



SVOG Next Steps: SBA's Closeout Process and Audit Requirements

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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.



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Learning Objectives

At the end of this session, you will be able to:

- Determine the next steps required by the SBA for closing out an SVOG award
- Discuss the SVOG audit requirements

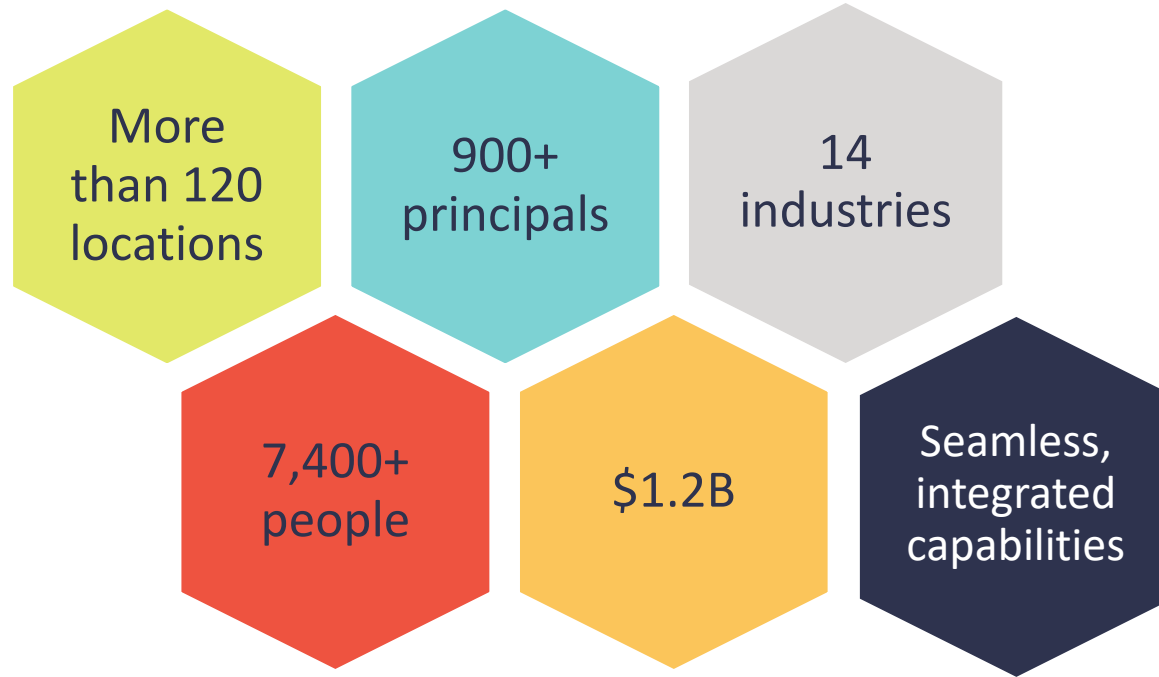


Today's Agenda

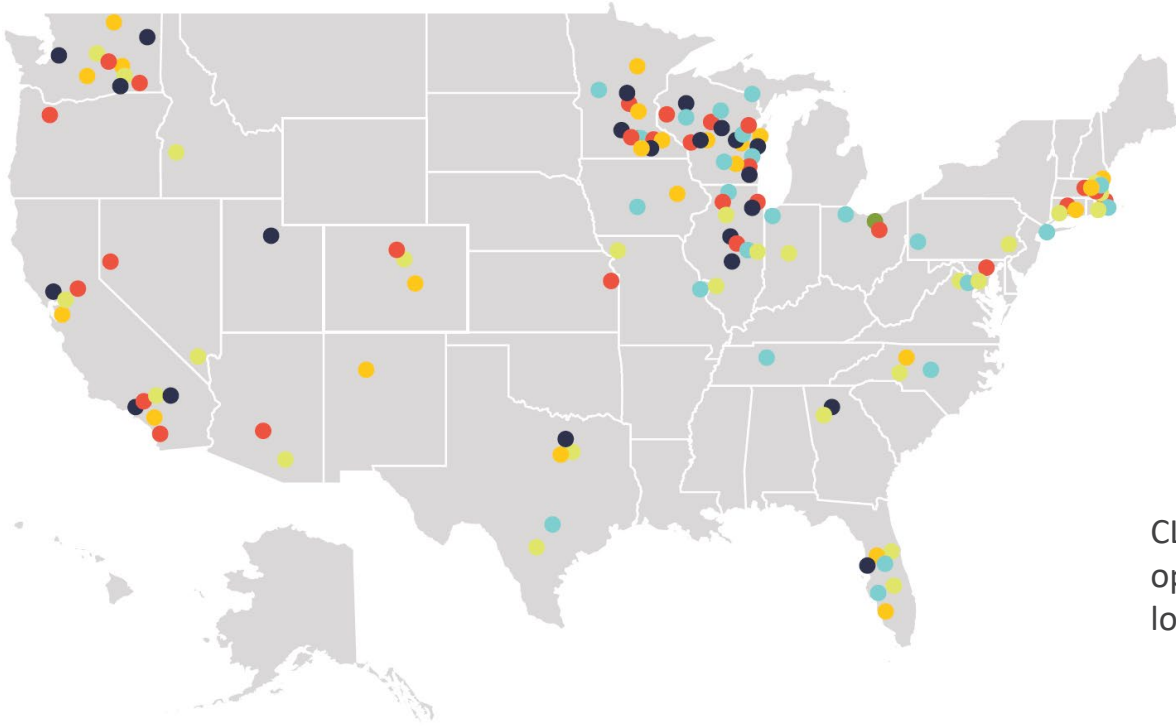
- SBA Resources
- Closeout Process
- SBA Monitoring
- Audit Requirements
- Compliance Requirements
- Other Considerations
- How CLA Can Help



