

## Center for Plain English Accounting

AICPA's National A&A Resource Center

### **Shuttered Venue Operators and Restaurant Revitalization Grants Issues Related to CPA Involvement**

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The CPEA issued a report in [October 2020](#) covering issues related to CPA involvement with Paycheck Protection Program (PPP) loans being issued through the Small Business Administration (SBA). In 2021, the SBA will be implementing two new relief programs, the Shuttered Venue Operators Grant (SVOG) and the Restaurant Revitalization Fund (RRF).

The [SVOG](#) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The program includes over \$16 billion in grants to shuttered venues, to be administered by SBA's Office of Disaster Assistance. The application period opened on April 26, 2021. Eligible entities may receive up to \$10 million and are not required to repay the funds as long as they are used for eligible costs incurred between March 31, 2021 and December 31, 2021. The AICPA has developed a [summary page](#) indicating the key components of the program and the most recent developments of which CPAs should be aware.

The [RRF](#) program was established to provide funding to help restaurants and other eligible businesses keep their doors open. This program will provide eligible entities with funding equal to their pandemic-related revenue loss up to \$10 million per business and no more than \$5 million per physical location. Recipients are not required to repay the funds as long as they are used for eligible uses no later than March 11, 2023. The RRF program opened for applications on May 3, 2021. The AICPA [summary page](#) for the program provides key information about the program; however, the SBA website also includes in-depth FAQs and clarifying questions which also should be reviewed prior to applying.

Both the RRF and the SVOG are first come, first serve programs and funds are expected to run out quickly in both. As a result, eligible entities are encouraged to apply as soon as possible to have the best chance of receiving funds.

As noted in our October report on PPP loans and CPA involvement, CPAs should step-back and consider the best course of action for each client. Not every relief program or every course to maneuver through the arduous effects of the pandemic will fit every client. CPAs should take a thoughtful approach in helping each client find the financial assistance, loan and tax credit relief programs, and other solutions that make the most sense for each client's unique circumstances. We encourage CPAs to provide these advisory services as they act as trusted advisors to their clients through these challenging times.

The [interplay between the various assistance programs](#) also needs to be considered. For example, entities that apply for the RRF are not eligible to also apply for an SVOG. In addition, entities may apply for an SVOG if they received a PPP loan; however, if the PPP loan was received after December 27, 2020, the PPP loan amount will be deducted from the SVOG. Entities may not apply for PPP after receiving SVOG. Recipients of Economic Injury Disaster Loans (EIDL) also can apply for the SVOG, but those funds cannot be used for the same purposes.

#### Application Assistance

According to the most recently issued [FAQs](#) from the SBA, while the SBA's goal when designing the SVOG/RRF program applications was to create a form that could be completed without the need for professional assistance or expertise, the issue of who fills out an eligible entity's SVOG/RRF application is a decision for the entity's management and ownership.

As noted in our related report on PPP loans, signing as a client's authorized representative on an application will impair independence because ability to exercise authority on behalf of a client has been accepted. This is a management responsibility.

The Professional Ethics Executive Committee (PEEC) believes that, simply advising or assisting attest clients in understanding the information gathered and the application process under the SVOG or RRF programs would not constitute performing management responsibilities for purposes of applying the AICPA Code of Professional Conduct if CPAs do not in fact assume management responsibilities. In other words, assisting attest clients with SVOG or RRF applications is a nonattest service. If CPAs comply with the interpretations of the [Nonattest Services](#) subtopic, independence will not be impaired.

In applying for an RRF grant, entities are allowed to use various calculations to determine if they qualify based on when they started business. For entities utilizing calculation 3, the SBA notes in the [RRF Knowledge Base](#) that the preferred documentation of eligible expenses includes a third-party accountant, bookkeeper or CPA comfort letter with associated P&L statements and balance sheets. The AICPA has shared their concerns around this form of documentation with the SBA. In the meantime, the AICPA

recommends that CPAs refer to the [AICPA's Third-Party Verification Toolkit for CPAs](#) for further information. Exercise caution if requested to issue a comfort letter to avoid a potential issue with AICPA professional standards.

