

CARES Act and Single Audit Requirements

By Kelsey A. Cannici, Manager

The federal government has provided billions of dollars to small businesses and not-for-profits (NFPs) through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The funding will allow businesses and NFPs to continue to pay their employees and meet other financial obligations as the COVID-19 crisis continues to affect our country's economy. These funds have been a major relief for many entities; however, acceptance of these funds could have administrative implications for some.

Single Audit

Until recently, it has been unclear if any of the funds received, either as loans or grants, would be subject to Single Audit requirements. Under existing rules, a Single Audit must be performed following the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) if a nonfederal entity expends \$750,000 or more of federal awards in a fiscal year. These federal awards are made through individual grant programs and can include both grants and loans.

The Small Business Administration (SBA) has recently clarified that:

- funds provided by the **Paycheck Protection Program (PPP)** are **not** subject to Single Audit requirements, while
- funds received through **Economic Injury Disaster Loans (EIDL)** **will be** subject to these requirements.

These audit requirements would begin in the fiscal or calendar year that an entity expends \$750,000 or more in federal awards. NFPs with fiscal periods ending June 30, 2020 would be the first to potentially undergo these audits.

In addition to federal Single Audits, some states, including New Jersey and Connecticut, have their own Single Audit requirements which could trigger an audit for as little as \$100,000 in federal or state fund expenditures.

Be Prepared

Because of the potentially significant inflow of new federal awards, NFPs that previously did not meet the threshold for a Single Audit should be especially careful when determining total expenditures made using these funds.

As NFPs begin receiving and expending EIDL funds, management must have systems in place that will make it possible to track and report qualifying expenditures. This will ensure adequate records are properly maintained and internal controls are compliant with the requirements of the EIDL program.

This applies to all federal awards received and expended, even if the total is less than \$750,000. Clean accounting records and strong controls are important safeguards against potential audits by either the federal government, lending institutions, or independent auditors.

Contact Us

We are monitoring developments in Washington, DC and will communicate with our clients as necessary to provide updates as they become available. We also invite you to visit our [COVID-19 Resource Center](#) for more news and insights on related topics.

If you have any questions about Single Audit requirements related to federal funds, please contact your client services team or:

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