



# Compliance and Audits of the Shuttered Venue Operators Grant

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## Rebecca Field

Rebecca is a Principal and leads the Grant Compliance Services group at CliftonLarsonAllen. She has over 17 years of public accounting experience and works exclusively with nonprofit organizations. She specializes in federal grant compliance, including single audits, and has extensive knowledge in related regulations and requirements. Rebecca also serves as a firm-wide assurance resource where she oversees compliance with professional standards, provides technical assistance, and assists with training curriculum.



## Samantha Kjelstad

Samantha is a Controller in the nonprofit BizOps group at CliftonLarsonAllen. She has over 8 years of public accounting experience and works exclusively with nonprofit organizations. She specializes in assisting nonprofit organizations build their accounting systems and policies. Samantha also has worked on compliance and financial audit for nonprofit and for-profit organizations.

# Learning Objectives

- Discuss SVOG single audit requirements
- Determine common practices for documentation, policies, reporting, and recordkeeping

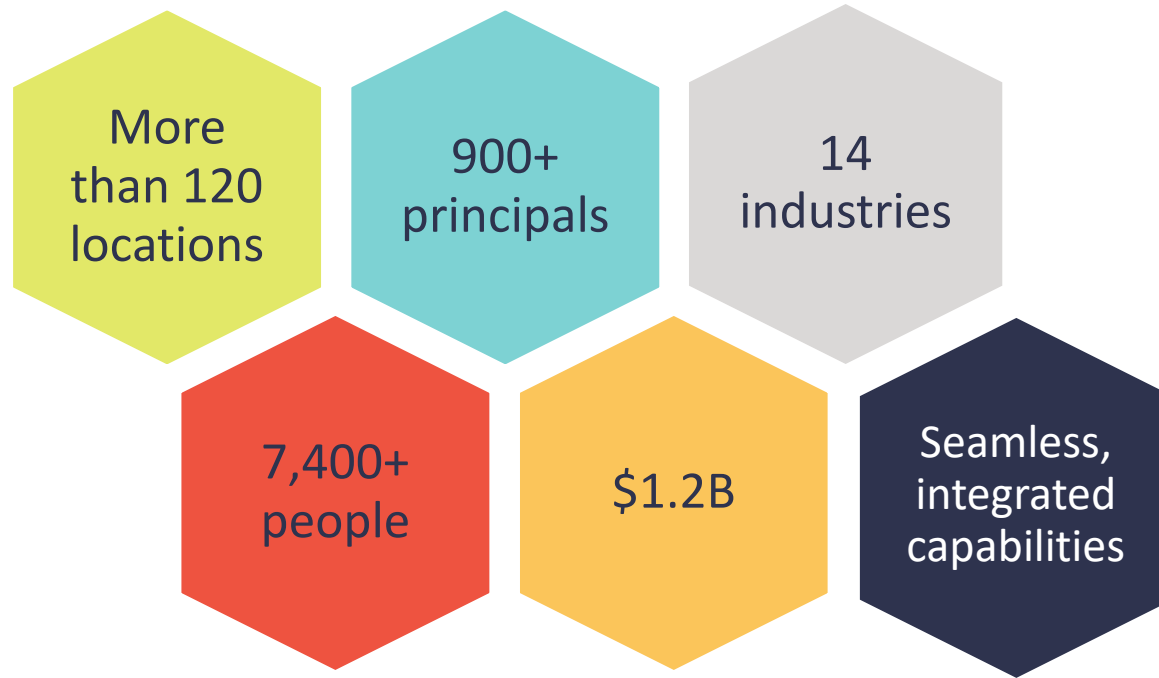


# Today's Agenda

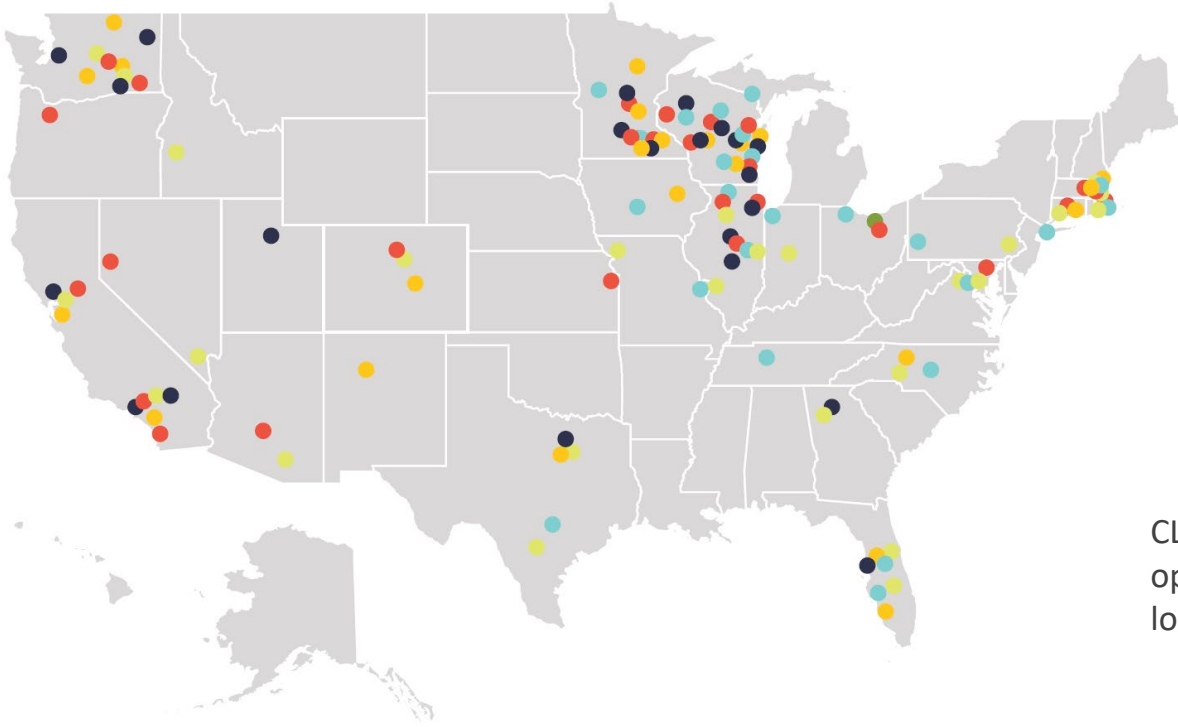
- Shuttered Venue Operators Grant (SVOG) Audit Requirements
  - Determining Federal Awards Expended