CLA Facts: The Basics

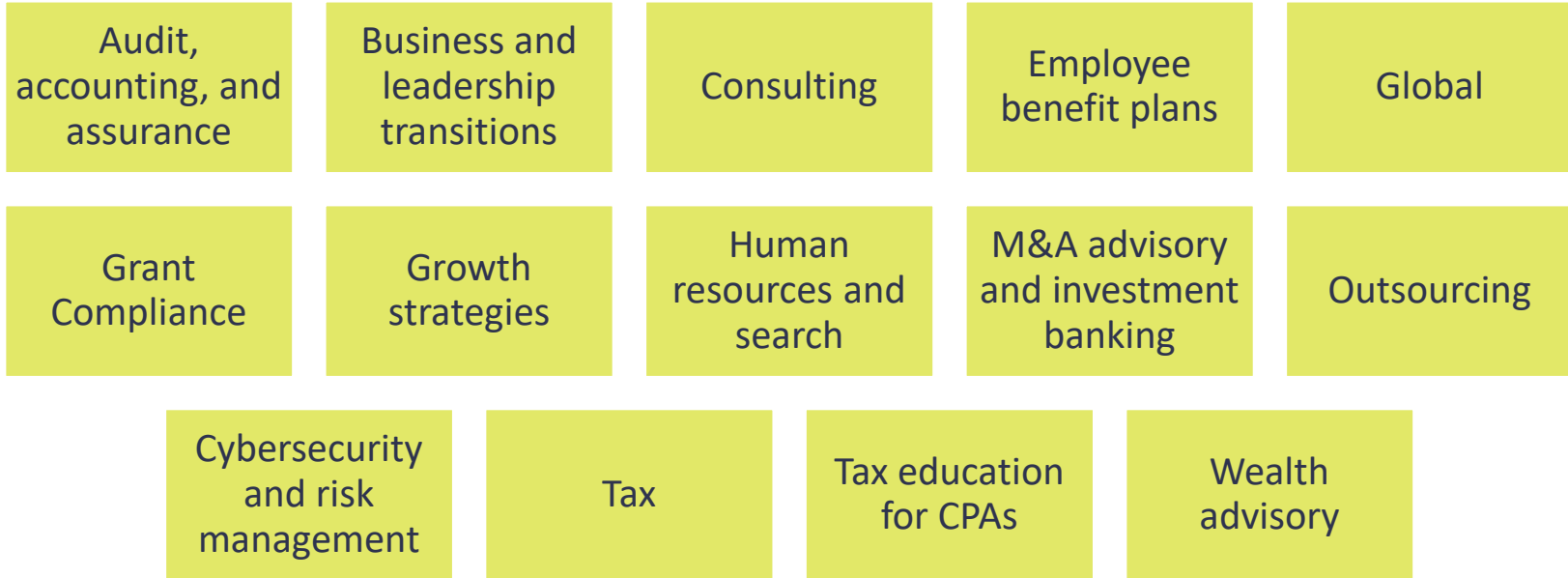


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CLA's Services





SBA Resources

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Shuttered Venue Operators Grant

About SVOG

Manage your SVOG grant

SVOG program reports and data

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Manage your SVOG grant

Administrative requirements for SVOG grantees.

