

What is a Single Audit?

A Single Audit is when a professional auditor reviews a grantee's financial management processes, including its financial management system and compliance with all federal grant requirements. It is called a Single Audit because it combines one audit covering all of a grantee's federal grants. A Single Audit ensures that grantees receiving federal funds maintain sound financial management practices and comply with the government's requirements. It also helps auditors establish consistent audit guidelines and use auditing resources efficiently.

What grantees are required to conduct Single Audits?

Grantees that receive money from the federal government (grants, cooperative agreements, etc.) and expend more than \$1 million of federal dollars in a single fiscal year are required to have Single Audits.

Can grant funds be used to pay for a Single Audit?

If a grantee must have a Single Audit, a reasonable share of the audit costs is an allowable charge to federal awards.

What are a Single Audit's objectives?

A Single Audit determines if the grantee receiving federal funds has completed the following activities:

- ▶ Established an accounting system with adequate internal controls that provide full accountability for revenues, expenditures, assets, and liabilities
- ▶ Prepared financial statements, presented fairly and following the Generally Accepted Accounting Principles (GAAP)
- ▶ Submitted financial reports, including Federal Financial Reports, cash reports, and claims, for advances and reimbursements that contain accurate and reliable financial data, following the terms of applicable agreements
- ▶ Expended federal funds following the terms of award agreements and federal law provisions or regulations that could have a material effect on the financial statements or an award's Single Audit

What is the process for a Single Audit?

The process includes examining financial records, financial statements, federal grant award transactions, internal control systems, and the overall management of the grantee's financial system.



How does a grantee select an auditor to conduct a Single Audit?

The general process for selecting an auditor is outlined below. The auditor cannot be the same person who prepares the indirect cost proposal or the cost allocation plan.

1. The grantee's governing body appoints an audit committee with members of the governing body and fiscal and administrative staff.
2. The committee develops the audit Statement of Work with clear objectives and a timeline to ensure the audit report is filed on time with the Federal Audit Clearinghouse (FAC).
3. The committee develops a Request for Proposal (RFP), following the auditor selection requirements outlined in 2 Code of Federal Regulations (CFR) Subpart F, including requesting a copy of the auditor's peer review report.
4. The committee evaluates the RFPs, creating a written report noting items such as:
 - a. Responsiveness to the RFP
 - b. Relevant experience
 - c. Availability of staff with professional qualifications and technical abilities
 - d. Results of external quality control reviews
 - e. References from other nonprofit clients
 - f. Comparison of costs
5. The RFP is sent to independent auditors and published in relevant media (websites, professional publications, newspapers, etc.).
6. The audit committee presents a written report to the organization's board of directors with a recommendation for the auditor selection.
7. The board of directors approves the auditor.
8. A contract is entered into with the auditor.

What are the steps in the Single Audit process?

1. Grantee preparation

The grantee prepares by completing the following tasks:

- a. Prepare financial statements.
- b. Prepare a schedule of expenditure of federal awards (sometimes called "SEFA").
- c. Provide the auditor access to staff, accounting records, supporting documentation, grant records, and all other information as requested.

2. Auditor performance

The auditor then completes the following tasks:

- a. Review the grantee's financial statements to see if the grantee reports the information following GAAP.



- b. Review the grantee's accounting processes and documents, including payroll, to see if it has adequate internal controls to ensure it's using federal funds appropriately.
- c. Look at specific federal awards to see if the grantee complies with the award's terms and conditions for the particular program(s).
- d. Follow up on findings in previous audits to see if the grantee took corrective actions and determine if and how that impacts the current audit.

3. Reporting

The requirements for what an auditor must report include problems with internal controls, compliance, and questioned costs. The auditor's report, which may be either combined or separate reports, must state that the audit was performed following best practices and include the following:

- a. An opinion, or disclaimer of opinion, on the financial statements
- b. An opinion, or disclaimer of opinion, about whether the SEFA is fairly stated in all material concerning the financial statements
- c. A report on internal control over financial reporting and compliance
- d. A report on compliance for each major program and internal controls over compliance
- e. A schedule of findings and questioned costs

4. Follow-Up

The grantee is responsible for follow-up and corrective action on all audit findings, including preparing a summary schedule of prior audit findings related to federal awards and a corrective action plan.

What is an audit corrective action plan?

When a grantee has an audit finding, it must develop a corrective action plan to respond to each finding. The corrective action plan must provide the name(s) of the contact person(s) responsible for the plan, the necessary actions, and the anticipated completion date. If the grantee does not agree with the findings, the grantee explains its specific reasons for disagreement in its corrective action plan.

What should grantees do with their Single Audit report?

Grantees have 30 days after receiving their Single Audit (or 9 months after the audit period ends) to complete a Form SF-SAC and send one complete reporting package to FAC. The instructions and forms are on [FAC's website](#).