- Compliance Requirements
  - Eligible Use of Funds
  - Cash Management
  - Procurement
  - Reporting / Closeout
  - Internal Controls
- Other Considerations
- How CLA Can Help



# CLA Facts: The Basics



# CLA's National Reach



CLA has 7,400 professionals,  
operating from more than 120  
locations across the country.

# CLA's Services

Audit, accounting, and assurance	Business and leadership transitions	Consulting	Employee benefit plans	Global
Growth strategies	Human resources and search	M&A advisory and investment banking	Outsourcing	Cybersecurity and risk management
	Tax	Tax education for CPAs	Wealth advisory	





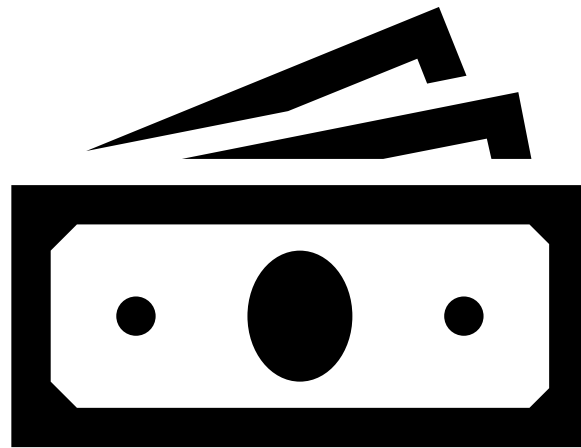
# Audit Requirements

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# Audit Requirements

- If you **expend** more than \$750,000 in Federal funds (across all sources) within your fiscal year, you will be required to complete an audit.
- If you received a PPP loan, it does not count against the \$750,000 expenditure threshold.
- SVOG grantees that do not surpass the \$750,000 expenditure threshold within their own fiscal year will not be responsible for conducting an audit under these requirements



# Audit Requirements

The audit requirements differ between for-profit entities and all other non-Federal entities (includes nonprofit organizations, institution of higher education, state, local government, and Indian tribes).