Content

[Guidance documents and FAQs](#)

[Informational sessions and other assistive aids](#)

[How to spend SVOG award funds](#)

[How to respond to the Final Budget Action Item](#)

[Additional information on grant closeout process](#)

Guidance documents and FAQs

- [Post-application guidance](#)
- [FAQ regarding Shuttered Venue Operators Grant \(SVOG\)](#)
- [Post-award FAQ: Answers to common questions from SVOG awardees](#)
- <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/shuttered-venue-operators-grant/manage-your-svog-grant>



Guidance documents and FAQs

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- [Post-award FAQ: Answers to common questions from SVOG awardees](#)
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Contacting SBA

- Through the course of the active grantee phase process, the SBA continues to be available to you as a resource for program support and technical assistance.
- Submit active grantee phase and closeout questions to svogrant@sba.gov.
 - This inbox is monitored for specific topics that require SVOG program staff to provide the correct answers



Contacting SBA

You can also receive assistance through the following resources:

- For general assistance, call the Office of Disaster Assistance's Customer Service Center:
 - Phone: 1-800- 659-2955, Monday through Friday, 8 am to 8 pm ET
- For in-depth assistance, contact SBA's resource partners:
 - You can identify partners in your area by visiting www.sba.gov/local-assistance.

SBA Grants Management Specialist

SBA will assign dedicated Grants Management Specialists to serve as a single point of contact for the SVOG grantees once the grantee's award has been finalized.

This will enable us to provide enhanced customer support and continuity as grantees complete the remainder of the grant spending and closeout periods.

Grants Management Specialists will be reaching out to grantees on a rolling basis over the next few weeks.



SBA Grants Management Specialist

Office Hours: Expense Report, Closeout, and information about connecting with Grants Management Specialist

Separate sessions are designed to accommodate different schedules; SBA recommends only attending one session as the content will be the same across sessions. If you cannot join us for one of the live sessions, a recording will be available on SBA's website shortly after.

- **Tuesday, April 5:** 4:00 – 5:00 EST; [click here](#)
- **Wednesday, April 6:** 2:00 – 3:00 EST; [click here](#)
- **Friday, April 8:** 12:00 – 1:00 EST; [click here](#)





Closeout Process

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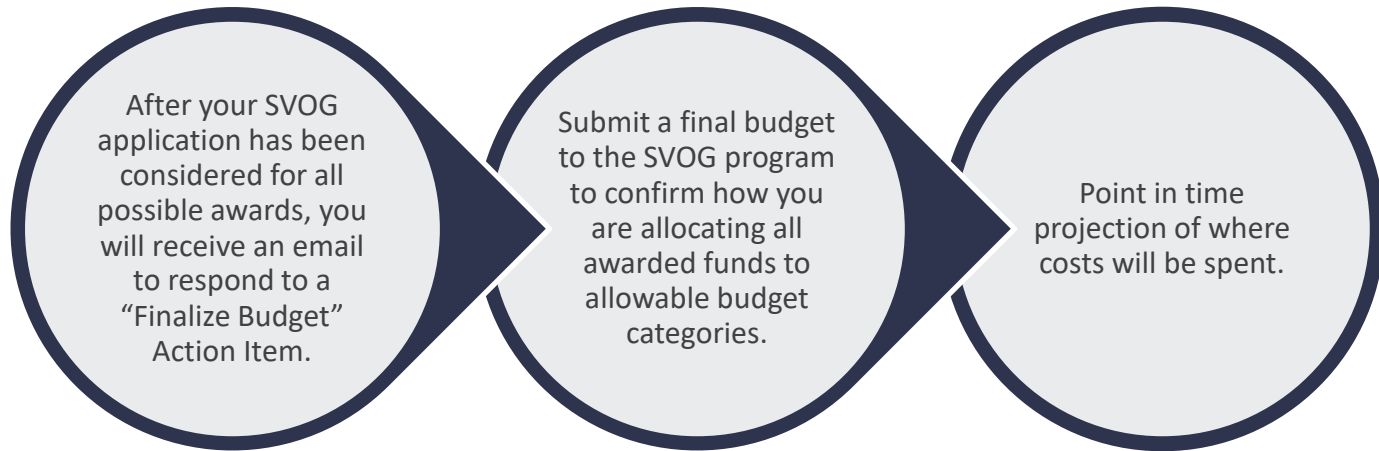
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SBA Current Status

- SBA is currently evaluating the remaining files that requested Reconsideration 2.0 and files that may qualify for a supplemental award under its expanded eligibility criteria.
- Working on issuing and processing the Finalize Budget Action Item.



