



**MEMORANDUM**

TO: Units requiring a Federal Single Audit  
FROM: Mike Bozyski, CPA, Deputy State Examiner  
RE: Cost of Federal Audits  
DATE: March 10, 2020

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If you are required to have an audit of your federal awards, the cost of our services as it relates to your Federal Single Audit will be increasing this year. This memo is intended to provide some general updates; the cost of your specific audit will be discussed with you at the beginning of the audit. A Federal Single Audit is required when federal awards of \$750,000 or more are spent during your fiscal year. Time spent auditing your financial statements will continue to be billed at the statutory daily rate for taxing units of \$175 in addition to fees for technology and processing costs (IC 5-11-4-3).

The cost of our services as it relates to auditing your federal programs shall be charged the actual direct and indirect allowable cost under 2 CFR 200.425 (IC 5-11-4-3). This rate is currently set at \$95 per hour or \$712.50 per day. Governmental units requiring a Federal Single Audit will see an increase in their audit bill due to this rate change. Again, the cost of your audit will be discussed with you at the beginning of the audit.

For taxing units, the cost of your audit will be billed to the county and withheld from your tax distribution. Non-taxing units will continue to be billed directly. You will receive a statement of engagement cost listing the federal programs audited and the cost of that audit. Audit costs are an allowable cost for many federal programs. You may be able to recover some or all of these costs from federal funds.

In order to determine if audit costs can be charged to a federal program and the procedures for doing so, you should contact the federal agency or pass-through entity for each federal award. This would be the entity that provides you with the federal award and would be the entity that you have an agreement with related to the award.

The federal programs we audit as major programs are determined using a risk-based approach as required by 2 CFR 200.518. Because of this, different programs could be audited as major programs each year. You should be proactive in obtaining information from the entity providing the federal award if you believe you want to use federal award funds to cover audit costs for any of your federal programs.

Some programs may require the audit costs to be included in the budget of direct costs for the grant, and other programs may require that audit costs be included in the determination of indirect cost rates.

Knowing this information in advance will allow you to properly use federal funds, when allowed, to cover audit costs when programs are selected to be audited as major. It will also allow you to plan accordingly for those programs that do not allow audit costs to be charged.

Please contact Mike Bozyski at 317-232-2507 should you have any questions.