (2) The principal compliance requirements applicable to most Federal programs and the compliance requirements of the largest Federal programs are included in the compliance supplement.
- (3) For the compliance requirements related to Federal programs contained in the compliance supplement, an audit of these compliance requirements will meet the requirements of this part. Where there have been changes to the compliance requirements and the changes are not reflected in the compliance supplement, the auditor must determine the current compliance requirements and modify the audit procedures accordingly. For those Federal programs not covered in the compliance supplement, the auditor must follow the compliance supplement's guidance for programs not included in the supplement.
- (4) The compliance testing must include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient appropriate audit evidence to support an opinion on compliance.

Uniform Guidance Overview

2 CFR 200.514 Scope of Audit

- (e) Audit follow-up. The auditor must follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with §200.511 Audit findings follow-up paragraph (b), and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor must perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year.

Control sampling size/inputs

Significance of Control and Inherent Risk of Compliance Requirement

<i>0 deviations expected</i>	Minimum Sample Size
Very significant and higher inherent risk	60
Very significant and limited inherent risk	40
or	
Moderately significant and higher inherent risk	
Moderately significant and limited inherent risk	25

Expected Deviations

- 🌀 For Uniform Guidance compliance audits, the auditor often plans for zero deviations in the sample.
 - The sample sizes in the previous table are based on an expectation of zero deviations in the sample and a high level of assurance. If testing discovers no deviations, then a high degree of assurance is achieved that the control is being performed at an acceptable level to be effective.
 - When more deviations are encountered than were planned for, the auditor has not met the planned audit objective.
- 🌀 All deviations (whether expected or not) should be investigated to determine the potential effect on the program. Although not all deviations will lead to an audit finding, this guidance is written from the perspective of planning for zero deviations in the sample

Polling Question

-  What is the threshold that triggers a single audit?
- A. \$650,000
 - B. \$500,000
 - C. \$750,000
 - D. \$1,000,000



Compliance Sampling Table/Inputs

- 🌀 The table is appropriate for populations of 250 items or greater

<i>0 exceptions expected</i>	<i>Minimum Sample Size</i>
High	60
Moderate	40
Low	25

Expected Population Exception Rate

- 🌀 The compliance testing sample size table is based on an expectation of no exceptions. If no exceptions are discovered in testing, then the desired level of assurance is obtained about compliance. When more exceptions are encountered than were planned for, the auditor has not met the planned audit objective.
- 🌀 All exceptions (whether planned or not) should be investigated to determine the potential effect on the program. Although not all exceptions will lead to an audit finding, the auditor should evaluate compliance exceptions (whether planned or not) for their nature and cause to determine the potential effect on the program.

Evaluating Deviations (controls)

- 🌀 The controls sample size table is based on an expectation of zero deviations.
- 🌀 When more deviations are encountered than were planned for, the auditor has not met the planned audit objective. In other words, although the auditor needs a tolerance, or tolerable deviation rate, in order to plan a sample, the observance of a deviation rate as high as the tolerable rate in a sample is not acceptable due to sampling risk.
- 🌀 As previously discussed, when a control deviation is identified, the auditor should evaluate the nature and cause of the deviation. Control deviations should be evaluated to determine whether they are significant deficiencies or material weaknesses in internal control over compliance

Evaluating Deviations (controls)

- 🌀 When more deviations are encountered than were planned for, the auditor has not met the planned audit objective, and there is likely to be an unacceptably high risk that the true deviation rate in the population exceeds the tolerable rate due to sampling risk.
 - In such a circumstance, after considering the reasons for the control deviation(s) and the number of deviations identified, the auditor may conclude it is appropriate to expand the test or perform other tests to include sufficient additional items to reduce control risk to an acceptable level.
- 🌀 *Rather than testing additional items, however, it is often more efficient in a Uniform Guidance compliance audit to report a deficiency in internal control over compliance and, when testing compliance, to increase the auditor's assessed level of remaining risk of material noncompliance and increase the extent of compliance testing to reflect the change in the control risk of noncompliance assessment.*

Evaluating Deviations (compliance)

- ❁ Exceptions observed in a sample are important to the auditor's compliance testing strategy and should be evaluated to determine whether to report findings of material noncompliance.
- ❁ Although compliance testing in a Uniform Guidance compliance audit often involves monetary amounts, the focus of the testing is on whether or not there is evidence of compliance to support the auditor's opinion on compliance.
- ❁ The auditor is not required to expand test work to definitively determine the total questioned costs because there is no requirement in the Uniform Guidance to report an exact amount or a statistical projection of likely questioned costs. Rather, the Uniform Guidance requires the auditor to consider the effect of likely questioned costs on the auditor's opinion on compliance and include an audit finding when the auditor's estimate of likely questioned costs is greater than \$25,000.

Evaluating Deviations (compliance)

- 🌀 The compliance sample size table is based on an expectation of zero exceptions. When more exceptions are encountered than were planned for, the auditor has not met the planned audit objective, and there is likely to be an unacceptably high risk that the true exception rate in the population exceeds the tolerable rate due to sampling risk.
- 🌀 In such a circumstance, after considering the reasons for the compliance exception(s) and the number and magnitude of exception(s) identified, the auditor may conclude it is appropriate to expand testing or perform other tests to include sufficient additional items to reduce the risk of material noncompliance to an acceptable level.
- 🌀 *Alternatively, rather than expand the scope of testing to improve the precision of the projected error, the auditor may consider it prudent to report the exceptions as an audit finding and evaluate the effect that the sample result has on the assessed level of risk of material noncompliance and the overall compliance opinion*

Conclusions on testing results

- 🌀 The auditor should relate the evaluation of the compliance testing sample to other relevant audit evidence when forming a conclusion about compliance as well as internal control over compliance. *If compliance testing results in exceptions, the auditor should relate this testing to the results of tests of internal control. A compliance exception is an indicator of a potential deficiency in internal control over compliance.*
- 🌀 The overall conclusion about the effect that the evaluation of the sample results has on the assessed level of risk of material noncompliance and, thus, on the overall Uniform Guidance compliance audit opinion, requires the auditor to use professional judgment. If the sample results, along with other relevant audit evidence, support other than an unmodified opinion, the auditor should modify the opinion accordingly

Audit Findings

- 🌀 Internal control and noncompliance are not mutually exclusive, but not fully two way.
 - Compliance Finding = Control Finding
 - Control Finding (may or may not) = Compliance Finding
 - Key: Documentation should support any judgement

