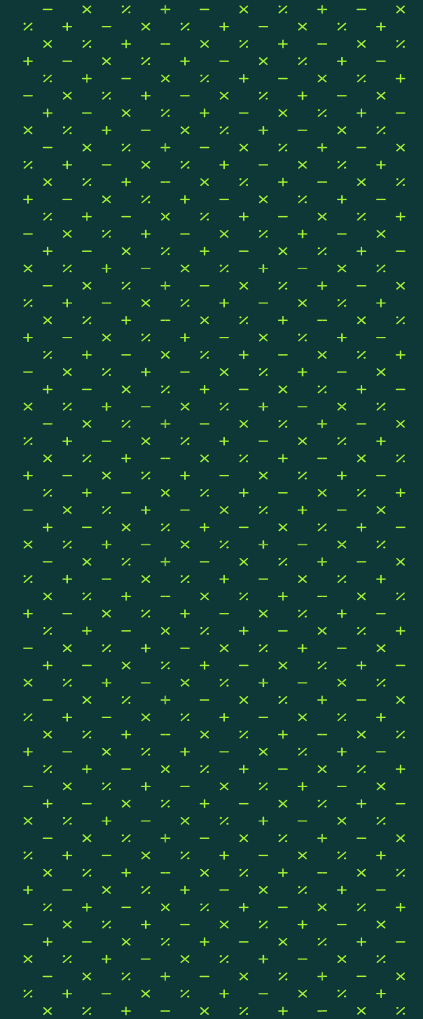




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Independent Auditor's Perspective

CAPPA Virtual Training
January 15, 2021



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MB 20-19a – Updated Guidance on Family Fees





Key Provisions

- Family fees were waived for all subsidized children in July and August 2020
- Family fees are waived for September 2020 – June 2021 for families where all children in the family are enrolled in care and remain at home for distance learning or sheltering-in-place
- Attendance and fiscal reports will be revised to collect information on the amount of family fees waived





Audit Challenges We Foresee

- Data accumulation and documentation for family fees that were assessed but waived
- Potential errors in recording transactions in the general ledger
- How should the appropriations be recorded? Balance sheet impact only or reported as revenues / expenses
- Will it be reported on the schedule of expenditures of federal and state awards?





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Updates on COVID Funding





COVID Funding Potpourri

- Confusion over audit completion extensions (OMB vs. CDE timelines)
- PPP loans are not reported on the SEFA
- Double Dipping confusion between various COVID sources
- Provider Relief Funds- Expenditures and lost revenue will not be reported until 12/31/20 year ends or later
- Donated PPE – if received from a federal agency should be valued and reported in a footnote to your SEFA





COVID Funding Potpourri (continued)

- Provider Relief Funds- Expenditures and lost revenue will not be reported until 12/31/20 year ends or later
- Any COVID related funding should be noted in the description on your SEFA and Data Collection Form

SEFA Example:

COVID-19 Temporary Assistance for Needy Families	93.558	\$1,000,000
Temporary Assistance for Needy Families	93.558	<u>\$3,000,000</u>
<i>Total – Temporary Assistance for Needy Families</i>		<u>\$4,000,000</u>





PPP Round #2 (Second Draw)

1. Must have 500 or fewer employees
2. Experience a revenue reduction of 20% or greater in 2020 relative to 2019 (on a quarterly basis or annual 2019 vs 2020)
3. Have or will use the full amount of the first loan on or before the expected PPP loan disbursement.
4. Loans are capped at \$2 mil
5. Most will get 2.5x monthly payroll except food/accommodations 3.5x





Employer Retention Credit Updates

- Credit has been extended to June 30, 2021
- Credit has been increased in 2021 to 70% of up to \$10,000 of qualified wages paid per quarter or max credit of \$14,000 per employee for 2021
- Must show a 20% decline in gross receipts (per quarter) compared to the same quarter in 2019 or show that your business was fully or partially suspended due to COVID 19
- The restriction from the CARES act that prevented employers from taking PPP loans and claiming the credits have been removed- THIS IS BIG
- Employers can claim the credit on wages not used for PPP forgiveness





Payroll Tax Payment Deferral and Timing of Deduction

- Deposits of employer portion of Social Security taxes (6.2%) originally due between 3/27/20 and 12/31/20 may be deferred.
- Deferred amounts are repaid in two installments: 50% on 12/31/2021 and 50% on 12/31/2022
- For calendar year accrual-basis taxpayers, accrued payroll taxes not paid by the earlier of the date the return is filed or September 15th likely cannot be deducted on the 2020 tax return.





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2021 Audit Considerations





FFATA Reporting Requirements

- Applicable to prime recipients that make first-tier awards of \$25,000 or more to report through the FFATA Subaward Reporting System
- See www.usaspending.gov/search
- Auditors must test for any COVID-19 major programs
- A table will be added by your auditor to communicate samples tested and results





What might be different in a remote audit?

- New technology
- Internal control walkthroughs
- Testing of large paper files
- Inventory observations
- Access to invoices and documentation of approvals





Questions to Revisit in a Remote Environment

- Do written policies reflect actual practice still?
- Have user access rights been reviewed?
- Is training of new employees sufficient?
- Is cybersecurity insurance sufficient?
- Have SOC1 reports been reviewed?
- Do employees have increased motivation or opportunity to commit fraud?





Where to Improve Efficiency

- Communication of timelines – set deadlines with contingencies
- Review prior year financial statements before the audit and use a disclosure checklist to think of new implications that may affect the presentation
- Reconciliations



Additional Resources

Visit us at mossadams.com/covid-19-implications for additional resources and new alerts.

- Alert: [COVID-19 Relief Law: Tax Extenders and Resolved PPP Expense Deductibility](#)
- Webcast: [What to Expect With Biden as President-Elect](#)
- Article: [Strategies to Combat Employee Fraud During Times of Disruption](#)
- Checklist: [COVID-19 Audit Committee Checklist for Non-Profits](#)



Questions?





THANK
YOU

