

COVID-19: Compliance and Accounting Update

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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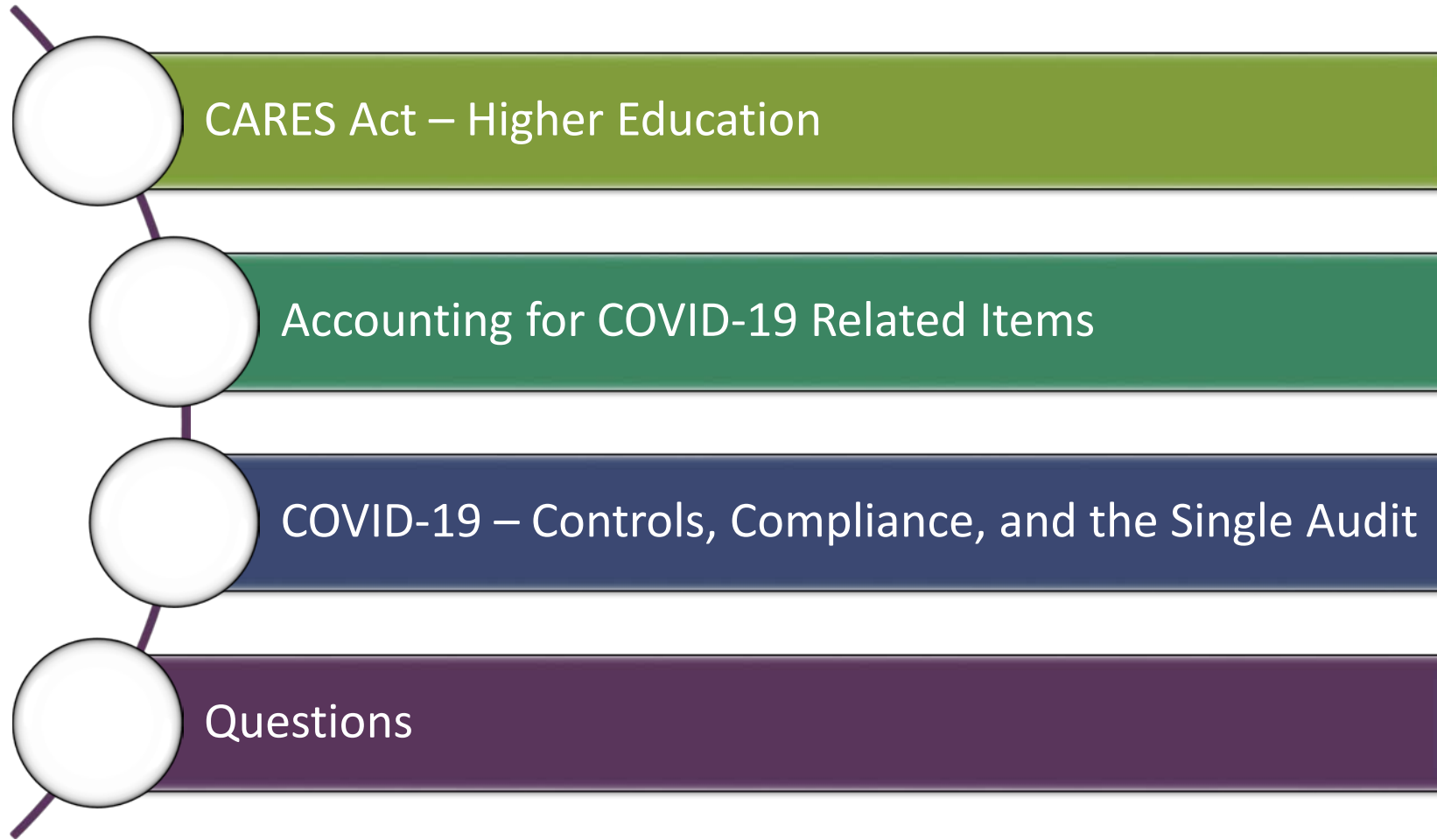


Learning Objective

By the end of this session, you will be able to outline COVID-19 industry impacts and identify responses.



Agenda





THE CARES ACT – Higher Education

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CARES Act: Economic Stabilization Fund

\$31 Billion to
Department of Education

- Approximately \$14 billion for colleges and universities
- Approximately \$3 Billion in grant aid given to states to award to K-12 and higher education institutions, mostly at the governor's discretion

Of \$14 Billion, 90% provided to institutions and amount driven by Full time equivalent Pell grant recipients at institutions excluding those students who are already distance education.

Highest neediest institutions see more aid.

Institutions required to provide 50% of aid received to students; remaining aid received can be used to defray expenses for institutions of higher education.

Funds are distributed through G5 draws system.

