



Redstone Government Consulting

COVID-19 GovCon Forum May 4, 2020

PRESENTERS:

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REDSTONE GOVERNMENT CONSULTING

COVID-19: GovCon Forum

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As Always – Disclaimer and Notes

- Information provided is as of today. Things are changing rapidly, and we suspect many things we discuss today will continue to evolve.
 - We have CPAs and Attorneys on the line who all have professional ethics and liability obligations to honor.
 - Anything discussed today isn't intended to be (and shouldn't be taken as) advice, legal, financial or otherwise.
- Please submit questions as we go. We will likely run long depending on the number of questions we get. You are welcome to come and go. Our goal is to work in as many questions as possible and if we don't get to your questions today, we will retain for the next session.
- No CPE is being offered for this session.
- We are in our home offices like many of you. So, we apologize in advance for any background noise – dogs or humans looking for attention.



Moderator
Asa Gilliland
President, Redstone GCI



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Treasury Drops the Audit Hammer

3 Big Must Dos

- I. Track it.
 - a. Capture the costs associated with COVID-19 related events in a separate project, account or other “bucket.”
- II. Document the business case.
 - a. We have an obligation to mitigate costs where we can, so it is important to document the “why” behind the decisions made in the moment.
- III. Communicate with your customer(s).
 - a. Communication may feel one-sided at times but keep communicating to show intent if questions are raised later. It is imperative to keep your customer(s) informed.

The Winds of Change

- The SBA Frequently Asked Question (FAQ) 31 provides that the “borrowers must assess their economic need” and “certify in good faith that their PPP loan request is necessary.”
- Treasury Secretary Steven Mnuchin wants a full audit on any company taking out more than \$2M in PPP Loan – SBA FAQ 39 now says “Review”
- SBA is looking for Unnecessary PPP Loans to be returned by May 7, 2020



DoD Flip Flop

- DPC Frequently Asked Questions related to Implementation Guidance for Section 3610 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act:
 - April 17, 2020 “regardless of whether the PPP loan is forgiven”
 - April 24, 2020 “that are forgiven. Furthermore, any reimbursements, tax credits, etc. from whatever source that contractors receive for any COVID-19 Paid Leave costs should be treated in a similar manner and disclosed to the government.”



What is Clear

- The Government is concerned about potential duplicate relief
- Oversight after the fact will be extensive:
 - Office of the Special Inspector General for Pandemic Recovery – \$25M,
 - Pandemic Response Accountability Committee – \$80M, and
 - Congressional Oversight Commission – a blank check, “such sums as may be necessary for any fiscal year.”
- Your decisions are very likely to be questioned



Question #1

Q1: Sheri and Jamie – PPP vs. FFCRA

Can an employee (or employer) choose to get paid leave covered under PPP vs. FFCRA?

- FFCRA has very low limits (\$511 per day/\$200 per day)
- PPP loan limitation (\$100k – approx. \$385 per day)

Can the same hour/day of paid leave be covered partly under FFCRA then PPP up to the respective limits?

Question #2

Q2: Bob, PPP Loans through this new Government viewpoint:

What should a contractor consider when deciding whether to return all or part of the PPP loan proceeds before May 7, 2020?

If the decision is made to keep the loan proceeds, what kind of documentation should a contractor keep to support the need for the loan and potential forgiveness requests later?

Question #3

Q3: Bob – PPP Loan Accounting

Does the initial receipt of PPP loan proceeds impact government contract cost accounting?

Does any potential forgiveness of the PPP loan impact government contract cost accounting?

Does a contractor with a PPP loan need to adjust Firm Fixed Price contracts?

Question #4

Q4: Sheri and Jamie – Return to Work

What do we need to do to ensure the environment is safe?

What do we need to do about an employee who isn't comfortable returning?



Question #5

Q5: John – Section 3610 of CARES Act

Section 3610 authority is limited to reimbursement of paid leave that would otherwise not be reimbursable and limited to “availability of funds and no adjustment to the contract or approval of a request for equitable adjustment should be made without sufficient funds.” That said are there other concerns contractor need to consider besides working with CO on individual contracts?

Question #6

Q6: John – Payroll tax deferment

Will the deferment of the employer portion of Social Security taxes, 50% until December 2021 and 50% until December 2022 have an impact on expenses that can be billed on Government contracts?

Question #7

Q7: Sheri and Jamie – Workers Compensation

When it is applicable?

What about employees who would rather get unemployment than return to work?

Can I lay someone off so they can get unemployment rather than providing paid leave under the FFCRA?



Working at home is not much different than being at the office:

- it's loud
- I'm asked dumb questions
- people steal my lunch
- sometimes I just sit in the bathroom to avoid everyone

Wrapping Up

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