



Beyond the Mic with AEM

Podcast Episode 5 | Published Friday, April 10, 2020

COVID-19 | FEMA Reimbursements & Single Audit Considerations

Hosted by Bonnie Schwieger, CPA and Layne Kockelman, CPA

Bonnie Schwieger

Hi, everyone! You are with Bonnie Schwieger, I'm an audit manager with Abdo, Eick & Meyers and also, Layne.

Layne Kockelman

I'm Layne Kockelman. I'm also an Audit Manager with Abdo, Eick & Meyers.

Bonnie Schwieger

We are going to be talking to you today about a few different things. First, FEMA - FEMA reimbursement relating to the COVID-19 pandemic and the national emergency that was declared. And then we're going to go into talking about Single Audit requirements and things you need to consider when you're thinking about that FEMA reimbursement from a Single Audit perspective and also internal controls and considerations for our new work environments that we all find ourselves in. And then also Single Audit internal control considerations.

So first, I'm going to start with talking about FEMA public assistance. So when the president declared the national emergency, it triggered the Stafford Act to go into effect. The Stafford Act allows for reimbursement under category B of the Public Assistance Program. So the Public Assistance Program is a very broad program that covers national disasters, certain types of emergencies, and under category B of that program it allows for FEMA to provide assistance for emergency protective measures.

So "emergency protective measures" can be a very broad term. So we'll go into a little more detail on what does that cover? What are some of the types of costs that you are allowed to be reimbursed for, and then also how much you're going to get reimbursed for those emergency protective measures. Currently, FEMA is saying that 75% of those allowable costs will be reimbursed as a federal cost share, so 75% at the federal level and then 25% is a local match for those emergency protective measures. It's really important to keep in mind when you're thinking about this FEMA reimbursement and how you're going to get some of your additional COVID-19 costs reimbursed about some of those other agencies that are also providing you with reimbursement. The one thing that FEMA has been very clear about in their guidance is if there's anything that's going to get reimbursed from the Department of Health and Human Service's or the CDC, those are not eligible for FEMA reimbursements. So you can't duplicate any requests between FEMA and those other agencies. So for your emergency protective measures and what that covers, the broad definition of that is actions taken by a community before, during and following a disaster to save lives, protect public health and safety, or eliminate any immediate threat or significant damage to improve public or private property.

So here are some examples of what that is, so that's really management and control and reduction of immediate threats to public health, including emergency operations center costs. So if you have to set up an emergency center for different types of services to have one central place to operate from, that would be something eligible for reimbursement. Training specific to the declared event. So I think a lot of organizations right now are dealing with "How do we get our staff ready to handle this type of emergency?" It's a new situation for all of us, and training is going to be really key in how we respond. And so those kind of costs associated with that training are eligible for reimbursement as well. The other thing that FEMA is talking about as being an eligible cost is disinfection of eligible public facilities. So that is a huge thing right now. If you have an environment where you have to have people coming into. You cannot close it down to the public or to other staff. You have to keep that disinfected, and that costs a lot of your reserves, so you are eligible to get that reimbursed.

Bonnie Schwieger (continued)

Other things would include emergency medical care, use of specialized medical equipment, emergency medical transport, things along those lines. Security and law enforcement - that's going to be an additional cost for local governments and something to consider. Communication of general health and safety information to the public. So, if you're having extra costs for how you're communicating this to the citizens in your city or county that costs money to get the word out there about what they need to do, and that could be eligible for reimbursement as well. The one that we're seeing that's most common for some of our local governments that we work with is reimbursement for overtime costs. The common example that we keep seeing is people are having to do staffing levels a lot differently than they did in the past. And when you have to staff people in a way that they're going to stay six feet apart and not come into contact with each other, you could run into overtime for those individuals. For instance, and a public works facility. If you're having to have just maybe like a one man shift and working extra hours there - so, that could run into overtime costs and it's really important to understand when that overtime is being caused by COVID-19.

Some of the action steps that you need to take for this FEMA reimbursement, so we're suggesting and other emergency management professionals are suggesting to declare a local emergency. So the Federal Government has declared a national emergency and the state of Minnesota has declared an emergency. And so we would recommend that other organizations declare an emergency as well just to make sure you're protected and eligible for any reimbursements. And then the next thing that you really need to start thinking about is how do you track those costs that we talked about? So you, might think, you know, "What I do have as overtime costs" or, "I do have cost related to communication or setting up an emergency medical facility." And so how do you track those costs and make sure that you have proper documentation. Also, estimate any revenue losses. So if you are operating a sports facility or some sort of other recreational facility, you are losing revenue right now. That facility is not being used and being able to identify how much revenue is lost because of that is really important in this situation. We'll talk a little bit more later about how to track some of those cost and why it's important to the FEMA reimbursement.