CARES Act – Higher Education Funding

Student
Assistance

Institutional
Assistance

CARES Act Guidance

Department of Education released Q&As and Certification Agreement language on April 21, 2020.

Includes guidance on both student assistance and institutional assistance portion:

Eligible/ineligible use of funds

How to disburse to students

Timing of funds

Reporting requirements

CARES Act – Student Funding

50% of funding

Intended for emergency relief only

Cannot:

- Applied to balance on student account
- Be used for reimbursement to institution for refunds issued to students

Not to be used to pay FWS students if not working. (FWS funding, not relief funds)

Can be used to provide aid to students who have no financial need, if they have qualified, eligible pandemic-related expenses

CARES Act – Eligible Students

Students who filed
FAFSA and
demonstrated
need.

Students who did
not file FAFSA but
were eligible to file.

Incarcerated
Second Chance Pell
ESI students related
due to pandemic.

CARES Act: Non-eligible Students

DACA

International

ESOL

Non-degree

Fully-online
before
pandemic

Incarcerated
students not
released



Cares Act – Student Funding Reporting Requirements

Reporting
Frequency:

- 30 days after signing initial certification agreement
- Updated every 45 days thereafter

Report on:

- Acknowledge the institution provided the certification and intends to use 50% for students
- Total amount of funds the institution will receive or has received
- Total amount distributed to students
- Estimated # of students eligible for funding
- Total # of students who received funding
- Method used to determine which students received funding and how much they would receive
- Any instructions, directions or guidance the institution gave to students about the grant



CARES Act – Institutional Funding

Eligible use of funds:

- Significant changes to delivery of instruction
- Additional emergency grants to students
- Reimbursement for refunds made after March 13, 2020.
- Purchase/reimbursement for laptops, hotspots, other IT
- Scholarships for costs associated with changes due to delivery
- Other support services for distance learning platforms

Ineligible Use

- Pre-enrollment recruiting
- Endowments
- Capital expenditures for athletics and religious facilities
- Financial grants to students who were purely online prior to March 13, 2020
- Senior/executive salaries, benefits, bonuses, etc.



CARES Act – Institutional Funding Reporting Requirements

Frequency: Quarterly



Report on:

Use of funds,
demonstrating use for
eligible expenses

Accounting for amount of
reimbursements costs
related to refunds made to
students for housing, food,
or other services that could
no longer be provided.

Description of **internal
controls in place** to ensure
funds were used for
allowable purposes and in
accordance with cash
management principle.

Further guidance to be
provided within federal
register in upcoming weeks.





Accounting for COVID Related Items

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COVID-19 Impact

Operations

- Auxiliaries and fees
- Cash flow
- CARES Grant funding
- Enrollment retention

Audit and Accounting


- Risk Assessment
- Control testing (pre and post-COVID)
- Accounting for expenses and refunds
- Going Concern
- Other Disclosures
- GASB implementation deferrals

Accounting for CARES Act and Other COVID-19 Impacts

- Per NACUBO guidance, financial impacts can be classified into the following categories:
 1. Student aid expenses funded by Part A of the CARES Act (CARES Act Direct Student Assistance)
 2. Other (non-student aid) expenses funded by Part B of the CARES Act (CARES Act Institutional Aid)
 3. Other expenses covered by other federal and state aid programs
 4. Foregone revenue replaced by Part B of the CARES Act
 5. Student and other expenses without an identified funding source
 6. Foregone revenue without an identified source of replacement

Accounting for CARES Act and Other COVID-19 Impacts


For the first three categories:
For GASB institutions the
source of revenue will be non-
exchange grant revenue and
expenses will be operating.



Fourth category: GASB
institutions will report all
CARES act grant revenue as
non-operating.

Accounting for CARES Act and Other COVID-19 Impacts

Fifth category: GASB institutions should classify expenses as operating, and consider a disclosure in the notes that can address foregone revenue.



Sixth category: Foregone revenue without an identified replacement source would not appear in the activity statement but can be disclosed in the notes describing the financial impacts of COVID-19.

Extra-ordinary item?

Per NACUBO:

- Public institutions: GASB 34 defines extraordinary items as transactions or other events that are both unusual in nature and infrequent in occurrence.
- Unusual and infrequent are not likely to be applicable. COVID-19 is expected to be present in the community across fiscal years.

CLA's Summary of Accounting for COVID – SUBJECT TO CHANGE

Description	How to Account For?	Relevant Guidance	Other Notes
CARES Act – Student Emergency Grants Funding	<ul style="list-style-type: none"> - Nonoperating revenue - Not agency 	GASB 24, GASB 34, and GASB 84	Government has administrative responsibility.
CARES Act – Student Emergency Grants Disbursements	<ul style="list-style-type: none"> - Nonoperating? - Not agency 	See above	Should not be shown as discount to revenue as not reducing price student paying.
CARES Act – Institutional Portion	<ul style="list-style-type: none"> - Nonoperating 	GASB 33, GASB 34, GASB 9	Reimbursement criteria needs to be met in order to recognize revenue.

