COVID-19
Financial recovery through federal funding sources

Government and public sector
Disclaimer

► The views expressed by the presenters are not necessarily those of Ernst & Young LLP or other associated company or organization.

► These slides are for educational purposes only and are not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.
Today's presenters

Brad Duncan  
Principal  
Ernst & Young LLP  
Atlanta, GA

Allen Melton  
Partner  
Ernst & Young LLP  
Dallas, TX

Reena Panchal  
Principal  
Ernst & Young LLP  
Chicago, IL

Matt Jadacki  
Managing Director  
Ernst & Young LLP  
McLean, VA

Branch Strickland  
Manager  
Ernst & Young LLP  
New York, NY
Today's COVID-19 claim recovery topics

- The COVID-19 disaster
- CARES Act
- CDBG programs
- FEMA
  - Overview
  - Process
  - Eligibility
  - Cost tracking
The COVID-19 disaster
This is different

- There are several federal funding sources in play.
- Duplication of benefits is a significant consideration.
- The disaster is impacting more cities, counties and states than traditional disasters.
- Damages are different from traditional disaster events.
- Cities and counties are running medical testing sites.
- Emergency and exigent circumstances have been declared for an extended period of time.
- Federal Emergency Management Agency (FEMA) Category B emergency protective measures have been activated.
- FEMA has simplified its overall Public Assistance (PA) Program application and funding process.
CARES Act

- Funding to offset *necessary expenditures* incurred in response to the public health emergency
- Economic assistance to distressed sectors through loans, loan guarantees and other investments
- Unemployment insurance relief
- Transit infrastructure grants
- Relief efforts through the Administration for Children and Families
- Appropriation to the Department of Education
- FEMA Disaster Relief Fund
- Funding for Department of Housing and Urban Development (HUD) programs
Community Development Block Grant (CDBG) programs

- Buildings and improvements, including public facilities
- Provision of new or quantifiably increased public services
- Planning, capacity building and technical assistance
Overview of the FEMA PA Program
Disaster declaration process

- The Public Assistance (PA) Program provides assistance to state, tribal and local governments and certain private nonprofit organizations for emergency work and the repair or replacement of disaster-damaged facilities.

- Requests for declaration by the president are described below:
  - The president can declare a major disaster for any natural or man-made catastrophe.
  - This provides a wide range of federal assistance programs for individuals and public infrastructure, including funds for both emergency and permanent work.

- The PA Program has four steps of eligibility that apply to each applicant for each specific declared disaster:
  - Cost
  - Work
  - Facility
  - Applicant

- Each step has a significant impact on the determination of which applicants and costs are deemed eligible and therefore reimbursable by FEMA following a declared disaster.
Overview of the FEMA PA Program
Overall process and relevant entities

- Recipient is a state government or Indian tribal nation.
- Subrecipient is a state agency or local government, American or Native American Indian tribe, private nonprofit organization or other legal entity to which public assistance funds are awarded.
- Each state will have different processes in place to validate and make payments on projects.

Applicant submits request for assistance and documentation associated with their claims to FEMA.

FEMA develops and obligates the project; funding is made available to the state (recipient).

State (recipient) validates the project; applicant submits request for reimbursement; state issues payment.

Closeouts and audits
Simplified FEMA process

- FEMA is simplifying the Public Assistance Program application and funding process in order to address the magnitude of the COVID-19 pandemic and allow applicants to receive eligible funding more quickly.
- Applicants will have access to a simplified application process to explain work activities, answer questions, and provide supporting documentation and a cost estimate (via FEMA’s Public Assistance (PA) Grants Portal website).
- FEMA and the recipient will review, follow up if needed and award assistance.
Tracking FEMA eligible costs appropriately

- FEMA eligible costs begin retroactive to January 20, 2020, for Category B emergency protective measures.
- Funding is from multiple federal sources (e.g., FEMA, Dept. of Health and Human Services, HUD, economic stimulus), and potentially from insurance.
- It is critical to start tracking diligently early in the process.
- It is also crucial to implement a standardized process up front in order to establish consistency and accuracy of documentation.
- Gaps of documentation are easier to recover during the process as opposed to years later.
- Poor documentation is a leading cause of de-obligation and can slow down the overall process.
- It is important to avoid duplication of benefits with insurance and multiple federal funding sources.
FEMA emergency protective measures  
Eligible Category B costs

**What's covered?**

- Emergency operation center costs
- Force account labor
- Pre-positioning equipment and resources
- Emergency access
- Supplies, including personal protective equipment
- Medical care, including testing supplies and sites
- Evacuations and sheltering, including non-congregate sheltering
- Security
- Generators
- Medical waste disposal
- Emergency medical transport
- Disinfectant and cleaning supplies
- Training delivery and supply costs specific to COVID-19
- Dissemination of information to public for warnings and guidance
- Management costs