Finalize Budget Action Item



Finalize Budget Action Item

You will receive an email advising you of a new, available action item

After logging in to the portal, you will have the option to check a box to keep your existing budget or fill out a revised budget which accounts for additional awards since your last budget proposal

Follow the instructions provided in the portal to respond to the certification and attestation statements and submit the finalized budget

You will have 14 days from the date of receipt to submit the Finalize Budget Action Item



Preparing for Closeout

Before initiating the closeout process, a grantee should do the following:

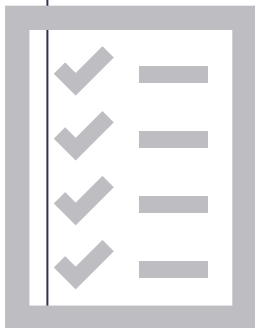
Review expenditures tracking to ensure that costs charged are clearly aligned with an allowable cost category and are properly documented

Update property inventory to ensure that items listed, and values assessed, are accurate

Confirm that the award has been fully used; either award funds have been fully expended or entity has expended all the award funds possible



Closeout Timeline



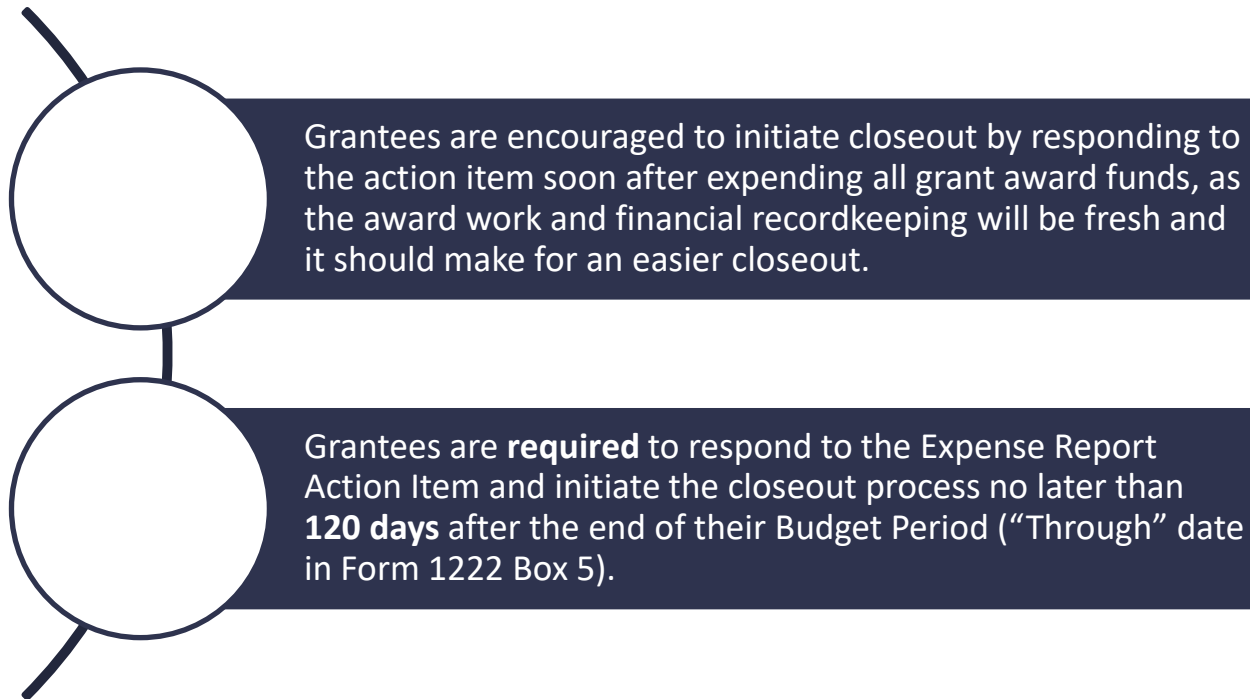
Initiate your SVOG closeout by responding to the Expense Report Action Item in the SVOG portal.

