Managing and Monitoring COVID-19 Relief Funding Compliance
Learning objectives:

- Provide an overview of emergency relief funding provided by the CARES Act and briefly discuss other federal stimulus programs that may be applicable to various organizations

- Explain the various compliance requirements accompanying some of the funding options and discuss the organization’s role in ensuring compliance

- Discuss ways that audience members can provide monitoring, assurance, and fraud assessment support to assist organizational compliance and decrease risks of noncompliance
Overview of Covid-19 Relief Funding
COVID-19 RELIEF FUNDING

Funding Overview

Paycheck Protection Program (PPP)

Economic Injury Disaster Loan (EIDL)

SBA Bridge Loans

HEERF Student Funding

HEERF Institutional Funding and other funds

Federal Emergency Management Agency funding (FEMA)

Other Federal grants and contracts
First, figure out what your compliance responsibilities are!
- Award agreements, certifications, and other documents - If you signed it, you need to comply with it!
- Agency guidance
- Program-specific guidance
- Understand your organization’s policies, procedures and protocols to support compliance
  - You can be held to your own policies if they are more stringent than government regulations
- Understand potential implications of noncompliance
COVID-19 RELIEF FUNDING

Compliance Resources- SBA

Small Business Administration Links

Baker Tilly FAQs and PPP Forgiveness Toolkit
COVID-19 RELIEF FUNDING

Compliance Resources - HEERF

Department of Education Guidance
- https://www2.ed.gov/about/offices/list/ope/caresact.html

NASFAA Guidance
- https://www.nasfaa.org/covid19_heerf

Baker Tilly FAQs
Compliance Resources- Other

FEMA Guidance
- https://www.fema.gov/assistance/public

Other Grants and Contracts Guidance
COVID-19 RELIEF FUNDING

Compliance Resources- Office of Inspector General (OIG) Materials

Small Business Administration OIG Reports
- https://www.sba.gov/about-sba/oversight-advocacy/office-inspector-general/reports

Department of Education OIG Reports
- https://www2.ed.gov/about/offices/list/oig/reports.html

FEMA OIG Reports (part of Department of Homeland Security)
Relief Funding
Compliance Monitoring
Approaches
COVID-19 RELIEF FUNDING

Monitoring Approaches- Three Options

Providing real time guidance on controls and compliance

Performing audit or reporting reviews as the process is going

Auditing compliance after the fact
Providing Guidance on Controls and Compliance

- Compile and understand your compliance responsibilities
- Understand your organization’s current state
- Perform a gap assessment of the current design of processes and controls including
  - Application and administration
  - Expenditure tracking
  - Expenditure approvals
  - Procurement requirements
  - Reporting requirements
  - Other documentation
- Recommend changes to processes and controls to ensure compliance moving forward
COVID-19 RELIEF FUNDING

Auditing Compliance

- Identify the population of at-risk transactions/dollars
- Compile and understand your compliance responsibilities
- For each compliance requirement, consider
  - Perform data analytics to identify noncompliance (e.g., amounts awarded in excess of statutory or policy limits)
  - Perform analysis and reconciliations of overall spending (e.g., reconcile payroll amounts and headcount to confirm PPP forgiveness)
  - Test sample transactions for adherence with the spirit of the funds, compliance with purchasing, approvals, and other administrative requirements
  - Perform cost allowability testing of a sample of costs covered by the funding
Review the most recent required report(s) to test for:
- Accuracy
- Completeness
- Adherence with regulatory guidance
- Timeliness

For reports that will be publicly available, review for reputational impact.

