



I. INTRODUCTION, PROGRAM OVERVIEW, AND SOURCE OF GOVERNING REQUIREMENTS

Introduction

The Shuttered Venue Operators Grant (SVOG) program was created in Section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (part of HR 133 Consolidated Appropriations Act, 2021) signed into law on December 27, 2020, including \$15 billion in grants to operators of eligible shuttered venues. On March 11, 2021, the American Rescue Plan Act of 2021 (Pub. L. No. 117-2, title V, sec. 5005) was enacted; it provided an additional \$1,249,500,000 in grants for eligible entities. Of this total grant funding, at least \$2 billion was reserved for applicants with up to 50 full-time employees.

Program Overview

The SVOG program provides awards to support the ongoing operations of eligible recipients who have experienced significant revenue losses because of the COVID-19 pandemic. Recipients may be non-federal entities (e.g., states, local governments, or nonprofit organizations) or for-profit entities. Eligible recipients include:

- Live performing arts organization operator
- Live venue operator or promoter
- Motion picture theater operator (including owners)
- Museum operator
- Talent representative
- Theatrical producer

During the application process, entities were required to select one applicant type when applying in order to account for applicant-type specific criteria. However, all applicants were expected to clearly present the financial and operational impact of the COVID-19 pandemic to confirm their eligibility for an award and establish their funding need. The maximum award amount (cumulative across all award decision types) is \$10 million. For affiliates, the maximum award is \$10 million per entity (no more than five entities per affiliate group for a cumulative total of \$50 million). Museum operator affiliate groups are unique in that in that there is a \$10 million cumulative award cap across all affiliated entities.

The SVOG program implemented four award decisioning processes, each with a separate notification. Through SVOG, a single entity could have received up to four different SBA Form 1222s or Notice of Award (NOA) documents. Each NOA issued supersedes any previous NOAs and serves as the principal award document. The NOA documents have version numbers 1–4

corresponding to the award decision made. The four award decision processes (in sequential order) include:

1. Initial Award – Award decision made based on initial application package (NOA Document #1). Recipients receiving an initial award were given a 12-month grant term (Budget Period – NOA Box 5) to spend award funds. Any applicant that was denied an initial award was given the opportunity to appeal their eligibility, if the decline decision was overturned, then the entity was given an initial award (NOA Document Version #1).
2. Reconsideration – Recipients meeting specific criteria were given the opportunity to request a second review of their initial award amount. If SBA adjusted the award amount, then the SBA issued a new NOA (NOA Document #2). If a grantee received a reconsideration award, the grant term remained 12 months.
3. Supplemental – Recipients meeting specific criteria were eligible to receive supplemental funding support awards. Recipients receiving a supplemental award were given an 18-month grant term commencing from the date of initial award issuance and received an updated NOA (NOA Document Version #3). SBA is allowing grantees that receive a supplemental award to spend all funds, both initial and supplemental phase awards, across the 18-month grant term. SBA also issued zero-dollar supplemental awards to permit qualifying entities to extend their grant term by six months. In addition to the 18-month grant term, the issuance of a supplemental grant award also provides grantees with a six-month expenditure period extension, specifically extending the end date to incur eligible expenses from December 31, 2021, to June 30, 2022.
4. Reconsideration 2.0 – SBA opened a final award decision invitation to all grantees to request a final review of their funding need and eligibility for additional award funds. If a reconsideration 2.0 award is issued a new NOA is created (NOA Document Version #4).

The SVOG initially commenced with a multiple disbursement process, but quickly changed to a single disbursement of funds. Therefore, entities receiving funding from multiple award decisions were issued a single disbursement of funds in line with each award decision.

Some entities who received SVOG awards may have also received Paycheck Protection Program (PPP) loans. The American Rescue Plan Act of 2021 modified and amended the PPP program. Prior to the amendments of the American Rescue Plan Act of 2021, entities that received SVOG awards were ineligible to apply and receive PPP loans. After the amendments of the American Rescue Plan Act of 2021, the SVOG program deducted all PPP loans issued a loan number on or after December 27, 2020, regardless of repayment or non-use of those PPP funds. See the October 20, 2021, SVOG FAQ, #102 for more information.