The Begin-Closeout-Expense Report Action Item will be sent to grantees upon approval of the Finalize Budget Action item.

Grantees should not respond to the Begin-Closeout-Expense Report Action item until they are done spending SVOG award funds or the grant term has ended.



Closeout Timeline



SBA Closeout Process

The SVOG award closeout process has three steps:

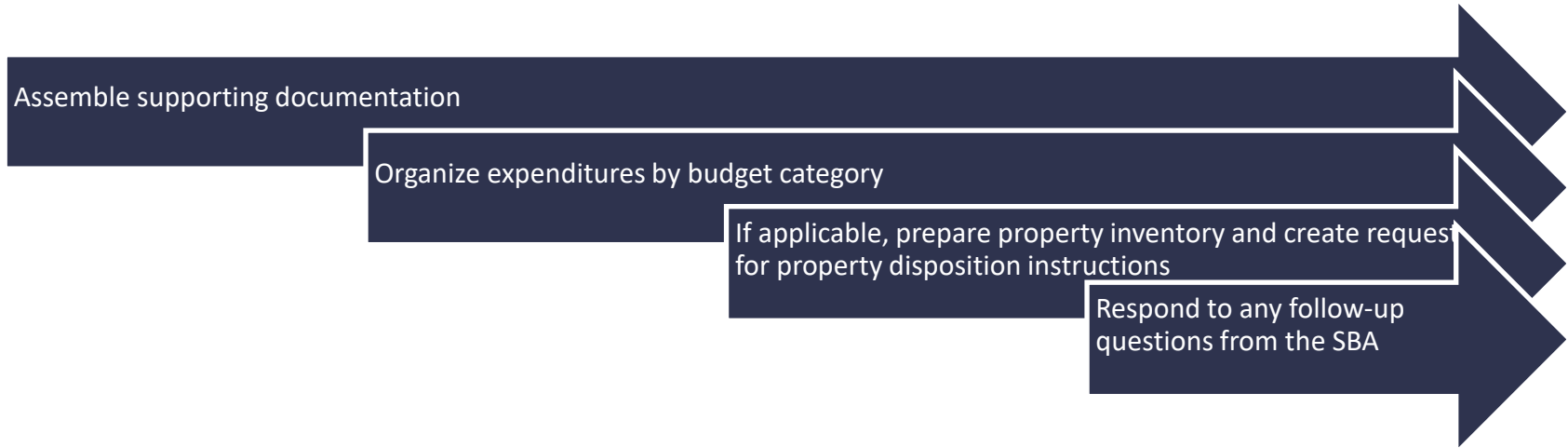
(1) The Begin
Closeout – Expense
Report Action Item,

(2) the Complete
Closeout – SF-425
Action Item, and

(3) the SBA's
notification that
the award has been
closed.



Phase 1 Expense Report Action Item



Phase 1 is complete when the SBA approves the Expense Report Action Item



Supporting Documentation

As part of the closeout process, do I have to upload copies of checks, invoices, receipts, and bank statements for proof of expenses?

- Possibly. All grantees are required to maintain supporting documentation for all expenditures charged to their SVOG award through the record retention period. However, only grantees selected for monitoring will need to submit this documentation to the SBA.



Detailed Information

Will the Expense Report Action Item require dates, names, and amounts under each category?

- No. The Expense Report Action Item will mirror the Finalize Budget Action Item. SVOG award expenses must be subtotaled by allowable cost category. Dates and names are not required.



Reallocation of Funds

Can I reallocate funds in my expense report to other allowable cost categories?

- Yes, grantees may move costs between allowable cost categories without SBA pre-approval.
- All grantees will submit an expense report at closeout clearly showing final expenditures totals by allowable cost category.



Property Inventory

What property is inventoried at closeout?

- Personal property/equipment purchased with SVOG award funds and still in your possession at the time closeout is initiated should be inventoried and reported to SBA in the Expense Report Action Item, only if:
 - equipment has a **per unit** fair market value of more than \$5,000 or
 - unused supplies has an **aggregate value** of more than \$5,000.



Disposition - Equipment

Equipment: (lighting, sound equipment, projectors, vehicles)

SBA will presume that equipment included in the submitted inventory will be retained for continued use unless the grantee requests disposition instructions.



