

Preparing for Your First Single Audit

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With a record amount of federal relief funding released recently, it is expected that thousands of nonprofits and local governments may be required to undergo their first single audit.

Single Audit Requirements

A non-federal entity expending \$750,000 or more in federal awards during the entity's fiscal year must meet the audit requirements of 2 CFR Part 200, Subpart F which requires that a single audit be performed. It is important to remember that this threshold is for federal awards in total. So, even if an entity has no individual awards with expenditures over \$750,000, a single audit may still be required if the entity has multiple awards that meet the threshold when added together.

The heart of any single audit is the Statement of Expenditures of Federal Awards (known as the SEFA). The SEFA is required to be prepared by each entity, and documents the details of each federal award. The following information is required to appear on the SEFA: Federal Awarding Agency, Program Title, Assistance Listing Number (formerly CFDA Number), Name of Pass-Through Entity, Amount Provided to Subrecipients, Program Expenditures, and Cluster Names and Totals.

Importance of the SEFA

The SEFA is the document that drives the scope of the Single Audit. Without it, auditors cannot determine which federal programs they are required to audit; therefore, an inaccurate SEFA can lead to audit delays and findings.

Here are some important tips to help you prepare a complete and accurate SEFA:

- Start early! Grant agreements are often long and sometimes it is necessary to seek clarification from awarding agencies on grant terms. We recommend maintaining all grant agreements in a central place and highlighting key terms of the agreement such as the assistance listing number and grant award period for easy future reference.
- Review your general ledger to ensure that federal award expenditures can be easily identified in your financial records. Remember, it is expenditures that drive the SEFA amounts, not revenues, so it is important to have strong processes over tracking both parts of the award.
- Separately identify COVID relief funds. Awards resulting from any of the COVID relief packages (CARES Act, CRRSAA, American Rescue Plan Act) are required to be distinctly identified as such on the SEFA. There were many new federal programs created as a result of the relief packages, and there were also many existing programs that received additional allocations because of COVID-19, so it is important to keep track of these monies separately.

If your organization is preparing for a single audit for the first time, we know this can all be daunting. Early preparation and research can help make those challenges easier and cut down on surprises! HeinfeldMeech is here to help, so please reach out to one of our associates if you have any questions!

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