CLA's Summary of Accounting for COVID – SUBJECT TO CHANGE (continued)

Description	How to Account For?	Relevant Guidance	Other Notes
Refunds for room, board, tuition, and other fees.	- Revenues should be recognized net of estimated refunds	GASB 62, Comprehensive Implementation Guide	Institutions may want to consider disclosing refunds made as result of COVID.
COVID-19 Specific Expenses	- Extraordinary?	GASB 34, APB 30	Unusual and infrequent? Institutions should determine their policy.
Going concern, subsequent events, and other disclosures	- Additional disclosures and enhancements to MD&A	GASB 34	



COVID 19 – Controls, Compliance, and the Single Audit

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Internal Controls in Remote Environment

Reminder: Do not ignore or circumvent internal controls!

Segregation of duties

Access rights

Adherence to policies
and procedures

Modifications should keep
protection of assets and
compliance in mind

Audit control procedures may include pre and post-COVID

CARES Act - Controls and Compliance

- Institutional and Student portions reporting:
 - Documenting controls surrounding cash management of these funds (as noted in previous section)
 - Student portion: How each grant was calculated for individual students
- Other controls:
 - Fraud prevention (disbursements to students not attending institution)

CARES Act on SEFA

Document internal controls and compliance regarding disbursement and determination of use of funds, similar to other federal programs.

Further reporting may be required.

Pending guidance to be included on the SEFA or not.

- Likely subject to Single Audit requirements
- More guidance expected from USDE and OMB



Uniform Guidance Changes

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COVID-19 Impact

Compliance Allowances

- Student Financial Aid
- Other Federal Programs
 - Extension of spending and filing deadlines
 - Other compliance waivers

Student Financial Aid Allowances – FWS and SEOG

Waiver for institutions to match funds for 2019-2020 and 2020-2021

Waiver on limits to transfer excess FSEOG and FWS Programs to allow for emergency FSEOG (up to Pell Grant Limits)

One year period to pay FWS employees unable to perform work due to closure

- Lump some payment or regular intervals up to what the student was scheduled to receive.

Student Financial Aid Allowances – Withdrawals due to COVID-19

Direct loan payments for that applicable payment period - forgiven and repayment canceled.

Direct Loan and Pell Grants received will not count toward Annual and Aggregate Limits.

R2T4's: Institutions and Students are not required to send back Pell and Loan Funds

- Must report details to ED.

Semester excluded from SAP calculation's quantitative measure (150% rule)

If student elects to take LOA, and are eligible, do not have to return to same point, if within the same semester.



Student Financial Aid Allowances - Student Debt Relief

Federal Direct Loans and ED Assigned FFEL Loans suspended payments through September 30, 2020, No interest will accrue through September 30, 2020.