Disposition - Supplies

Supplies: (technology supplies, paper goods, concession or food service items)

After closeout, grantees have one year with which to use supplies of up to \$25,000 in aggregate value, consistent with the purpose of the grant. After closeout, any unused supplies in excess of \$25,000 must be sold and the funds provided to SBA as reimbursement. If a grantee does not wish to retain unused supplies at closeout, then they should request disposition instructions from SBA.



Phase 2 Complete Closeout: SF-425 Action Item

Form SF-425 is the standard Federal Financial Report (FFR)

Confirm SF-425 has the correct data - Respond to the survey

If applicable, upload supporting documents for property disposition

If applicable, complete and document repayment of unused SVOG award money

Respond to any follow-up questions from the SBA

COMPLETE - Phase 2 is complete when the SBA approves the Complete Closeout: SF-425 Action Item



Repayment of Unused Funds

What do I do if I did not fully expend my SVOG award?

- If your total sum of expenditures is less than the total SVOG award disbursed, SBA will issue repayment instructions to collect the unspent funds.



Phase 3 Grant Award Closure

Receive grant award closure notification and (if necessary) provide any final response

COMPLETE – Phase 3 is complete when the grantee receives notification of grant award closeout and (if necessary) completes a final response to the SBA



Responsibilities after Closeout

- 1. Maintain employment records for 4 years following the receipt of funds (this is the “From” date in Form 1222 Box 5)
- 2. Maintain all other records documenting compliance and eligibility for the SVOG Program for 3 years following the receipt of funds
- 3. Complete and submit any audit requirement documentation
- 4. Be responsive to SBA follow-up inquiries



SBA Instructional Videos

- Instructional videos related to the upcoming Expense Report Action item will be posted on SBA's website early next week.
- Grantees are encouraged to review this information before completing their Expense Report Action item.





SBA Monitoring

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SBA Monitoring



Monitoring is an SBA-led review of grantees to determine whether award funds were used for eligible and allowable purposes.

All federal grants include monitoring and all SVOG grantees should be prepared for monitoring.

The SBA will use a risk-based monitoring system to select the grantees to monitor.

SBA will notify you if you have been selected for monitoring



Monitoring Process

The majority of monitoring will be done remotely by SVOG staff, but some grantees may receive onsite monitoring.



The monitoring process, including review and responses, will be managed through the SVOG Portal and SBA staff will follow up directly by email or phone as needed.



SBA will assign a specific SVOG program staffer to each monitoring event and this individual will serve as the primary reviewer and point of contact.

Monitoring Process

If selected for monitoring, you will receive a notification in the portal and an email from the SBA notifying you that an action item is pending response.

The action item will provide the monitoring scope and details regarding the information and documentation you must provide.



Monitoring Process

Most monitoring events will start while the grantee is actively implementing its award, so you are encouraged to continue spending award funds unless otherwise notified by the SBA.

The SBA may begin a monitoring review once the closeout phase has been initiated or after a grant award has been closed out.





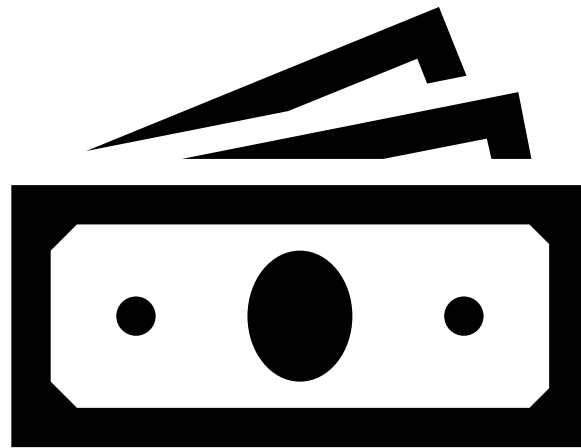
Audit Requirements

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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.
 - PPP loans not subject to audit
 - EIDL loans subject to audit
- 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. An audit of the entity's financial statements.



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

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

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

When cost is incurred determines “expenditure”



Determining Federal awards expended.

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

When the SVOG funds were awarded

When the costs were incurred

Costs can not be considered “expended” until an award was in place.

Consider costs applied from FY20 + FY21 to audit threshold.

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



Timeline for Audit Reporting

- The Audit Report should be completed and submitted to SBA within **9 months** of the end of the Grantee's fiscal year in which \$750,000 or more of Federal Funds have been expended.
- SBA current guidance has it being submitted through portal.