# Audit Requirements

If you are a nonprofit, an institution of higher education, state, local government, or Indian tribe, you must complete an audit in line with the requirements outlined in the Uniform Guidance Subpart F (2 CFR 200. 500 – 521), which requires a single or program-specific audit.

If you are a for-profit entity, you can complete one of the following to meet the auditing requirement:

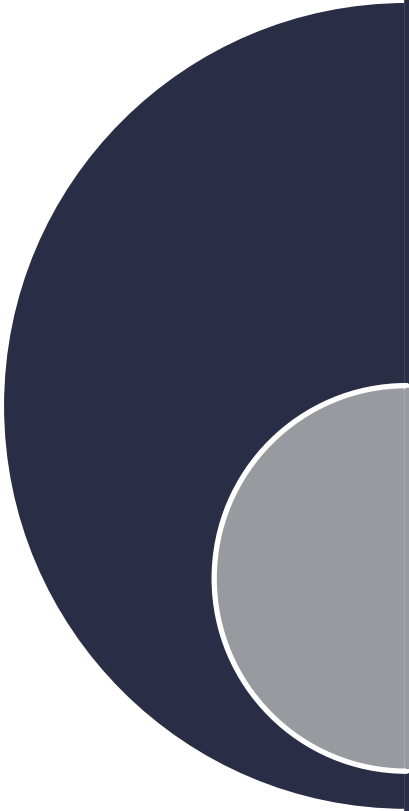
1. Single or program specific audit consistent with Uniform Guidance Subpart F (2 CFR 200. 500 – 521);

OR

2. a financial related audit of the award in accordance with Government Auditing Standards



# Audit Requirements



Under a **single audit**, SVOG grantees will contract with an independent auditor to do a financial statement and compliance audit of federal expenditures.

- If you are an entity with broader Federal funding support, you will most likely need to conduct a single audit.

Under a **program-specific audit**, SVOG grantees will contract with an independent auditor to conduct a compliance audit of your active SVOG award phase including a review of SVOG program compliance, your internal controls, and your financial system and recordkeeping.

- If you are an entity with only SVOG federal funds, you can conduct a program specific audit.

# Audit Requirements

Under a financial related audit of the award in accordance with Government Auditing Standards,, SVOG grantees will contract with an independent auditor to conduct a compliance audit of your active SVOG award phase including a review of SVOG program compliance, your internal controls, and your financial system and recordkeeping.

# Basis for determining Federal awards expended.

The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.



Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as expenditure/expense transactions associated with awards



# Determining Federal awards expended.

**What year costs need to be considered for audit purposes is determined based on the following factors:**

1. When the SVOG funds were awarded
2. When the costs were incurred

Costs can not be considered “expended” until an award was in place. Therefore, if your award was not received until FY21, costs that were incurred in FY20 will also be on your FY21 schedule to determine whether an audit is needed.

Therefore – consider FY20 + FY21 applied costs to audit threshold.

Any costs that are incurred in FY22 would be considered separately for a need for an FY22 audit.



# Determining Federal awards expended.

- The Government Audit Quality Center (This is a subset of the AICPA, which set auditing standards), has put out [Guidance on the Reporting of Certain COVID-19 Awards on an Accrual Basis SEFA](#), which has the following scenarios:

## Scenario 3: Award is Made in the Subsequent Fiscal Year from When Costs Incurred but the Award Allows Costs Incurred from the Previous Fiscal Year to be Charged to the Award – Accrual Basis SEFA

Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$100K	\$200K	\$400K		\$1M	\$300K	
Costs incurred	Costs incurred	Costs incurred		Awarded	Costs incurred	Release F/S and Single Audit
				Costs applied to award from Apr-20, May-20 and Jun-20		

Scenario 3	
What expenditures should be reported on the SEFA at 6/30/20?	\$0 (i.e., because there was no award until Jul-20)
What expenditures should be reported on the SEFA at 6/30/21?	\$1 M (i.e., sum of costs incurred Apr-Aug 20).



