

OMB Issues Guidance for Federal Award Recipients

By Bruce L. Blasnik, CPA, CGMA, Partner

The federal Office of Management and Budget (OMB) recently released Memorandum M 20-26, dated June 18, 2020 (Memorandum). This Memorandum, entitled, [Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#), provides definitive guidance on the issue of *double-dipping* or, being paid twice for the same cost.

Appendix A of the Memorandum provides, among other things:

- “Payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice.”
- “Due to the limited funding resources under each federal award to achieve its specific public program goals, awarding agencies must inform recipients to exhaust other available funding sources to sustain its workforce ...”

Juxtaposition

This appears to be a retrenchment of previous OMB guidance. An earlier Memorandum published by OMB (M-20-22, dated April 17, 2020) stated that a federal award recipient could not “use the PPP to pay its employees, have the loan forgiven ... and then seek reimbursement for such payment from a federal contracting agency ...” This left open the possibility of not applying the PPP funds to the federal program. Rather, it might have been possible to apply the PPP funds only to non-federal programs, or forego forgiveness and retain the PPP funds as a low interest loan. This most recent Memorandum replaces the concept of **forgiven PPP loan funds** with **PPP funds** (apparently, forgiven or not). It appears that this new language may require federal award recipients to use the PPP funds to supplant the other federal agency funds.

Potential: Entry of State Funding Agencies

A further concern that has been raised is that this could open the door for state funding agencies to adopt a similar approach, leaving federal and state award recipients as little more than pass-through agencies responsible for redistributing government funds among various government agencies. Nonprofit organizations that had to cancel annual fund raisers while seeing a surge in non-government funded program costs will be hurt the most. Surely, this could not have been Congress’ intent. Now, more than ever, it is important for government funded organizations to work with their awarding agencies to reallocate budgets away from payroll and rent to other costs that are not covered by PPP loan funds. This may offer some relief.

More to Come?

Presumably, this is not the last word on the topic. We have reached out directly to OMB for further clarification. We are hopeful that additional guidance will be coming from the U.S. Small Business Administration and from state and local funding agencies, as well. Maybe even Congress will step in. We will keep you advised as new information becomes available.

Contact Us

As always, for further guidance and assistance, please reach out to your PKFOD engagement team members, or Bruce L. Blasnik, CPA, CGMA, Partner at LoanForgiveness@pkfod.com. We are here to help.

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