

# Alternative Examination Engagement for Certain CSLFRF Recipients

*by James Shankland, CPA, Audit Manager*

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It is estimated that, as a result of the Treasury Department's \$350 billion Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program, more than 10,000 new Single Audits will be required. Many recipients of these funds are small, local governments who may have little or no Single Audit experience. Understandably, the Treasury has concerns regarding the availability of qualified auditors to perform those audits. Therefore, the Office of Management and Budget and the Department of Treasury, in collaboration with the [AICPA Governmental Audit Quality Center](#), and the [National Association of State Auditors, Comptrollers, and Treasurers](#), have developed an alternative that would provide Single Audit relief for many of these recipients, auditors and the Treasury Office. To reduce the burden of a full Single Audit or Program-Specific Audit, qualifying entities will be allowed to have an alternative CSLFRF compliance examination engagement in accordance with *Government Auditing Standards* (Chapter 7) and AICPA Statements on Standards for Attestation Engagements (AT-C Section 315).

This engagement would still allow for the Treasury to monitor compliance, because it would involve testing of two key compliance requirements for the CSLFRF program. However, no financial statement audit would be required, a schedule of expenditures of federal awards would not have to be presented, and the practitioner would not have to give an opinion on the recipient's internal controls.

In order to be eligible for the compliance examination engagement, both of the following criteria have to be met:

- The amount of the recipient's CSLFRF award must be received directly from Treasury or as a non-entitlement unit of local government and be below the \$10 million revenue loss standard allowance.
- Other federal awards expended during the year (disregarding CSLFRF) must be less than \$750,000 during the recipient's fiscal year.

The two key compliance requirements that are still applicable under the examination engagement are Activities Allowed and Unallowed and Allowable Costs/Cost Principles. Suggested procedures for practitioners include inquiries of management, inspection of relevant documents, and observation of operations, as well as sampling CSLFRF expenditures to determine if recipients used the funds for ineligible uses.

The submission deadlines for the compliance examination engagement have not changed compared to standard single audit deadlines. The results of the engagement must be submitted within 30 days after receipt of the auditor's report (on the financial statements), or nine months after the end of the audit period, whichever comes first.

If you are eligible for this engagement, you can still elect to undergo a Single Audit or a Program-Specific Audit. If you have reason to believe you will still be required to have a Single Audit in future years, it may be beneficial to do so. But for those entities that would otherwise be burdened by the full extent of a Single Audit, this option may be the right course of action for your organization. Consider [contacting HeinfeldMeech](#) for further inquiry.

#### **Related articles:**

- [Important Guidance on the State and Local Fiscal Recovery Funds Program](#)
- [Preparing for Your First Single Audit](#)
- [COVID-19 and the Changing Landscape of Single Audits](#)

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