# Determining Federal awards expended.

- The Government Audit Quality Center (This is a subset of the AICPA, which set auditing standards), has put out [Guidance on the Reporting of Certain COVID-19 Awards on an Accrual Basis SEFA](#), which has the following scenarios:

## Scenario 1: Costs Incurred are Applied to an Award as They are Incurred – Accrual Basis SEFA

Mar-20	Apr-20	Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$1 M	\$1 M	\$100K	\$200K	\$400K			\$300K	
Awarded	Advanced	Costs incurred	Costs incurred	Costs incurred			Costs incurred	Release F/S and Single Audit
		Costs applied to award	Costs applied to award	Costs applied to award			Costs applied to award	

Scenario 1	
What expenditures should be reported on the SEFA at 6/30/20 FYE?	\$700K (i.e., sum of costs incurred Apr-Jun 20)).



# Audit Testing

- Auditor's test compliance requirements applicable to the SVOG award as well as internal controls





# Compliance Requirements



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# Allowable Use of funds

- Payroll costs- including owner compensation
- Rent payments
- Utility payments
- Scheduled mortgage payments (not including prepayment of principal)
- Scheduled debt payments (not including prepayments of principal)
- Owner reimbursement for personal funds contributed
- Worker protection expenditures
- Payments to independent contractors (not to exceed \$100,000 in annual compensation for an individual employee of an independent contractor)



# Allowable Use of Funds (Continued)

- Other ordinary and necessary business expenses, including maintenance costs
- Administrative costs (including fees and licensing)
- State and local taxes and fees including real estate taxes
- Operating leases in effect as of February 15, 2020
- Insurance payments
- Ticket refunds
- Advertising, production transportation, and capital expenditures related to producing a theatrical or live performing arts production. (May not be primary use of funds)



# Allowable Use of funds

Expenses related to a single or program specific audit or a financial audit conducted to meet audit requirement are an allowable use of SVOG award funds, see SVOG Program FAQ Document – Question 156.

# Funds not Allowed to be Used for:

- Buy real estate
- Make payments on loans originated after February 15, 2020 (e.g. EIDL loan)
- Make investments or loans
- Make contributions or other payments to, or on behalf of, political parties, political committees, or candidates for election.
- Pay for any other use prohibited by the Administrator
- Alcohol unless for resale at performances not for clients or receptions (FAQ #173)



# Eligible Use of Funds - Documentation

Documentation needs to justify that the expense is:

- Ordinary and Necessary
- Reasonable
- Properly Allocated



# Eligible Use of Funds - Documentation

- From the [Shuttered Venue Operators Grant: Post Application Guidance \(sba.gov\)](https://www.sba.gov/shuttered-venue-operators-grant/post-application-guidance):

## **Maintaining Supporting Documentation and Record Retention**

The law requires you to maintain employment records for 4 years following the receipt of funds (this is the “From” date in Form 1222 Box 5), and to maintain all other records documenting compliance and eligibility for the SVOG Program for 3 years following the receipt of funds.

These retained records should clearly depict how SVOG award funds were spent on eligible and allowable costs. The sum total of costs documented should align with the total funds spent as recorded in the closeout process Expense Report Action Item and Complete Closeout: SF-425 Action Item.



# Eligible Use of Funds - Documentation

- From the [Shuttered Venue Operators Grant: Post Application Guidance \(sba.gov\)](https://www.sba.gov/shuttered-venue-operators-grant/post-application-guidance):

**You should maintain all documents associated with SVOG award fund expenditures. Some examples include, but are not limited to:**

- o Employment Records: The SVOG statute requires grantees to maintain employment records for 4 years following the receipt of funds (this is the “From” date in Form 1222 Box 5)
- o Contracted Services: procurement process (as applicable), executed contract, invoices, payments, evidence of implemented contract deliverables, evidence of, and explanations for, partial charges to SVOG award funds, and any files documenting reporting or monitoring efforts.
- o Personnel Costs (staff time): employment contracts stating terms and conditions of employment, timesheets for time worked and charged, and evidence and explanations for how much personnel time was partially or fully reimbursed with SVOG award funds.
- o Equipment and Supplies (below procurement threshold): paid invoice or receipt clearly displaying the vendor, date purchased, the item(s) purchased, and cost amount charged to the SVOG award.



