

FEDERAL COVID FUNDING COULD TRIGGER SINGLE AUDIT REQUIREMENT



COVID-19 has had a significant economic impact in the United States. Some nonprofit organizations were compelled to temporarily close, execute their mission remotely or restructure their operations entirely. The Federal Government responded by releasing considerable amounts of funding to relieve issues caused by the pandemic. As a result, many nonprofits will undergo their first single audit as a result of the infusion of federal relief related to The Coronavirus Aid, Relief, and Economic Security (CARES) Act, American Rescue Plan Act (ARPA) and other federal coronavirus relief legislation.

Does my organization require a Single Audit?

Nonprofits and state and local governments are subject to a federal Single Audit if they expend \$750,000 or more of federal financial assistance in their fiscal year. This includes COVID-19 assistance either in grants or loans and all their other non-COVID-19 federal financial assistance expended in their fiscal year. It is vital to keep in mind that federal awards do not always originate from the federal government. Monies can be received directly or indirectly through a pass-through agency such as a state or nonprofit organization. It is critical for recipients to keep track of their funding sources to appropriately assess whether a single audit applies to them.

Loans obtained under the [Paycheck Protection Program](#) and the [Employee Retention Credit](#) are not subject to a single audit; however, funding under the Coronavirus Relief Fund, Education Stabilization Fund, and loans under the Economic Injury Disaster Loan program are other COVID-19 awards that meet the single audit requirements.

What is a Single Audit?

A single audit includes an audit of both the financial statements and the federal awards. It is also referred to as an 'audit under the Uniform Guidance' and is required to be performed in accordance with Government Auditing Standards. The single audit focuses on the compliance requirements and the internal controls for obtaining, operating and reporting on federal grant programs.

Auditors are required to use the [Office of Management and Budget](#) (OMB) compliance supplement to perform the compliance portion of the single audit. The Compliance Supplement is an annual document that describes the audit requirements for each federal program and the specific compliance attributes that the auditor assesses. The auditor reviews the financial statements, records, and internal controls to ensure the federal funding was spent in accordance with the program's stipulations. The Supplement is effective for audits of fiscal years beginning after June 30, 2020, and can be accessed on the [OMB website](#).

Key considerations to prepare for a Single Audit

- Assemble and summarize all federal grant information
- Gain an understanding of all compliance requirements associated with your federal awards
- Create a thorough draft of the SEFA (Schedule of expenditures of federal awards)
- Examine your organization the written policies, procedures and internal controls
- Gather financial records - i.e., expenditure justification as well as financial and performance reports
- Conduct a self-assessment of compliance requirements

- Consult with your auditor

If you have any questions related to federal funding or whether single audit requirements apply to you, please contact your BMF Advisor. Whether you're preparing for your first Single Audit or have previously had Single Audits, our team can assist with executing your Single Audit or help you navigate the Uniform Guidance regulations and compliance requirements, assess internal controls and gather the necessary information to streamline your Single Audit.