Audit Process

- Auditors will ask for a list of transactions that make up the costs applied to your SVOG award during the fiscal year being tested. (e.g. 3/1/20 – 12/31/21).
- Auditors will pick a sample of those transactions and ask you to provide supporting documentation
- Auditors will test against the compliance requirements





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)

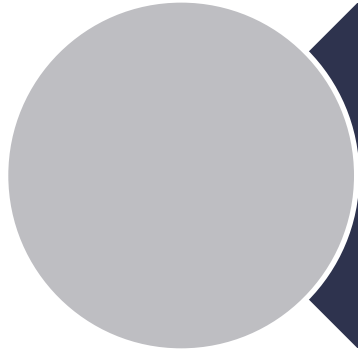


Allowable Use of Funds (Continued)

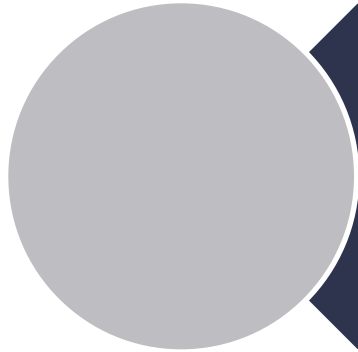
- Other ordinary and necessary business expenses, including maintenance costs
- Administrative costs (including fees and licensing)
- State and local taxes and fees including real estate taxes
- Operating leases in effect as of February 15, 2020
- Insurance payments
- Ticket refunds
- Advertising, production 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



For the costs to be eligible, the contract with the compliance auditor must be executed within the Period to Incur Eligible Costs.



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

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

You should maintain all documents associated with SVOG award fund expenditures.

Contracted Services:

- executed contract
- invoices
- proof of payments

Personnel Costs:

- employment contracts stating terms and conditions of employment
- timesheets for time worked and charged
- payroll registers showing payment

Equipment and Supplies:

- paid invoice or receipt clearly displaying the vendor
- date purchased,
- the item(s) purchased
- cost amount charged to the SVOG award.



Eligible Use of Funds

stration

NOTICE OF AWARD

2. Grant/Cooperative Agreement No.:	
4. PROJECT PERIOD (Mo./Day/Yr.)	(Mo./Day/Yr.)
<i>From</i>	<i>Through</i>
5. BUDGET PERIOD (Mo./Day/Yr.)	(Mo./Day/Yr.)
<i>From</i>	<i>Through</i>
6. FEDERAL CATALOG NO.	7. ADMINISTRATIVE CODES



Eligible Use of Funds – Project Period

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

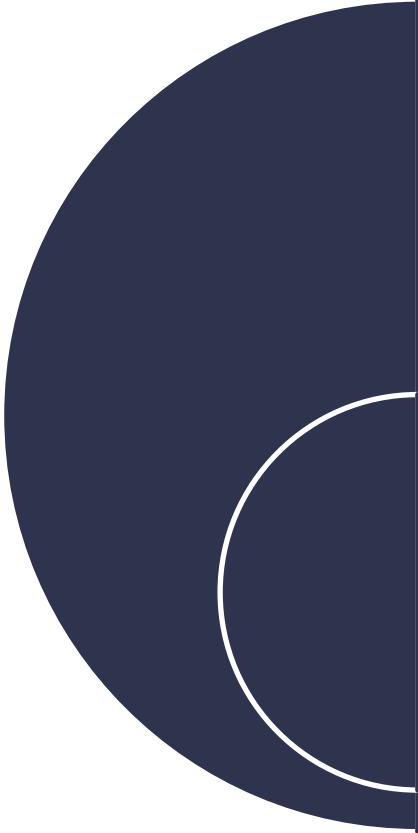
Grantee may incur costs from March 1, 2020, to the date in this box. (either 12/31/21 or 6/30/22 if supplemental award was received)

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

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



Eligible Use of Funds – Project Period



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 – Budget Period

Budget Period (Form 1222 Box 5)
– The complete length of time
you have to spend award funds
on eligible and allowable costs.