**What's not covered?**

- Lost revenue
- Straight time (regular time)
- Nonessential employee costs
  - Compensatory time
  - Overtime
  - Fringe benefits
  - Meals
- Feeding programs operated by schools (may be eligible under another federal program)
- School makeup days, including bus services for those days
Documentation requirements

<table>
<thead>
<tr>
<th>Cost category</th>
<th>Information/documentation to be tracked and maintained</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Applicant labor</strong></td>
<td>• Employee information: name, unique ID, job title and function, employee type (e.g., exempt, nonexempt, temporary), hourly rate (standard or overtime) and fringe rates</td>
</tr>
<tr>
<td></td>
<td>• Number of hours worked by day and description of work</td>
</tr>
<tr>
<td></td>
<td>• Time sheets</td>
</tr>
<tr>
<td></td>
<td>• Payroll register and proof of payment</td>
</tr>
<tr>
<td></td>
<td>• Daily logs and activity reports, including employee name, hours (standard and overtime), date and description of work</td>
</tr>
<tr>
<td></td>
<td>• Pay policy and union agreements</td>
</tr>
<tr>
<td><strong>Applicant equipment</strong></td>
<td>• Equipment information: description, year, make, model, size/capacity (e.g., generators)</td>
</tr>
<tr>
<td></td>
<td>• Usage logs: number of hours used by day and purpose of use, location and operator name or point of contact</td>
</tr>
<tr>
<td></td>
<td>• Schedule of rates (FEMA rates may be used)</td>
</tr>
<tr>
<td><strong>Supplies from stock</strong></td>
<td>• Historical cost records</td>
</tr>
<tr>
<td></td>
<td>• Inventory records</td>
</tr>
<tr>
<td></td>
<td>• Material logs: type of supplies and quantities used by day, purpose of use and location</td>
</tr>
<tr>
<td><strong>Procured services, equipment, supplies and other purchases</strong></td>
<td>• Procurement policy</td>
</tr>
<tr>
<td></td>
<td>• Quote or bid documents</td>
</tr>
<tr>
<td></td>
<td>• Justification memo that details the use of exigent or emergency exceptions, if applicable</td>
</tr>
<tr>
<td></td>
<td>• Cost and price analysis demonstrating that costs are reasonable</td>
</tr>
<tr>
<td></td>
<td>• Contracts and change orders</td>
</tr>
<tr>
<td></td>
<td>• Invoices to include supporting documentation per the contract</td>
</tr>
<tr>
<td></td>
<td>• Time and materials contracts: oversight documentation</td>
</tr>
<tr>
<td></td>
<td>• Lodging costs: folio, date and occupant name</td>
</tr>
<tr>
<td></td>
<td>• Meals: itemized receipt, date and listing of personnel</td>
</tr>
<tr>
<td></td>
<td>• Proof of payment</td>
</tr>
<tr>
<td><strong>Mutual aid</strong></td>
<td>• Written agreement</td>
</tr>
<tr>
<td></td>
<td>• Services requested &amp; received</td>
</tr>
<tr>
<td></td>
<td>• Invoices to include supporting documentation as per the written agreement</td>
</tr>
<tr>
<td></td>
<td>• Applicant mutual aid logs evidencing work performed and applicable details</td>
</tr>
<tr>
<td></td>
<td>• Proof of payment</td>
</tr>
<tr>
<td><strong>Donated resources</strong></td>
<td>• Information on all donated resources to the same level of detail for applicant labor, equipment and supplies</td>
</tr>
<tr>
<td></td>
<td>• For equipment and supplies, a listing of donors (e.g., company or individual)</td>
</tr>
</tbody>
</table>
Our perspective

1. Maximize available funding
   - Identify potential funding sources across government and applicable insurance policies.
   - Identify all areas of costs that may be eligible for reimbursement.

2. Expedite funding
   - Identify proper methods of capturing and documenting costs.
   - Understand processes associated with funding sources.
   - Submit for reimbursements with comprehensive documentation.

3. Minimize risk
   - Maintain compliance.
   - Avoid clawback of funding received.
   - Properly assess interplay of funding sources to avoid duplication of benefits.
   - Monitor for fraud, waste and abuse.
Questions and additional resources

For additional information and for the replay of this webcast, which will be available later this week, please visit www.ey.com/forensics/coronavirus.

For questions related to this webcast, please contact Gina Anders at gina.anders@ey.com or +1 240 818 9178.
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2020 Ernst & Young LLP.
All Rights Reserved.

2004-3465763 | ED None
US SCORE no. 08910-201US

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com