Source of Governing Requirements

The SVOG program was created by Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act, part of HR 133 Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260 Title III, Sec. 324) signed into law on December 27, 2020. This Act provided the initial funding and program eligibility qualifications utilized to establish the award decisioning process and build program

parameters. On March 11, 2021, the American Rescue Plan Act of 2021 (Pub. L. No. 117-2, Title V, Sec. 5005) provided additional program funding and clarifications on program design and implementation. All grantees receiving awards from the SVOG program are expected to utilize funding consistent with the terms and conditions of the program and 2 CFR Part 200.

Availability of Other Program Information

The following SBA.gov web pages provide additional information about the SVOG program:

Shuttered Venue Operators Grant Website

<https://www.sba.gov/funding-programs/loans/covid-19-relief-options/shuttered-venue-operators-grant>

Shuttered Venue Operators Grant Portal

<https://www.svograntportal.sba.gov/s/>

A number of documents posted on the SBA SVOG website contain information pertinent to program including:

Post-application guidance (February 16, 2022) – <https://www.sba.gov/document/support-post-application-guidance-svog-applicants>

Post-award Frequently Asked Questions (February 16, 2022) – <https://www.sba.gov/document/support-svog-post-award-frequently-asked-questions>

Frequently Asked Questions regarding SVOG (October 10, 2021) – <https://www.sba.gov/document/support-faq-regarding-shuttered-venue-operators-grant-svog>

If there are specific questions regarding the SVOG program, questions may be sent via e-mail to SVOGrant@sba.gov.

II. AUDIT REQUIREMENTS

The SVOG audit requirements for non-federal entities and for-profit entities differ. Non-federal entities are subject to the audit requirements in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards* (hereinafter referred to as Uniform Guidance or 2 CFR Part 200) and auditors will use the Office of Management and Budget (OMB) *Compliance Supplement*, including the SVOG program section to perform the audit. However, the SBA has established different for-profit entity audit requirements that are further described below.

Audit Threshold

Typically, the audit threshold for a single or program-specific audit of federal awards is based on expenditures. Because the for-profit entities are not required to adhere to the audit requirements in 2 CFR Part 200, the federal awarding agency (e.g., SBA) has the flexibility to define specific audit requirements and threshold specific to the SVOG program. Therefore, the SBA has defined

the audit threshold for a for-profit entity that has received a SVOG award based on the GAAP principle of revenue recognition, specifically applied to recognition of an SVOG award. If a for-profit entity receives an SVOG award and recognized revenue in the amount (or combined amount if initial and supplemental awards were received in the same fiscal year) of \$750,000 or more during the entity's fiscal year, the entity will select from one of the four audit options.

For recipients that use the accrual basis of accounting, revenue is generally recognized based on allowable expenditures that were incurred.

For recipients that use the cash basis of accounting, revenue is recognized when the SVOG award is received in cash. However, the SVOG audit threshold calculation for an entity is limited (capped) by the amount of allowable cash expenditures actually incurred during a fiscal year in or after the award was made.

The basis of accounting that is utilized by recipients would be dependent on the ordinary business practices of the entity. The recipient should contact their Grants Management Specialist for additional clarification on how this guidance applies to their SVOG award and accounting practices.