# Eligible Use of Funds – Time Period

- From the [Shuttered Venue Operators Grant: Post Application Guidance \(sba.gov\)](https://www.sba.gov/shuttered-venue-operators-grant/post-application-guidance):

Project Period (Form 1222 Box 4) - The complete length of time for which funds are available for award making. :

“From” - Date Initial Phase SVOG Award was issued by the SBA.

“Through” - End date for incurring eligible and allowable costs.

**Grantee may incur costs from March 1, 2020, to the date in this box.** (either 12/31/21 or 6/30/22 if supplemental award was received or award went through reconsideration)

## Helpful Information

- Transactions relating to payroll are eligible costs if work was performed between March 1, 2020, and the “Through” date in this box.
- Transactions relating to the procurement of goods or services are eligible costs if the date of the binding written commitment falls between March 1, 2020, and the “Through” date in this box



# Eligible Use of Funds – Time Period

- From the [Shuttered Venue Operators Grant: Post Application Guidance \(sba.gov\)](https://www.sba.gov/shuttered-venue-operators-grant/post-application-guidance):

Budget Period (Form 1222 Box 5) – The complete length of time you have to spend award funds on eligible and allowable costs. You can spend award funds to cover eligible and allowable costs incurred from March 1, 2020, to the “Through” date in Box 4 in your most recently issued NOA.

“From” - First date to spend award funds.

“Through” - Final date to spend award funds. \*Spend = make payment on eligible costs\*

## Helpful Information

- The final date of the Budget Period (“Through” date in Form 1222 Box 5) is the end of the grant term and you should start preparing for closeout if you have not already begun the closeout process.



# Cash Management

- From [Shuttered Venue Operators Grants Frequently Asked Questions October 20 2021 \(sba.gov\)](#):
  - 153. Can an entity put SVOG funds into an interest-bearing bank account?
  - Yes. The grantee must maintain advance payments in interest bearing accounts and the limit on interest earned on grant fund deposits is \$500 per year, as per 2 CFR 200.305. Any interest over \$500 must be remitted to the Department of Health and Human Services Payment Management System.



# Cash Management

## 2 CFR 200.305(8):

- The non-Federal entity must maintain advance payments of Federal awards in interest-bearing accounts, unless the following apply:
  - (i) The non-Federal entity receives less than \$250,000 in Federal awards per year.
  - (ii) The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
  - (iii) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
  - (iv) A foreign government or banking system prohibits or precludes interest-bearing accounts.



