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

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.
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.

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