



← Home ← Insights ← Assurance

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Received SVOG Funds? Here's How to Ensure Single Audit Readiness

Hard-hit small businesses received more than \$16 billion in much-needed COVID-19 relief through the Small Business Administration's (SBA) Shuttered Venue Operators Grant (SVOG) program.

While this funding has provided a lifeline during challenging times, recipients that expended at least \$750,000 from this federal grant program in a fiscal year are left to navigate a complex – and likely unfamiliar – requirement: the [Single Audit](#). This involves compliance with both SVOG rules and general federal guidelines, regardless of whether recipients identify as nonprofits or for-profit entities.

SVOG recipients that only utilized SVOG funds in a given fiscal year can elect to perform a program-specific audit instead of a full Single Audit. Unlike the more robust Single Audit, a program-specific audit does not require a financial statement audit, reducing the overall reporting and compliance burden.

The deadline to have a Single Audit completed is nine (9) months after your fiscal year end date. For organizations with a calendar year-end date, that means your audit is due September 30, 2022. The following are steps SVOG recipients can take to prepare.

Single Audit Preparation

- ▶ **Understand SVOG Program-Specific Requirements:** As recipients claim SVOG funding, they should make sure funds are being applied in a manner specific to the program requirements. Funds can be used for specific expenses, such as payroll costs, rent payments, utility payments, scheduled mortgage payments and scheduled debt payments. Funds may not be used to buy real estate, make payments on loans originated after February 15, 2020, or to make investments or loans. Unlike other programs, SVOG funds can be used toward alcohol purchases under certain circumstances, as this is a business expense for certain venue operators. For a complete list of where funding may and may not be used, visit [the SBA website](#).
- ▶ **Stay Apprised of Latest Frequently Asked Questions (FAQ) Guidance:** [The latest FAQ](#) on post-application and post-award guidance for SVOG recipients provided clarity on incurred cost timing, application of federal procurement rules prior to award, reasonableness standards for owner payouts and compensation, required tracking of inventory, equipment purchases and more.
- ▶ **Strategically Align Audit Periods:** Organizations may strategically allocate SVOG funds to expenses in certain fiscal years in consideration of program audit triggers. Each fiscal year during which \$750,000 of federal award funds is expended is subject to a program-specific audit or Single Audit. If possible, organizations could consider aligning expense claims to a particular year to avoid audits in multiple years. This primarily applies to organizations that received supplemental funding and may still be incurring costs in 2022.
 - Reminder: A fiscal year would not be subject to audit if the SVOG award was not

officially received yet. Therefore, most organizations' FY 2020 would not be subject to a separate audit, as an audit for SVOG funds received in FY2021 would cover expense claims from previous years (i.e., 2020).

- ▶ **Thoroughly Document Expenses:** SBA requires recipients to obtain complete documentation for all expenses claimed and to retain records for at least three years post-closeout (four years for employment records). This can include receipts, invoices, payroll records, timesheets, contracts and more. Recipients may choose not to claim low-cost expenses where the documentation is harder to track down or will be difficult to maintain for the required years. For example, receipts may not have been kept for a \$10 business lunch.
 - **Benefits of Drafting an Expenditure Memorandum:** As they document expenses, organizations may find it beneficial to draft a high-level memorandum to describe the different types of costs they will be claiming under SVOG. A written record will help facilitate compliance with rules for cost allowability and be valuable for the auditor as a primer before they dive into the detailed claims. A summary of SVOG claims will also likely be required by SBA upon closeout. Reminder: A fiscal year would not be subject to audit if the SVOG award was not officially received yet. Therefore, most organizations' FY 2020 would not be subject to a separate audit, as an audit for SVOG funds received in FY2021 would cover expense claims from previous years (i.e., 2020).
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- ▶ **Leverage Accounting System Capabilities:** Recipients should set up the proper accounts and expense codes within their accounting system to reduce manual inputs and risk of error when tracking SVOG expenses. This will also make it easier to pull budgets versus actual reports, which are required upon closeout of the award.
- ▶ **Secure Approval on Transfers of SVOG Funds:** Organizations should set up proper controls to help ensure the transfer of SVOG funds out of their original account is

reviewed and approved by an appropriate person within the finance department or leadership.

- ▶ **Understand Flexibility on Debt Repayments:** Although not explicitly stated in the FAQ, SBA provided guidance during its webinars on the allowance of refinanced debt repayments for debts which existed prior to Feb. 15, 2020 but were refinanced during the eligible period. Recipients should consider whether they have eligible debt repayments which can be claimed under SVOG.
- ▶ **Clear Allocation to Funding Sources:** In addition to the items mentioned above, it's important for organizations completing a full Single Audit to clearly designate expenses to specific funding sources to avoid the unintentional duplication of funds. Although mixing groups of expenses across funding sources is allowed, keeping them separate, if possible, reduces the burden of complex calculations or allocations for the organization and makes reviews easier for the auditor. For instance, it would be simpler to have the payroll for one full month claimed to the Paycheck Protection Program (PPP) and another month to SVOG rather than trying to mix and match funding sources in the same payroll period.

Working with a Trusted Advisor

The program-specific audit and full Single Audit can be intimidating, but proper preparation can help make the experience seamless. No matter where your organization is in the process, working with a trusted advisor can help set your organization up for success. The right audit preparation advisor can help your organization collect and organize necessary documents, perform critical eligibility reviews, draft policies and procedures, configure your accounting system and budget codes and provide walkthroughs with key personnel in areas such as grants management, accounting/finance and operations.

*For-profit entities may have some additional options with regard to audits, as new information from the SBA suggests that they may only need a financial statement audit or a new compliance attestation engagement. If your organization has any questions on how to administer your SVOG grant or would like to learn more about how we can help with your program-specific audit, contact our SVOG experts.

[Have Questions? Contact Us](#)