Reviewing policies and procedures is a must, though, in this environment that we're in, we're doing things differently. And we have to make sure that our policies and procedures that are documented match what is actually occurring and so reviewing those right now to make sure that any changes are incorporated and approved is really crucial. Also, when you're thinking about FEMA reimbursement, that falls under federal guidelines, and when you receive federal funding, there are additional steps you need to take and additional compliance requirements. A lot of times, your policies and procedures might not be set up to match those federal requirements, and so it's really important to review your policies and procedures not only to match what you're currently doing in your workflow for changes to your daily procedures, but also to match any of these new compliance requirements if you're receiving significant federal funding for the first time.

Some of the ways that you can achieve proper cost documentation is to use project accounting in your accounting system. So when you're thinking about how do you keep these types of costs related to these emergency protective measures separate from the other costs that you're incurring on a daily basis, use the project accounting in your system or assigning a different type of depart code. So if you have a department code in the general fund for city buildings or public safety, set up a separate department code to capture all of these COVID-19 related costs, and that will keep them in one centralized place so that when you do need to submit any reimbursement request, you can have all that information in one place and you don't have to go digging through your accounting system. So especially when we think about overtime, this is going to be really important to set up not only for just general invoices for being paid, but also for when payroll is being processed in your accounting system that the payroll codes are being used correctly to capture any of that over time right away.

So when we think about requesting reimbursement for COVID-19 related cost from FEMA, it can be a cumbersome process so it's important to kind of understand where your resource are. Any reimbursement requests need to be processed through your state or local jurisdictions. And so, if you are a city contacting the state of Minnesota to understand what that process is for FEMA reimbursement is really going be your first step. And you should be able to direct to you to the right place and get you the forms that you need to fill out. Hennepin County has provided some information on their website about the forms that they're suggesting people use, and that includes things like applicants benefits, calculation worksheets, initial damage assessment worksheets, and they also suggest contact your local emergency management for advisement on specific forms you need to fill out. So starting at that state and local level with your emergency management representative is really important.

Bonnie Schwieger (continued)

When you're thinking about those costs that you need to track and when you do request reimbursement, where's that starting point? We're really suggesting that people go back to March 1st of 2020 when the national emergency was declared. The FEMA reimbursement is at a federal level and was really triggered by that national emergency that was declared. So going back to March 1st, to kind of match that timing, would be appropriate when you're thinking about what is the date range that I can request reimbursement for.

A couple of examples when you're thinking about costs that would be eligible for reimbursement. One example that we've seen is senior leadership is splitting shifts to avoid all being contaminated at the same time. So if you're in a city environment, if you have a city manager and then a finance director or a city administrator and then a city planner or something like that, people that are kind of on the higher level that you need to have somebody always able to be in charge of the city and take control. Making sure that you're splitting those shifts to avoid contamination is really crucial. And so because you need to split go shifts as a result you have additional duty crews that we need to provide constant coverage while also limiting the need for additional people to respond to situations and so that was also an additional payroll cost. Until you are receiving reimbursement for that, you might have a decrease in your revenue to cover schools additional overtime costs.

So those were some of the things to think about. It's not always going to be as straightforward as we sent out this communication and this really is specifically to COVID-19. Sometimes these costs are going to be a little bit less direct and would require, like in this good situation, would require additional documentation. One of the things that we've been reading a lot about when it comes to documentation for these FEMA reimbursements is you have to have that proper justification and making sure that you really document why this cost related to COVID-19 in this emergency is going to be really crucial.

So, Layne, I'll turn it over to you to talk a little bit more about the Single Audit impact of this FEMA reimbursement.

Layne Kockelman

Thanks, Bonnie. You did a great job and you covered a lot of ground there. So I am going to talk specifically about the audit requirements around COVID-19 and how this may potentially impact your 2020 audits.

