MEMORANDUM

TO:    All Units

FROM: Debbie Gibson, CPA, CFE Director of Audit Services

RE:    Accounting and Appropriation of COVID-19 Grants

DATE: April 29, 2020 (Updated September 29, 2020)

Dear Officials:

This memorandum addresses the accounting for COVID-19 funds that have been appropriated by Congress, regardless if received directly from the Federal Government or as a pass-through from the State of Indiana (State). Also addressed is Indiana State Board of Accounts' audit position on the appropriation and additional appropriation of COVID-19 grants.

Assistance provided as a result of a national or state disaster or emergency should be receipted into a separate fund. The Indiana State Board of Accounts will not take audit exception to establishing such a fund(s) without the adoption of an ordinance.

A separate fund should be established for each separately identified assistance provided.

In our memo dated April 20, 2020, counties and cities/towns received a specific fund number assigned for CARES Act Provider Relief (CARES) distribution specifically related to Medicare fee-for-service. The guidance, including fund number and name, should still be followed.

We have since been made aware of several other types of direct assistance being distributed as part of CARES, such as for transit and airport.

We are also aware that the State has awarded grants and is possibly awarding more grants.

Whether direct or pass-through, each of these will require a different fund number and fund name that clearly identifies the assistance being provided. COVID should be part of the naming title.

If it is part of an established grant that you already receive, such as Community Development Block Grant (CDBG), you should still establish as a separate fund, with the title indicating that it is COVID, i.e. CDBG-COVID.
In anticipation of several separate funds being necessary, the following fund numbering system should be followed:

- Counties: 8901-8925
- Cities/Towns: 150-175
- Schools: 7943-7949
- Township: Assign an available number in your system
- Special Districts: Assign an available number in your system
- Libraries: Assign an available number in your system

All related expenditure records (accounts payable vouchers, minutes, correspondence, contracts, etc.) must be maintained in a separate file for future audits required by Federal and State agencies of COVID funds.

For each grant, it is important that you track every dollar disbursed for COVID-related expenses and maintain supporting documentation for those expenses. This can be accomplished by accounting for each grant in a separate fund as described above.

In some cases, disbursements made prior to receiving a COVID grant can qualify as an allowable cost from a COVID grant. In order to track these disbursements properly, allowable disbursements should be moved from the original fund to the applicable COVID grant fund much like a correction of error is recorded.

For example, if a COVID-related disbursement for supplies from the general fund was an allowable cost under a COVID grant received after the disbursement was made, the following procedures should be used:

1. The disbursement from the general fund should be corrected by reversing the allowable disbursement within the category of supplies. This posting correction will reinstate the fund balance and re-appropriate the general fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This posting correction should be done in the same budget year that the original transaction was posted.

2. Once the disbursement is corrected and reversed within the general fund, it should be posted as a disbursement in the appropriate COVID grant fund. Documentation must be maintained for this correction so the audit trail can be followed. The accounting system must tie the original claim for the general fund disbursement to the COVID grant fund by specific reference or notation in a comment section.

These procedures should be used only for allowable disbursements made prior to receiving the grant. All other allowable disbursements should be disbursed directly from the appropriate COVID related grant fund.
Another example would be when the line item in the general fund (or any other fund) is no longer needed. Public safety salaries that may be fully reimbursed from March through December would be a good example of that situation (see IFA Memorandum dated September 25, 2020). In this case you should do the following:

1. The disbursements from the general fund (or any other fund) made prior to receiving the grant should be corrected by reversing the allowable disbursements within the category of personal services. This posting correction will reinstate the fund balance and re-appropriate the general fund (or any other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This posting correction should be done in the same budget year that the original transaction was posted. However, since the wages have been paid the appropriation is no longer needed in the general fund (or any other fund). The appropriation restored for these reimbursed wages should then be reduced to reflect this. The reimbursement has in effect freed up the balance in the general fund (or any other fund) for re-appropriation or to remain as part of the available balance for next year's budget.

2. Once the disbursements are corrected and reversed within the general fund (or any other fund) as described in number 1 above, the disbursements should be posted as disbursements in the appropriate COVID grant fund. Documentation must be maintained for this correction so the audit trail can be followed. The accounting system must tie the original claim for the general fund (or any other fund) disbursement to the COVID grant fund specific reference or notation in a comment section.

3. Since the remainder of the salaries for the year will be expended directly from the COVID grant fund there is no longer a need for an appropriation of this line item in general fund (or any other fund). The appropriation in general fund (or any other fund) should be reduced to reflect this as the reimbursement has in effect freed up the balance in the general fund (or any other fund) for re-appropriation or to remain as part of the available fund balance for next year's budget.

Based on the language contained in IC 10-14-3-17(j)(5) which states that a political subdivision may waive procedures and formalities otherwise required by law pertaining to the appropriation and expenditure of public funds where a national disaster or security emergency has been declared, the Indiana State Board of Accounts will not take audit exception to the expense being paid directly out of a COVID grant fund without appropriation or additional appropriation prior to spending the money in the COVID grant fund.

Again, it is important that these monies be accounted for in separate grant funds. This provides accountability and transparency for these grants. If commingled in other funds, it becomes impossible to determine that these monies are being used as provided for in grant agreements. It would also subject the grant monies to the conditions required of those funds with which they are being commingled with. For example, if the grant monies were receipted into the general fund the additional appropriation requirements as provided for in DLGF's memo on additional appropriations, dated April 24, 2020, would be applicable.

It is important to remember that sufficient internal controls over all transactions must be in place. Separate funds, maintaining records, detailed comments that provide audit trails, appropriate approvals, etc., are all part of good internal controls.

If you have any questions please do not hesitate to contact us.