Importantly, note and remind any clients who have asked that you provide this document that the “comfort letter” the SBA is requesting is NOT required. Given the expectation that funding in the program will be depleted very quickly, consider advising entities to apply as soon as the program opens. It’s our understanding that applicants will “keep their place in line” with a date stamp as to when they submitted their application. This date stamp is key in the ability to obtain funding after the priority periods for certain applicants have expired.

### Consulting Service Engagement Letter Considerations

When CPAs decide to provide consulting services to their clients in association with the SVOG or RRF programs, they should consider the following elements when developing those engagement letters:

- The terms and scope of consulting services can widely vary and should be discussed with the client and clearly described in the engagement letter.
- Describe the engagement objective(s).
- Describe the scope and limitations of the engagement, including services that are out of scope, as applicable.
- Describe the engagement approach by way of a summary of activities and tasks to be completed.
- Describe the engagement deliverables, including both oral and written deliverables.
- Describe the applicable professional standards for the engagement.
- Describe the client’s responsibilities.
- Describe the CPA firm’s responsibilities.
- Indicate when services will begin and conclude.
- Document the limitations on use of the deliverable(s).
- Discuss responsibilities regarding conflicts of interest, if applicable.
- Attach the CPA firm’s Terms and Conditions Addendum to the engagement letter and incorporate such by reference.

The AICPA provided some [sample engagement letters](#) for CPAs assisting clients applying for PPP loans that can be adjusted as needed. CPAs also are encouraged to contact their professional liability insurance carrier in advance of providing these client services as they may have additional resources they can provide.

## Additional Considerations

Per the SBA guidelines, an audited financial statement is not required to apply for an SVOG or RRF award. However, where a for-profit SVOG grantee expends more than \$750,000 in Federal funding in one fiscal year, it will have the option of either providing a Single Audit Act audit or submitting an audited financial statement for that fiscal year. The SBA will direct grantees that expend more than \$750,000 in federal financial assistance in one fiscal year to submit their Single Audit or audited financial statement during the post-award oversight, monitoring, and audit phase that SBA will conduct after SVOG awards have been issued.

It is not clear at this point if recipients of RRF grants in excess of \$750,000 also will have the same audit and post-award oversight criteria as SVOG recipients. Practitioners are encouraged to keep aware of the most recent information available in the [RRF program guide](#).

**Practice Note:** One thing for CPAs to keep in mind is whether their client will require an audit after the funds have been expended. If that is the case and the client plans to hire them to perform that audit, the CPA should ensure they do not act as authorized representative as doing so will impair their independence. Auditors also should consider whether they have the necessary competence, capabilities, and resources to perform Single Audits in cases where NFP clients plan to apply for \$750K or more in SVOG funding or in the event that a for-profit recipient elects to submit a Single Audit Act audit instead of a financial statement audit. The AICPA [Governmental Audit Quality Center](#) (GAQC) has [extensive resources](#) for CPAs planning to perform Single Audits. We encourage you to review these resources and the GAQC stands ready to assist with any questions related to audit requirements associated with the various government programs.

## Conclusion and Additional Resources

The CPEA will continue to monitor issues and questions related to the A&A impacts of COVID-19 and stands ready to issue additional guidance as new developments arise. The AICPA also has a [Coronavirus Resource Center](#) to keep the profession up-to-date on this issue, including information on business continuation, economic impact, and workforce issues. Other resources are available as well to help members serve their clients including the [Town Hall Webcast series](#), which is available free of charge to all AICPA members. View a [list of all available resources](#).

As always, the CPEA technical inquiry service is available for all CPEA members to answer inquiries on this topic as well as most other accounting and assurance topics. The inquiry service can be accessed on our website. For non-CPEA members, call the AICPA technical hotline at 1-888-777-7077. Questions related to auditor independence (which

certainly could arise in the current environment) should be directed to the AICPA Ethics Hotline at **1-888-777-7077** (select option 2, then 3) or [ethics@aicpa.org](mailto:ethics@aicpa.org). The CPEA refers all independence questions to the independence hotline.

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