



## GRANT FUNDING AND THE BENEFIT OF SINGLE AUDITS

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Austin has a growing population of non-profit organizations that receive grant funds, which can be federal or state sourced and can come in many different sources: Grants, Loans, usages of land, and food / other commodities. While the receipt of these funds helps organizations meet the needs of the community and reach their missions/goals, there are several other requirements that organizations may face.

### **Grant Monitoring and Reporting**

Once an organization receives grant funds, they are typically subject to monitoring from the grantor. Most grant contracts include either optional or required monitoring. This monitoring can be performed by the granting agency or by a third party that the granting agency hires to perform monitoring. This would be in addition to any reports required by the grantors to fill out. Grant Reporting can range from monthly reimbursement requests, quarterly or annual performance reporting, or cost reports.

### **Necessary Non-Grant Funding**

Many of the non-profit organizations in Austin have to review the requirements of the grant funds they receive and their own ability to meet those requirements. These requirements may have limitations both on a time and financial basis. While organizations will want to receive grant funding, they have to look at the time required to fill out any reporting, keep records of how the funds were spent, detailed records of those helped, and any necessary hiring and training of the staff to fulfill the grant's purpose. Also, many grants do not cover some of these necessary items and the organization may not have the resources on its own to cover the costs of running programs in which the grant does not specifically allow. Non-profits typically have to depend on public support to fill in the gaps the grants do not cover.

### **Requirements for Uniform Guidance Audit**

If an organization who receives federal or state grant funding and expends \$750,000 or more, in one year, of federal or state funding (looking at just federal or just state funds, not combined) is required to have an audit under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, also known as Uniform

### **Requirements for Uniform Guidance Audit (cont.)**

Guidance. For example, if an organization receives a \$1,000,000 grant from the Department of Health and Human Services and spends \$600,000 in year 1 and \$400,000 in year 2 – this organization would not be required to have an audit under Uniform Guidance. But if that same organization spends \$800,000 in year 1 and \$200,000 in year 2, they would meet the requirements to have an audit performed under Uniform Guidance. The main trigger is spending the funds, not receiving the funds, which under the accrual method of accounting means that you will need to account for those expenses incurred but not reimbursed during the organization’s fiscal year. If you are unsure if the funds you have received are subject to Uniform Guidance, you should inquire to the granting agency and look for Catalog Of Federal Domestic Assistance (CFDA) numbers associated with the grant you have received. Each grant should be tracked by their CFDA numbers as that number will be how the grant funds are presented on the Schedule of Expenditures of Federal or State Awards (SEFA or SESA).

### **Benefits of a Single Audit**

If an organization is subject to a Uniform Guidance audit, then it would be required to go under a full financial and Uniform Guidance audit, also known as a Single Audit. The term “Single Audit” is used to refer to the idea that an organization would only have to go through one audit versus multiple monitoring by different grantors and could meet any requirements from outside lenders. The benefits of having a Single Audit performed are:

- Your organization will have met the requirements of receiving federal or state funding
- Having an objective view of your organization’s internal controls over both financial and grant programs,
- Your organization will have audited financial statements that they can use to obtain future funding from both public sources and if necessary from financial institutions.
- Make sure that your organization is using industry best practices across all aspects of the organization, not just grant or financial reporting
- Grantors may choose to rely on the results of the Single Audit, the organization may save time from going through additional monitoring.
- Since one firm can perform a Single Audit, it can be performed in conjunction with your financial audit, there is some dual-purpose testing that can be performed that would bring efficiencies to the entire Single Audit process.
- Finally, all Single Audits are uploaded to the [Federal Audit Clearinghouse](#) and organizations fulfill the requirements of making their financial statements available to the public and to their current and future grantors.