Considerations for timing of compliance auditing:
- Interim auditing allows for course correction
- Auditing at completion of expenditure of funds allows to reconcile funds before closeout
- Auditing at end of fiscal year prepares for a clean external audit

COVID-19 RELIEF FUNDING

Auditing Compliance, cont.
Paycheck Protection Program
PAYCHECK PROTECTION PROGRAM

Overview

PPP Loan Forgiveness (Section 1102):
- Maximum loan up to 2.5x monthly payroll costs
- Must meet certain eligibility requirements to participate
- PPP funds can be used for:
  - Payroll
  - Mortgage payments
  - Rent
  - Utilities
- December 31, 2020 cutoff period
Overview

PAYCHECK PROTECTION PROGRAM

PPP Loan Forgiveness (Section 1102):
- 60% of funds must be used for payroll
- Must maintain the number of employees on your payroll
- Exemption for “good faith” offers to rehire
- Must maintain 75% of total salary
- PPP covered period is either:
  - 24 weeks from the disbursement date (no later than December 31, 2020) OR
  - 8 weeks from the disbursement date if PPP loan was receive prior to June 5, 2020
## Compliance and Oversight

### Risks
- Inaccurate or incomplete PPP application or borrower Certification
- Ineligibility for loan forgiveness
- Insufficient documentation to support forgiveness

### Monitoring Procedures
- Confirm eligibility for PPP loan
- Review application amounts for accuracy as these serve as baseline
- Reconcile headcount and payroll amounts over time
- Ensure all employee, payroll, and tax records for the last 12 months are available (or CY 2019)
- Confirm documentation of “good faith” efforts
- Verify documentation of other eligible expenses
Higher Education Emergency Relief Funding (HEERF)
Overview

Student Aid (Emergency Grants to Students)
- Provides 50% of total funding approved in Sec. 18004(a) of the CARES Act must be provided to students in the form of Emergency Financial Aid Grants
- Only students that are eligible to participate in Section 484 of the Higher Education Act (e.g., eligible to be awarded Title IV assistance)
- Must be paid directly to students
- Used for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student’s cost of attendance, such as food, housing, course materials, technology, health care, and child care).
Institutional Portion
- Remaining 50% of funding approved in Sec. 18004(a) provided to cover Recipient’s institutional costs
- Broader expense eligibility
- Can be used cover any costs associated with significant changes to the delivery of instruction due to the coronavirus (including to cover the cost of refunds made to students for room and board)
- Cannot include payment to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship
HEERF
Student Aid Implementation

CARES Act Student Aid Portion – Implementation Plans

- Student eligibility
- Allocation methodology
- Timing of disbursement
- Operational approaches for disbursement
- Documentation and reporting considerations
HEERF
Institutional Aid Implementation

CARES Act Institutional Aid Portion – Implementation Plans

- Allocation and prioritization of usage of funds
- Timing of use of funds
- Remaining questions and concerns
## Compliance and Oversight

### Risks
- Grants made to ineligible students
- Funds spent on ineligible student expenses
- Funds spent on ineligible institutional expenses
- Inaccurate or untimely reporting
- Less than 50% of total funds paid directly to students

### Monitoring Procedures
- Review funding application and review process
- Review disbursement process
- Perform data analytics to confirm outliers in student payments
- Test a sample of student payments for eligibility of student and expenses
- Review required reports
- Reconcile total spending on students vs. institution
Federal Emergency Management Agency (FEMA)
Overview

FEMA Public Assistance:
- Available for government and private non-profit organizations
- Eligible expenses include:
  - Management and elimination of imminent dangers to public health
  - Emergency medical care
  - Social distancing expenditures
- Authorized at minimum of 75% federal cost share
- FEMA is the “funder of last resort;” expenditures cannot be covered by other Federal funding sources (e.g., HHS, CDC)
- Applications are made to your state agency
- Applications are a coordinated effort with FEMA and your state PA representative
**Compliance and Oversight**

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<thead>
<tr>
<th><strong>Risks</strong></th>
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<tbody>
<tr>
<td>• Ineligible projects</td>
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<td>• Ineligible expenditures</td>
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<td>• Noncompliance with Federal procurement requirements</td>
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<td>• Insufficient documentation to support costs</td>
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<td>• Inaccurate or untimely reporting</td>
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<table>
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<tr>
<th><strong>Monitoring Procedures</strong></th>
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<tr>
<td>• Review tracking and accounting for salaries, benefits and other costs due to COVID-19</td>
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<tr>
<td>• Ensure accounting structure is in compliance with regulations</td>
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<tr>
<td>• Ensure documentation is readily available for audits</td>
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<td>• Test a sample of expenses to confirm eligibility, procurement, and documentation</td>
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Questions?