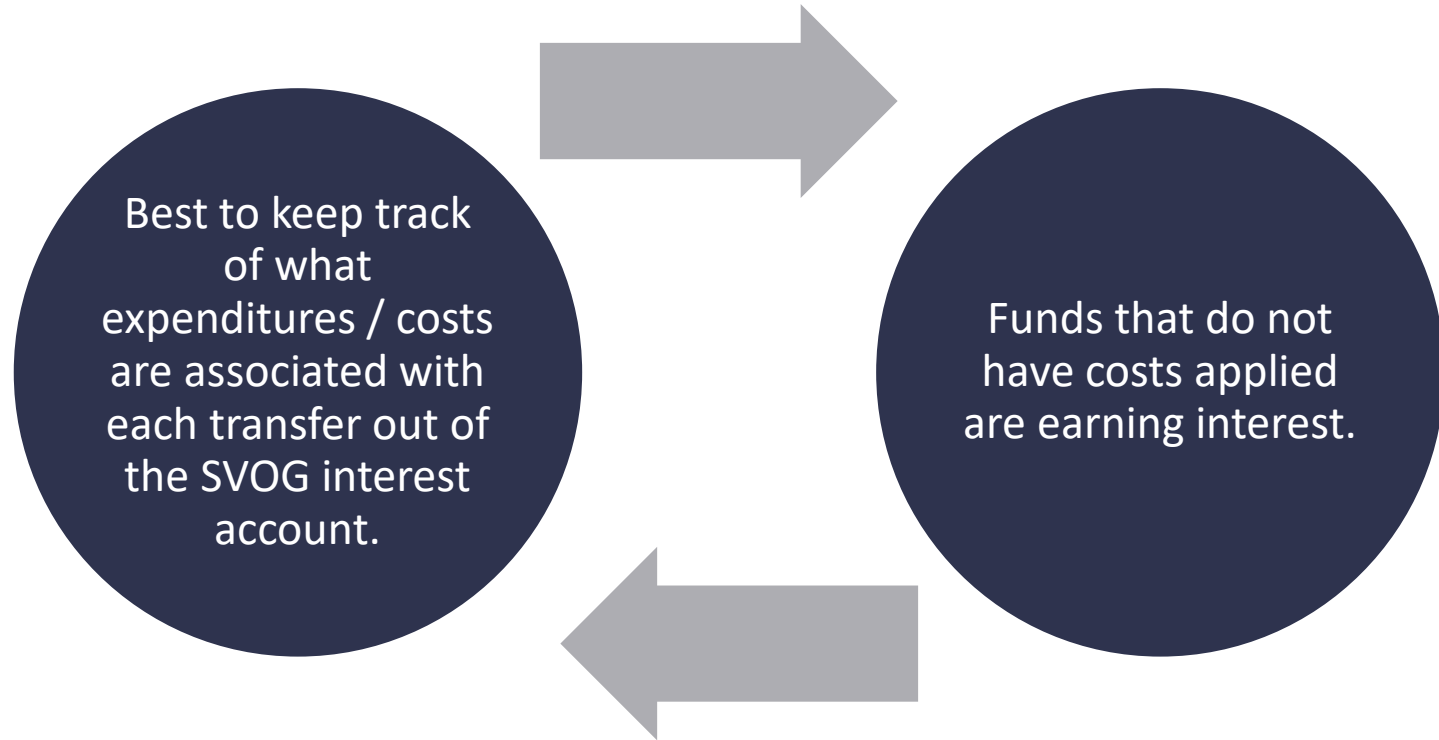
# Cash Management

## 2 CFR 200.305(9):

- Interest earned amounts up to \$500 per year may be retained by the non-Federal entity for administrative expense.
- Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment



# Cash Management



# Procurement

- Unsure if applicable – waiting to hear from SBA
  - It is not included in the 2022 Draft Compliance Supplement Addendum
- Written Policy Needed
- Procurements for goods or services when procurement transaction is over thresholds:
  - Under \$10,000 – no bids or quotations needed, price needs to be reasonable
  - \$10,001 - \$250,000 – 2 or more informal price quotations (can be online search, call with vendor)
  - \$250,000 or more – formal competitive procurement requiring RFP, evaluating formal proposals / bids received and determining best option