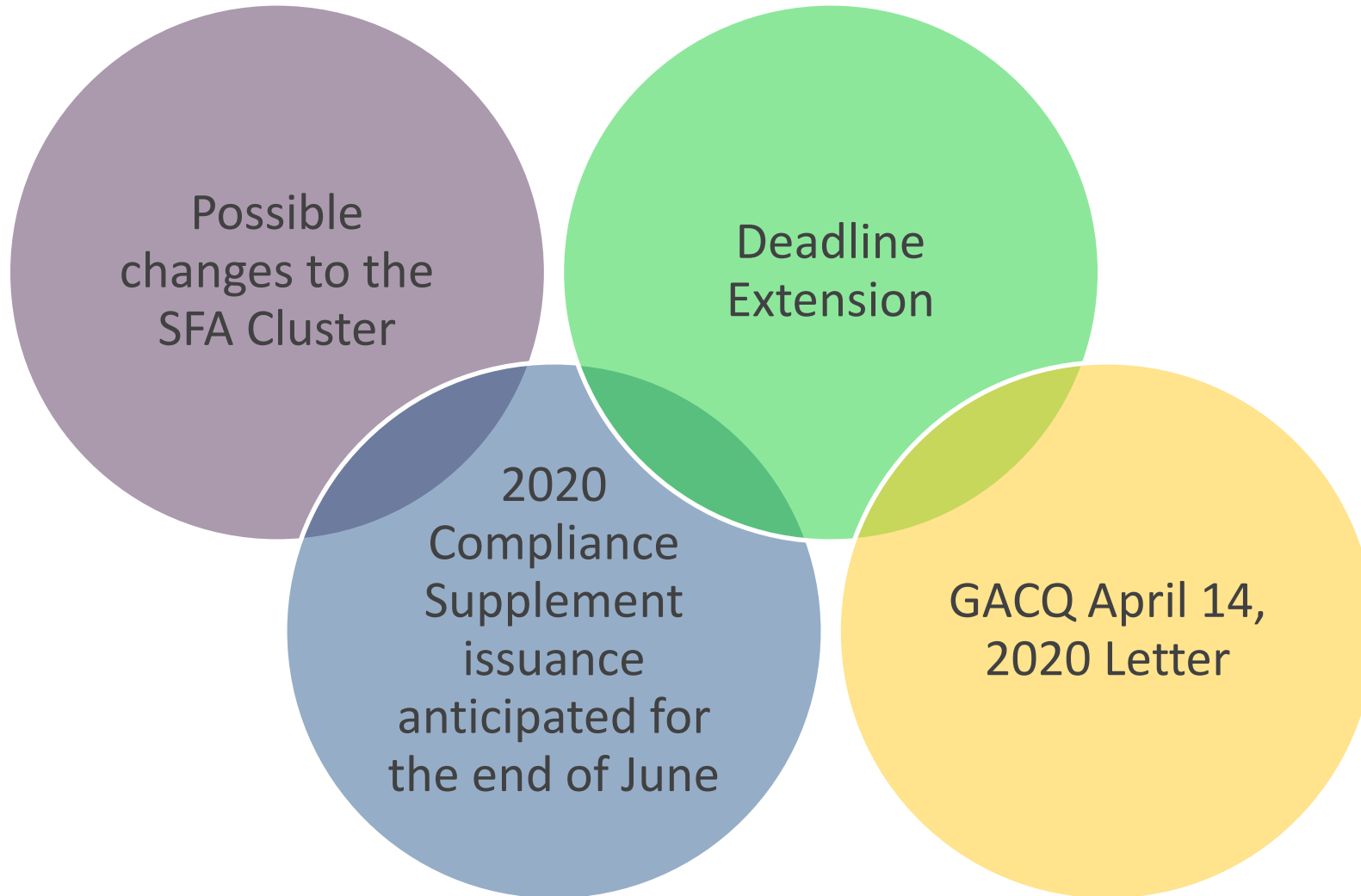
Suspension of involuntary collections and credit reporting.

Periods of no payments will count toward applicable loan forgiveness requirements.

Service obligations requirements (generally teachers) that are interrupted due to COVID-19 will be waived .



Uniform Guidance Changes



Single Audit Submission Reporting Delays

6 -
month
delay

Recipient subject to UG that have experienced a loss of operational capacity and increased costs due to COVID-19

Fiscal year ends through June 30, 2020

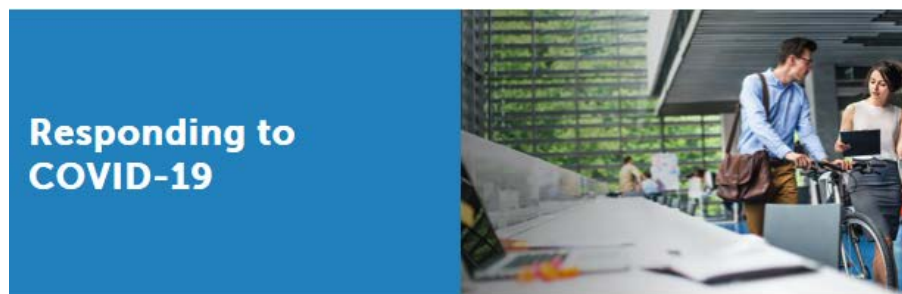
12 –
month
delay

Recipient subject to UG receiving funding for coronavirus preparation and response.

Still question how this can be done by “award agency” when recipient has awards from other federal agencies.

COVID-19 Resources

<https://www.claconnect.com/campaign/covid-19>



Responding to COVID-19



Operational Support



Regulatory and Tax Updates



Inspirational and Leadership Tips



Financial Management and Disaster Relief

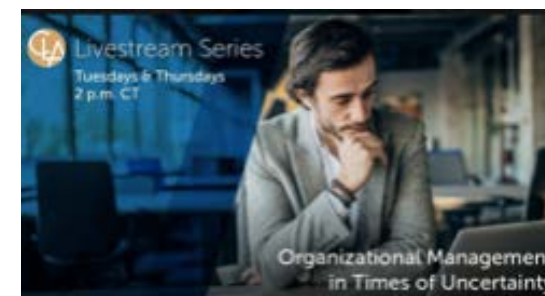


Accounting and Financial Statement Guidance



Workforce, Human Resource, and Benefits Guidance

Join our multipart livestream series on Tuesdays and Thursdays to engage in the latest changes related to these uncertain times. You'll hear strategies for navigating what these developments mean for you.



Questions?





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Create Opportunities

CLA exists to
create opportunities —
for our clients, our people,
and our communities.