Options for Meeting the SBA For-Profit Audit Requirement

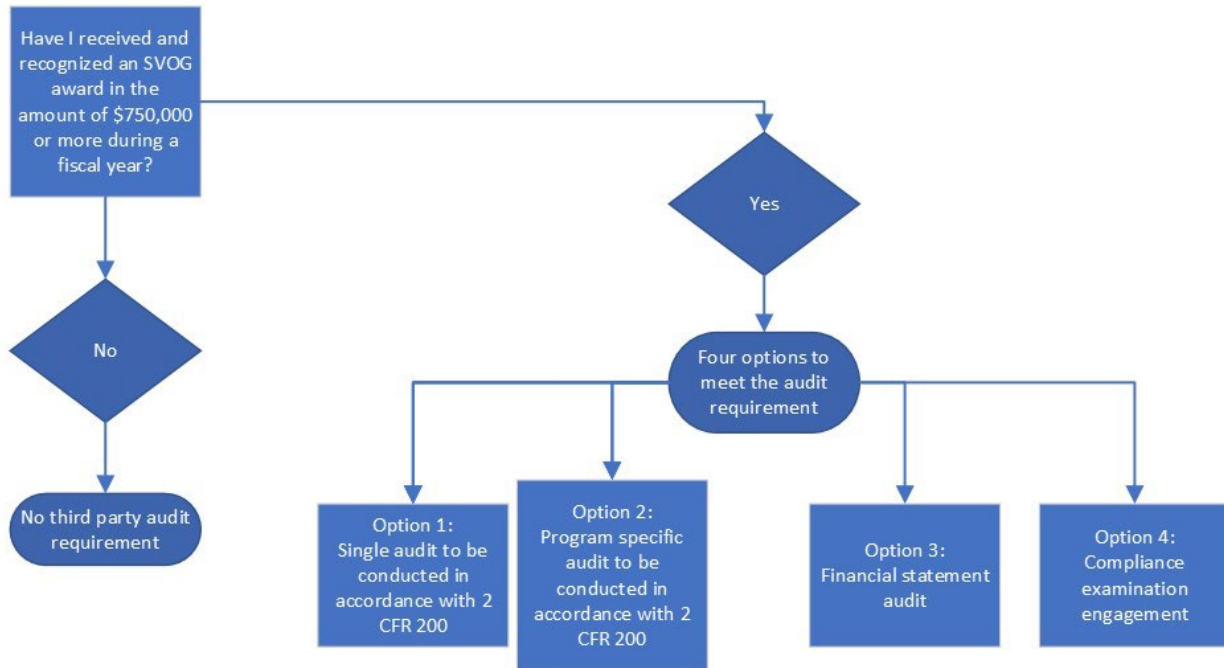
If the audit threshold is met, for-profit entities can utilize one of the following options to meet the SBA audit requirements:

- A single audit conducted in accordance with 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*;
- A program-specific audit conducted in accordance with 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*;
- An audit of the entity's financial statements; or
- A compliance examination engagement.

For-profit entities should decide which option is best for their circumstances. Some for-profit entities receiving SVOG funding do not typically prepare financial statements, so one of the other options may be a better alternative. For the for-profit entities that prepare financial statements, the less burdensome option may be the financial statement audit option.

Professional judgment should be used by for-profit entities to determine the most appropriate option based on individual facts and circumstances. For-profit entities may wish to consult with their financial professionals to learn more about the various options as part of their decision-making process.

For-Profit Entity Options Graphic



Audit Submission Requirements

For-profit entities that select the single audit or the program-specific audit option must submit all required reporting under the Uniform Guidance. For-profit entities that select the financial statement audit option must provide a copy of the financial statements and the related audit opinion on the financial statements. For-profit entities that select the compliance examination engagement must submit the compliance examination opinion, the schedule of findings and responses (if applicable), and a corrective action plan (if applicable) to the SBA. The SBA will utilize an Audit Reporting Action Item to collect audit report packages from for-profit entities regardless of which audit option is selected. For-profit entities must submit their audit report packages by the later of nine (9) months after the release of the SVOG For-Profit Guidance Document or nine (9) months after the end of the entity's fiscal year.

III. SINGLE AUDIT/PROGRAM-SPECIFIC AUDIT OPTION

In a single audit, the entity would be required to undergo an audit of a complete set of financial statements of the entity, as well as a compliance audit, under both GAAS and *Government Auditing Standards*. A single audit also requires the auditor to provide an in-relation-to opinion on a schedule of SVOG funding, and an opinion on compliance. Further, the auditor is required to perform required testing of and report on internal control over compliance. In a program-specific audit, the entity would be required to undergo an audit of a schedule of SVOG funding in which the auditor provides a full opinion on the schedule under AU-C 805, *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*. Additionally, an opinion on compliance would be issued and there would also be required testing of and reporting on internal control over compliance.

IV. FINANCIAL STATEMENT AUDIT OPTION

For-profit entities that select the financial statement audit option must submit a copy of their audited financial statements for the fiscal year, along with the auditor's opinion on the financial statements performed under generally accepted auditing standards issued by the American Institute of Public Accountants (GAAS).

V. COMPLIANCE EXAMINATION ENGAGEMENT OPTION

For-profit entities selecting the compliance examination engagement option should engage a practitioner to perform a compliance examination engagement in accordance with the Government Accountability Office (GAO) [*Government Auditing Standards*](#). The GAO *Government Auditing Standards* direct practitioners to conduct these engagements in accordance with the [*American Institute of Certified Public Accountants \(AICPA\) Statements on Standards for Attestation Engagements \(SSAEs\)*](#). The AICPA attestation standards are codified in the AT-C section of the AICPA's *Professional Standards* and [*AT-C section 315, Compliance Attestation*](#) and is the standard to be followed. This engagement, which results in an opinion on compliance, is to be directed at the compliance requirements described below in section Compliance Requirements.