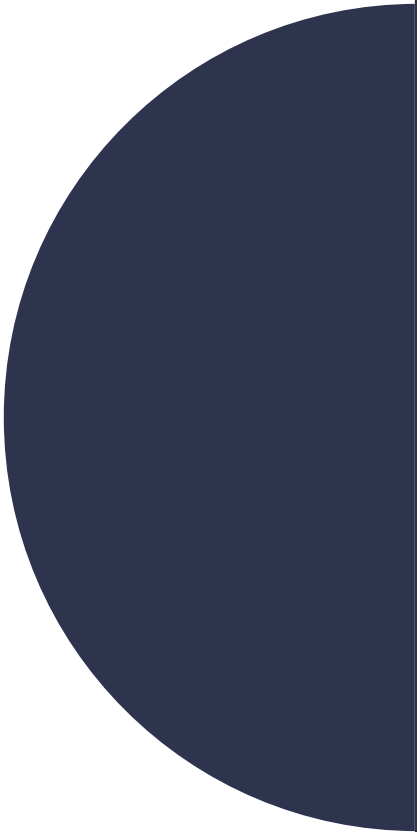
You can spend award funds to
cover eligible and allowable costs
incurred from March 1, 2020, to
the “Through” date in Box 4 in
your most recently issued NOA.

“From” - First date to spend
award funds.

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

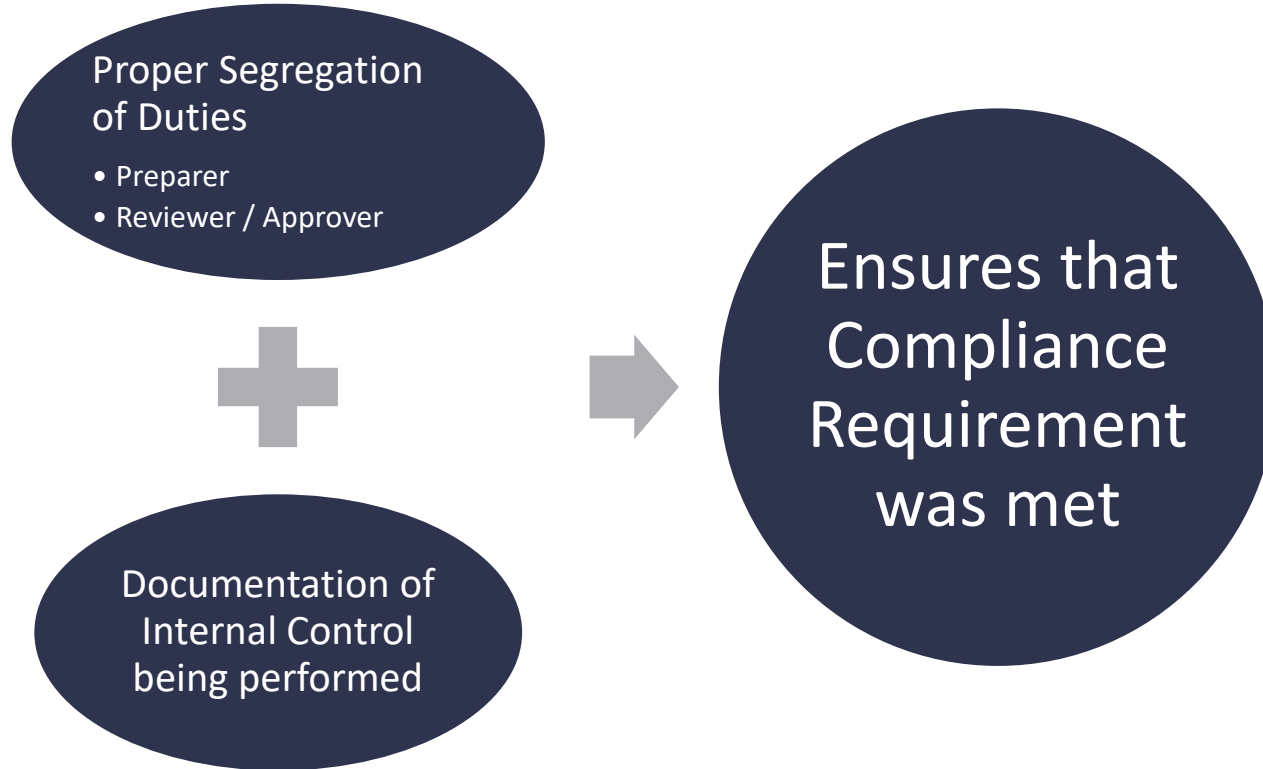


Eligible Use of Funds – Budget Period



- 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.

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

- All states except Minnesota have adopted the federal tax treatment on SVOG awards



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

Perform required
audit

Consult on SVOG
grant management
related questions

Assist with
bookkeeping

Provide tax
services





Questions?

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