

## Single Audit Threshold Changes

*by James Shankland, CPA, Audit Manager*

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In April 2024, the Office of Management and Budget (OMB) raised the Single Audit threshold from \$750,000 to \$1,000,000, a change that significantly impacts non-federal entities such as state and local governments and non-profit organizations. This increase, effective for fiscal years beginning on or after October 1, 2024 (for you Arizona school districts and municipalities, that would be fiscal year 2026!), means that organizations that expend less than \$1,000,000 in federal awards in a fiscal year are no longer required to undergo a Single Audit, which involves a comprehensive review of financial statements and compliance with federal requirements. Instead, they may only need a less rigorous financial statement audit, depending on their specific situation. This adjustment aims to alleviate the administrative and financial burdens on smaller entities while maintaining a focus on accountability.

In addition to the increase in the Single Audit threshold, the OMB has implemented several other significant changes affecting federal awards. One notable adjustment is the revision of the indirect cost rate provisions. Previously, organizations with less than \$10 million in federal awards could use a de minimis indirect cost rate of 10%, but the new regulations have increased this rate to 15%.

Another key change is the adjustment to the Type A program threshold. The Type A program threshold, which determines which programs are subject to more extensive audit scrutiny, has been raised from \$750,000 to \$1,000,000. This change aligns with the increase in the Single Audit threshold, reducing the number of programs considered Type A and thereby lessening the audit burden on smaller programs. By raising this threshold, the OMB aims to simplify the audit process for organizations with lower federal funding levels, focusing resources on higher-risk programs and ensuring a more efficient allocation of audit efforts.

For smaller organizations, these changes reduce the complexity and cost associated with Single Audits, allowing them to redirect resources toward their core missions. Despite not undergoing a Single Audit, these organizations are still responsible for adhering to federal guidelines and managing their awards responsibly.

There were other, more minor changes in the recent update, such as changes to equipment thresholds, pass-through entity requirements, and required procurement documentation. Is your organization one that will be affected? Reach out to your auditor to confirm!

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