This compliance examination engagement option is intended to reduce the burden of a full Single Audit or Program-Specific Audit on eligible recipients and practitioners, as well as uphold SBA's responsibility to be good stewards of federal funds. This balance of burden reduction and SBA responsibility to be good stewards is achieved in several ways as follows:

- A financial statement audit is not required.
- A compliance examination engagement simplifies the engagement for both recipients and practitioners.
- A schedule of expenditures of federal awards is not required as the practitioner opines directly on compliance for a single program.
- The requirements for internal control in 2 CFR 200, subpart F, section 200.514(c), are not relevant to the engagement, although AT-C 315, paragraph .15, still requires the practitioner to obtain an understanding of relevant portions of internal control over compliance sufficient to plan the engagement and to assess control risk for compliance with specified requirements.
- The engagement still involves testing of the three compliance requirements described below and results in a related examination opinion which is similar to the compliance opinion provided under 2 CFR Part 200, subpart F.
- The engagement reporting is simplified as compared to 2 CFR 200, subpart F. One compliance examination opinion is issued (versus up to 3 reports for a Single Audit or Program-Specific Audit) and the reporting allows for reporting findings that are noted in a similar manner to how they are reported under 2 CFR 200, subpart F.

Please refer to Appendix 1 for additional information on preconditions, requirements, and suggested procedures for the compliance engagement option.

APPENDIX 1: COMPLIANCE EXAMINATION PRECONDITIONS, REQUIREMENTS, AND SUGGESTED PROCEDURES

Preconditions for the Compliance Examination Engagement

Consistent with, and in addition to, the preconditions for an attestation engagement outlined in the AICPA's attestation standards in AT-C 105, [*Concepts Common to All Attestation Engagements*](#), and AT-C 205, [*Examination Engagements*](#), and [*AT-C 315*](#), as a precondition to this compliance examination engagement, the practitioner should determine that:

1. Management accepts responsibility for the entity's compliance with the compliance requirements below and the entity's internal control over compliance; and
2. Management evaluates the entity's compliance with the compliance requirements below.

Compliance Requirements Relevant to the Compliance Examination Engagement

The requirements noted below are subject to the compliance examination engagement.

- A. Activities allowed or unallowed
- B. Allowable costs and cost principles
- H. Period of performance

A. Activities Allowed or Unallowed

Compliance Requirements

Activities Allowed: See Pub. L. 116-260 Title III, Sec. 324 (d)(2)(B)(i-viii) and SVOG Post-Award Frequently Asked Questions (Post-Award FAQs)

Grantees are generally encouraged to use funds to reimburse or pay for ordinary and necessary business expenses to reopen or keep open a business that was shuttered during the COVID-19 pandemic (specific allowable uses listed below). As previously described, grantees affirm allowable use by submitting budgets to SBA showing distribution of award funds across the eight allowable budget categories. After the SBA completes the four award decisions outlined above, all grantees are required to submit a finalized budget to SBA through the SVOG Portal, which will outline the intended use of funds for the award and establish the budget basis for monitoring and closeout review. The request for a finalized budget response is expected to be issued to grantees on a rolling basis beginning in February 2022.

SVOG award funds may be used for any of the following:

- a. Payroll costs;
- b. Payments on any covered rent obligation;
- c. Any covered utility payment;
- d. Scheduled payments of interest or principal on any covered mortgage obligation (which

shall not include any prepayment of principal on a covered mortgage obligation);

- e. Scheduled payments of interest or principal on any indebtedness or debt instrument (which shall not include any prepayment of principal) incurred in the ordinary course of business that is a liability of the eligible person or entity and was incurred prior to February 15, 2020;
- f. Covered worker protection expenditures;
- g. Payments made to independent contractors, as reported on Form-1099 MISC¹, not to exceed a total of \$100,000 in annual compensation for any individual employee of an independent contractor; and
- h. Other ordinary and necessary business expenses, including—
 - i. Maintenance expenses;
 - ii. Administrative costs, including fees and licensing costs;
 - iii. State and local taxes and fees;
 - iv. Operating leases in effect as of February 15, 2020;
 - v. Payments required for insurance on any insurance policy; and
 - vi. Advertising, production transportation, and capital expenditures related to producing a theatrical or live performing arts production, concert, exhibition, or comedy show, except that grant funds may not be used primarily for such expenditures.