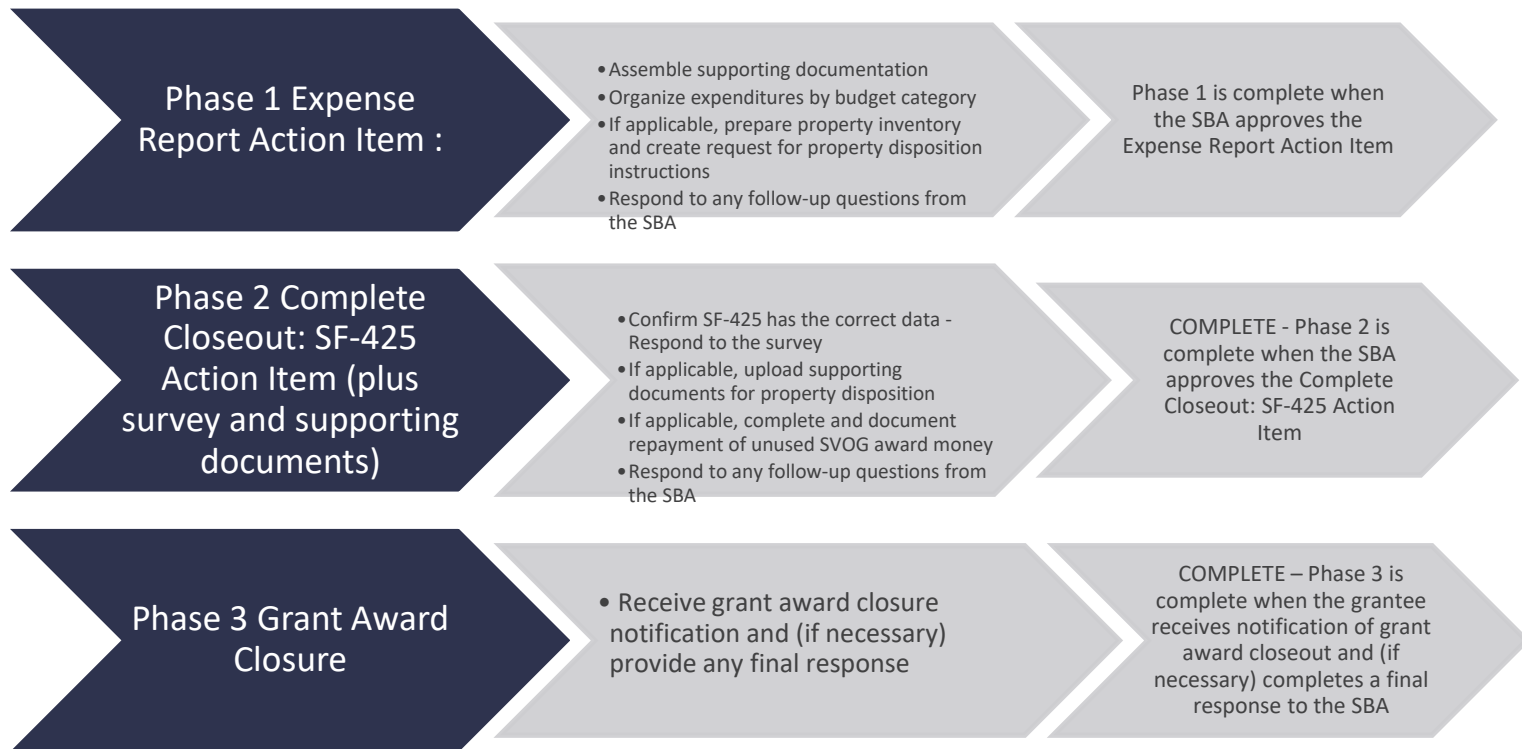
## Closeout Timeline

You initiate your SVOG closeout by responding to the Expense Report Action Item in the SVOG portal. You are encouraged to initiate closeout by responding to the action item within soon after expending all grant award funds, as the award work and financial recordkeeping will be fresh and it should make for an easier closeout.

