

Tips for working with first-time single audit clients

The U.S. has seen historic levels of federal funding in response to the COVID-19 pandemic. Various laws, including the CARES Act and the American Rescue Plan Act of 2021 have provided billions of dollars to American businesses, state and local governments and not-for-profits. While this funding has provided relief, especially for nonprofits, it may cause complications for many recipients.

Does your client need a single audit?

Much of the new pandemic funding is subject to single audit rules. Not all recipients of this funding will need a single audit. However, when a non-federal entity spends \$750,000 or more of federal awards in a fiscal year, a single audit is required.

Many recipients of pandemic funding have never had a single audit before and may not know what is required. Your existing clients may need a single audit for the first time or you may begin working with new clients who have never even had a financial statement audit before. Here are some tips for you to help your clients through the evolving single audit process.

Ask clients what funding they have received.

Talk to your clients about what type of funding they have received from the beginning of the pandemic in 2020 to the present. In some cases, you may consider helping them review their grant agreements to identify what is needed on their end, and then on your end as the auditor. Additionally, you could email clients with news related to the funding they've received or update your website with the most current information. The sooner your clients know about important and relevant information, the better prepared they are and the better audit you can perform – so it is a win-win.

Encourage your clients to be proactive and ask questions about funding they have received. For example, one controller contacted her CPA as soon as she knew her organization would receive funding. She knew this funding had stipulations but didn't know yet that a single audit would be required. Finding out early in the process was a huge benefit. But many organizations may be unaware of all the requirements in the funding they have received.

Communicate openly with your clients.

This is a time when having open lines of communication with your clients is especially important. Learning whether your clients have reviewed and truly understand the guidelines for the type of funding they received is key, as well as that they have procedures in place to comply.

Also, clients need to know – even if they are under the \$750,000 threshold – that administrative and other requirements of federal funding apply even if a single audit is not needed. For example, the funds may only be spent for certain purposes. This is an important concept for clients to understand.

Be aware of audit quality concerns.

Some first-time single audit clients may be concerned with audit costs because they are required to undergo an additional audit. While cost is always one consideration, in this situation, it is also important to focus on the experience of the firm to make sure they are getting the highest-quality audit possible.

Also, as auditors, you have a duty to the public to perform high-quality audits. Single audits have a significant public interest component as they involve taxpayer dollars and federal agencies rely on them as part of their administrative responsibilities for determining compliance with the requirements of federal awards. Because of this, audit quality should always be at the forefront of every auditor's mind.

Because of the complexity of single audits and the necessity of specialized knowledge of their rules and compliance requirements, you should consider whether you should accept a single audit engagement if you do not have experience performing them. Perhaps you could consider performing the financial statement audit, but other options for the single audit might be to refer your clients to someone else in your organization with the appropriate experience or to another firm that specializes in single audits. Alternatively, if you have some experience but not much, you could consider engaging another firm to perform a pre-issuance review or other types of consultative assistance to help ensure a high-quality audit. You can use the AICPA's [Peer Reviewer Search](#) tool to find an auditor to refer your clients to, or to look for consultative assistance. Additionally, the AICPA's Governmental Audit Quality Center (GAQC) has a listing of its member firms with contact information on its [Find A Member](#) page.

Make time for continuing education and pay attention to developments.

Firms should ensure auditors receive the required training for all specialization areas. For example, generally accepted government auditing standards (referred to as the Yellow Book) require auditors who perform single audits to maintain their competency through CPE hours and topics listed in the 2018 Yellow Book.

If you take on a single audit, there is single audit learning available through [\[insert name of state society\]](#) and the AICPA, among other sources, to help you gain the fundamental knowledge you need. Regarding the new COVID-19 funding, you may want to pay close attention to any training provided by federal agencies.

Additionally, you can access the [AICPA's GAQC](#) website, in particular its [COVID-19 Resource page](#), which outlines many resources. You may also want to contact other firms on their single audit and pandemic-related resources. It's useful to speak to your peers about what they're doing and learn from their experiences. Keeping on top of things is important.

Looking Ahead

The pandemic has drastically changed work in many industries, and the accounting profession is no different. The next few years will see many more single audits being performed by more public accounting firms across the country.

Keeping up with all these changes while continuously striving to be that trusted adviser for your clients is tough. In these times, in addition to all the other tips above, it is especially important to be mindful of staff [well-being](#). Organizations need to provide support to staff so they can remain engaged and avoid burnout. Focusing on well-being can enable staff to do their jobs better,

which allows them to better serve their clients and, ultimately, contributes to enhancing audit quality.

These are challenging times in the single audit arena for sure. But the tips above should help provide a pathway to success.