What is the difference between a Single Audit and just your annual audit requirements? It's when you expend more than \$750,000 during the year, it's going to trigger those Single Audit requirements. And this doesn't necessarily mean when you receive the federal revenue, but more of when your costs are incurred for these federal programs. As Bonnie stated earlier, with COVID-19 there's a 75% federal cost share, it could push many of your entities over that threshold and trigger that Single Audit requirement. So a Single Audit requirements are very heavily focused on compliance testing and also the internal controls over those compliance supplements. As Bonnie said earlier, making sure that your policies and procedures are up to date and making sure that they are in requirements with those new uniform guidance requirements. Making sure that there's procedures documentations to match workflows is one area to consider. Also, consider where your significant risk areas are at identifying those key control specific to those internal control requirements. Like Bonnie said, the biggest thing is procurement side of things and ensuring that your purchasing policies are documented well, not only for contracts that you may enter into, but also for some of those micro purchases that might fall under the \$1000 - \$2000 threshold.

Bonnie Schwieger

I was just going to mention that you may be thinking about this federal reimbursement and thinking "I'm not going to get to that \$750,000 federal reimbursement," but it can add up pretty quickly. You might get other federal funding, you might get different types of street highway aid that is federal funding that runs through the state. It's really important to understand what you currently have that is a federal cost and then if you add this FEMA reimbursement on top of it, that could push you over the Single Audit threshold. There might be a situation where you've never had a Single Audit as you've always been around the \$500,000 level or below. Depending on how long this national emergency lasts, it could really push cities or other local governments above that threshold. So it's really about being aware of what current federal funding is and then adding this on top of there to see if you are over that Single Audit threshold.

Layne Kockelman

That is a good point, Bonnie. It goes back to there are a lot of uncertainties right now on your what is the financial impact for this year going to be and going forward and how it's going to affect budgeting as well? So I know that Jean and Vicky and our Financial Solutions group have also put together some information on that, so if you have not listened to that podcast, go check that out. With all the uncertainties, like Bonnie said earlier, it is very important to track these costs and you're setting up a new department like she mentioned is a great way to do it to kind of identify what specific costs are related to these activities. The FEMA is going to be captured under C F D. A. 97 036 which is presidential declared disasters and there are some various compliant supplements. The most important thing to focus on our whether your activities are allowable, where the costs are allowable, there's any mansion requirements for the state or local aids with a period performances, like Bonnie said, the March 1st trigger date, making sure it matches up to those dates reporting requirements through FEMA and the requests that are made. And if there are any sub-recipients involved, it's important to have procedures in place around the monetary of all yourself sub-recipients spending those federal dollars as well.

There is one other thing to know when documenting your FEMA costs is, they do prohibit non competitive procurement for general consulting services after emergency conditions subside, so it's important to know some of those things on the front end and making sure that your reimbursement requests are done correctly. A big piece of this again is just documenting and understanding the eligibility, so proving the costs were incurred after the emergency conditions existed, and again meeting that period of performance and making sure that those costs are in line with that. Documenting full procurement histories and submitting detailed invoice and proof of payments is another thing to consider. If there are non-competitive procurements done, even for those micro purchases, documenting why there was not any consideration to the competitive procurement process.

Bonnie Schwieger

One thing that is really hard to understand when we're talking about procurement policies and that they need to be in compliance with uniform guidance and need to make sure that things are reviewed and up to date and you might be thinking "Well, I don't know what the uniform guidance is" or what it needs to look like or what it really needs to be included. Because of this, we do have kind of a summary of a pretty detailed summary of what the uniform guidance entails, what do your policies need to include, and you need to make those changes. So on our [COVID-19 Resource Center](#) we have a link to that document that you can go through and review. If you contact auditor or anybody that you work with at Abdo, we can send you some examples of what those policies are so you can get a good idea of what you need to possibly change with your current policies.

Internal controls is another one to think about when you're thinking about those policies, also think about your internal controls and what you need to include. It can be really hard to understand how your internal controls are changing in this time and so what we suggest is to first look at what you're doing. What are your process is right now and then think about how are we reducing risk with any changes in our processes? When you think about, for example, approving invoices, that process looks different now than it probably did a month ago and just really make sure that you update that well.

Thank you very much for joining us. If you have any questions, please make sure to reach out to us. We would love to talk about this further. If there's anything you have additional questions or concerns about, and also check out our other podcasts, check out the information that we have on a [resource center](#) about COVID-19. Thank you so much for joining us. Have a great day.

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