



STATE EXAMINER DIRECTIVE 2020-3

Date: October 22, 2020

Subject: Accounting for CARES Money Administered by Indiana Finance Authority (IFA)

Authority: IC 5-11

Application: This Directive applies to all local governmental units receiving CARES money administered through IFA

From: Paul D. Joyce, CPA, State Examiner

The purpose of this Directive is to clarify prescribed accounting procedures for federal assistance received from the Coronavirus Relief Fund created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered through the Indiana Finance Authority (IFA).

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020)*.

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements.

Reimbursed Public Health and Safety Payroll Costs

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.**

EXAMPLE

A city has public health and safety payroll costs for the period March 1, 2020 to September 30, 2020 totaling \$650,000 – all paid out of general fund appropriations as follows: Salaries \$475,000; Overtime \$25,000; Benefits \$150,000. The city receives a reimbursement from IFA for the total paid - \$650,000.

Under Option One, the city receipts the reimbursement into the separate CARES fund, which at the time of posting had a cash balance of \$0. The city reverses the original entries out of general fund and posts the disbursements to the separate CARES fund. Reversing the entries out of general fund for posting in the CARES fund increases, or re-appropriates, the amounts to salaries, overtime, and benefits in general fund as well as the general fund cash balance. The resulting receipt and disbursement posting to the CARES fund results in a \$0 cash balance to the CARES fund.

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.**

EXAMPLES

1. *A city has public health and safety payroll costs for the period March 1, 2020 to September 30, 2020 totaling \$650,000 – all paid out of General fund appropriations as follows: Salaries \$475,000; Overtime \$25,000; Benefits \$150,000. The city receives a reimbursement from IFA for the total paid - \$650,000.*

Under Option Two, council had previously adopted an ordinance to transfer reimbursed payroll costs to the general fund. The city receipts the reimbursement into the separate CARES fund and the governing body approves a claim to pay general fund \$650,000. Council then appropriates the \$650,000 in the general fund following the normal appropriation procedures. The resulting receipt and disbursement posting to the separate CARES fund results in a \$0 cash balance as the fund had a \$0 balance prior to this transaction.

2. *A city has public health and safety payroll costs for the period March 1, 2020 to September 30, 2020 totaling \$750,000 paid out of **two** funds – general fund and public safety LIT fund. Of that amount, \$650,000 was paid out of general fund appropriations under Salaries \$475,000; Overtime \$25,000; and Benefits \$150,000. The remaining \$100,000 was paid out of public safety LIT from appropriations for Salaries \$75,000; Overtime \$15,000; and Benefits \$10,000. The city receives a reimbursement from IFA for the total paid - \$750,000.*

Under Option Two, council had previously adopted an ordinance to transfer reimbursed payroll costs to the general fund. The city receipts the reimbursement into the separate CARES fund and the governing body approves a claim to pay general fund \$750,000. Council then appropriates the \$750,000 in the general fund following the normal appropriation procedures. The resulting receipt and disbursement posting to the separate CARES fund results in a \$0 cash balance as the fund had a \$0 balance prior to this transaction.

Reimbursed Costs Other than Public Health and Safety Payroll Costs

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.**

EXAMPLE

The unit purchases equipment to hold virtual public meetings in the amount of \$5,000. The original expense is paid out of the general fund. The unit submits a reimbursement request to IFA and receives \$5,000. The reimbursement is receipted into the separate CARES grant fund, which will then show a balance of \$5,000. In order to tie the expense to the separate CARES grant fund, the unit reverses the \$5,000 expense in the general fund, which reinstates the expense appropriation line item and the cash balance of the general fund. The unit then posts the \$5,000 disbursement to the separate CARES grant fund with a link to the original claim and supporting documentation, bringing the balance of the separate CARES grant fund to zero.

Framework Two. If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.**

EXAMPLE

A unit orders emergency radios for \$10,000 and submits the reimbursement request to IFA before the payment is made for the radios. IFA reimburses the \$10,000 and the unit receipts the \$10,000 into the separate CARES grant fund, which will now have a \$10,000 balance. The unit decides to purchase fewer radios and makes payment to the vendor for \$8,000, leaving a balance of \$2,000 in the separate CARES grant fund. The \$2,000 must be returned to IFA bringing the balance to zero.

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.**


Example

A unit purchases \$5,000 of PPE and posts the expense directly to the separate CARES grant fund, incurring a negative balance of \$5,000. The unit submits a reimbursement request to IFA for \$5,000, but IFA only reimburses \$4,500. The unit receipts the \$4,500 into the separate CARES grant fund, which leaves a negative balance of \$500. The unit reverses the expense entry for the unreimbursed amount and posts the expense to the general fund, bringing the balance in the separate CARES grant fund to zero.

These prescribed accounting procedures will promote transparency and accountability of funds received through the Coronavirus Relief Fund created by the CARES Act and administered through IFA.

This Directive may be amended from time to time and may be rescinded at any time in writing by the State Examiner or Deputy State Examiner.

Respectfully,


Paul D. Joyce, CPA
State Examiner