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Documenting Your Expenditure of PPP Funds In Accordance With the SBA Rules

Now that you have received your loan under the Paycheck Protection Program, it is very important that you be able to document that you have spent the proceeds in accordance with the rules. We suggest that the best way to accomplish this is by segregating the funds and by keeping precise records as you spend the money.

Segregating the money should be pretty easy. You can have your bank create a new bank account to hold your PPP proceeds. Alternatively, you could hold the PPP proceeds in a cash reserve account you already have. Normally a cash reserve account would have limited transactions. The key is that you want it to be easy to tell when you spent your PPP proceeds. This will be much easier to do if the proceeds are not held in your normal operating account.

We suggest making “draws” against the PPP proceeds each week based on amounts that you are actually spending out of your operating account. We have created a spreadsheet that is included with this email to help you in calculating your draw. You should be able to complete the spreadsheet by only completing the cells shaded light green. The rest of the spreadsheet calculates for you. The idea behind this spreadsheet is that it would act as a cover page to summarize your draw. Then you will attach documentation of the recorded costs to the cover page. We suggest including a copy of your payroll register as well as a copy of your rent payment, utility bills, and any loan payments to your draw summary page. We also suggest numbering your draws to help make it easy to track your draws. We envision doing one weekly draw for all eligible costs paid that week. If you do this correctly, your “draw package” should withstand any audit scrutiny that it might receive by your bank or others.

Be sure to note that at least 75% of your use of the PPP funds must be on your payroll costs as shown on the spreadsheet. The spreadsheet has an audit check in it to help you monitor the portion of your PPP proceeds that you have spent on payroll costs.

The spreadsheet is protected to avoid unintended changes to the formulas. If you must change it, the password to unprotect the sheet is included on the spreadsheet. We suggest that you only change the spreadsheet if you are relatively advanced in using Excel.