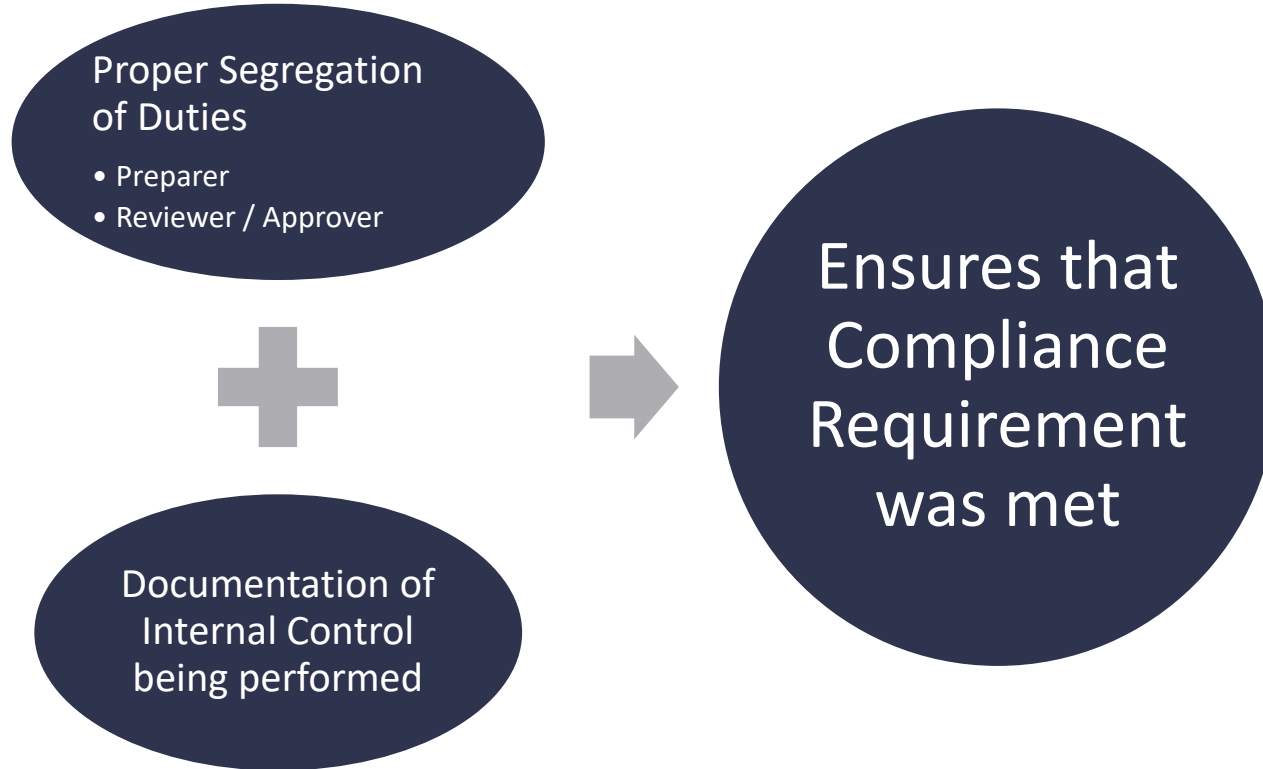
You are **required** to respond to the Expense Report Action Item and initiate the closeout process no later than **120 days** after the end of their Budget Period (“Through” date in Form 1222 Box 5). The overarching closeout process expectations for the SBA and grantee are outlined in 2 CFR 200.344 – Closeout.



# Closeout



# Internal Controls





## Other Considerations

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# Interplay with other federal COVID Assistance

## Double Dipping

- Cannot use SVOG funds to also qualify for other federal grant programs

## Paycheck Protection Program

- Cannot use SVOG dollars to pay for wages which were forgiven (or will be) under the PPP program in 2020
- PPP loans after December 27, 2020 reduce eligible SVOG award

## Employee Retention Credit

- Wages and health benefits paid in 2020 or 2021 can be used for ERC or SVOG but not both
- May be an opportunity to maximize both
- Can use unreimbursed portion (non-credit)



# Tax Impact of SVOG

## Federal Income tax

- SVOG award amount is not reportable as taxable income
- Expenses used for SVOG are deductible
- \*see next slide for citation\*

## State income tax

- Does your state follow federal law?
- Has your state specifically excluded the SVOG?
- Check with your tax advisor



# Tax Impact of SVOG

## Federal Income tax

- Division N of the Consolidated Appropriations Act, 2021)
- (d) GRANTS FOR SHUTTERED VENUE OPERATORS.—
- For purposes of the Internal Revenue Code of 1986—
- (1) any grant made under section 324 of the Economic Aid to Hard-Hit Small Businesses, No profits, and Venues Act shall not be included in the gross income of the person that receives such grant,
- (2) no deduction shall be denied, no tax at tribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income provided by paragraph (1), and
- (3) in the case of a partnership or S corporation that receives such grant—
  - (A) any amount excluded from income by reason of paragraph (1) shall be treated as tax exempt income for purposes of sections 705 and 1366 of the Internal Revenue Code of 1986, and
  - (B) the Secretary of the Treasury (or the Secretary's delegate) shall prescribe rules for determining a partner's distributive share of any amount described in subparagraph (A) for purposes of section 705 of the Internal Revenue Code of 1986.





# How CLA can help you

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# How CLA can help you

1. Assist with bookkeeping and accounting system set-up
2. Perform monthly reconciliations to create segregation of duties
3. Consult to establish good internal controls
4. Assist with reporting to SBA
5. Consult regarding federal single audit rules and compliance
6. Assist with policy creation in compliance with federal regulations
7. Perform audit if federal expenditures exceed \$750,000 in any year





# Questions?

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