Note: Practitioners are not required to test the limitations on payments made to independent contractors or the sum of total costs charged to advertising, production transportation, and capital expenditures described in items 7 and 8i. This information is provided solely for informational purposes.

Entities that received SVOG awards may have also received funding from other Federal sources, for example, PPP loans, the Economic Injury Disaster Loan (EIDL), or the Employee Retention Credit (ERC). SVOG awards should only reimburse costs that have not already been reimbursed (or received a credit) by other funding sources. When an entity takes into account only a portion of an employee’s salary as “qualified wages” for the purpose of the ERC or other federal funding, entities may use SVOG funds to pay only the remaining portion of the employee’s salary. Additional clarification on allowable use of funds are provided in the SVOG Frequently Asked Questions (FAQs) at <https://www.sba.gov/document/support-faq-regarding-shuttered-venue-operators-grant->

¹ Note: The language is taken directly from Pub. L. 116-260 Title III, Sec. 324 (d)(2)(B)(i-viii). However, note that beginning Tax Year 2020, business taxpayers must report nonemployee compensation on the new Form 1099-NEC instead of on Form 1099-MISC.

[svog](https://www.sba.gov/document/support-svog-post-award-frequently-asked-questions) and the Post-Award FAQs at <https://www.sba.gov/document/support-svog-post-award-frequently-asked-questions>.

Activities Unallowed: See P.L. 116-260, Title III, sec. 324 (d)(3)(A-E) and SVOG Post-Award Frequently Asked Questions (Post-Award FAQs)

SVOG award funds may **not** be used for any of the following:

- a. To purchase real estate;
- b. For payments of interest or principal on loans originating after February 15, 2020;
- c. To invest or re-lend funds;
- d. For contributions or expenditures to, or on behalf of, any political party, party committee, or candidate for elective office;
- e. For pre-payment of principal on any mortgage obligation, indebtedness, or debt instrument origination on or before February 15, 2020; or
- f. To purchase or pay loans for items of prurient sexual nature.

Examination Objective: Determine whether the recipients used SVOG funds for allowable activities.

Suggested Examination Procedures

1. Obtain an understanding of the design of relevant portions of internal control over compliance regarding Activities Allowed or Unallowed by performing some or all of the following:
 - a. Inquiries of appropriate management, supervisory, and staff personnel
 - b. Inspection of the entity's relevant documents
 - c. Observation of the entity's activities and operations
2. Review a sample of SVOG expenditures to determine if recipients used SVOG funds for allowable activities.

B. Allowable Cost/Cost Principles

Compliance Requirements

SVOG was structured as a grant program and therefore all recipients must implement their awards and spend funds consistent with the *Code of Federal Regulations*, Title 2, Subtitle A, Chapter II, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. However, when the program statute allows the use of SVOG award funds for a

specific use beyond the scope of uses outlined in the Uniform Guidance, that use is allowed. Please refer to the SVOG Post-Award FAQs for examples.

The purchase of alcohol is generally prohibited with 2 CFR section 200.423. However, the SVOG program provides for Federal award funds to be utilized for the purchase of alcohol in certain circumstances as outlined in the SVOG FAQs, No. 173. When considering the allowability of alcohol purchases with SVOG award funds, please review and adhere to the guidance on assessing “an ordinary and necessary business” expense as described in the FAQs and defined by the IRS in Publication No. 535.

The authorizing Statute permits reimbursement of eligible and allowable costs dating back to March 1, 2020, which for some entities could be a period of one year or more prior to issuance of an initial SVOG award. Box 1 of the SVOG NOA document recognizes the authorizing Statute and the authorizing Statute serves as SBA’s basis for approving pre-award costs consistent with 2 CFR 200.458. For eligible and allowable costs incurred between March 1, 2020, and the date before the initial SVOG grant award is issued, the SBA will not require strict compliance with procedural mandates, such as procurement standards or prior approval restrictions, imposed under 2 CFR Part 200.

Although generally, expenses charged to the SVOG program should be direct costs, in some instances, indirect costs *may* be allowable. The SVOG program permits charging indirect costs to their SVOG award using a ten percent (10%) de minimis rate.

Examination Objective

1. Determine whether the recipients used SVOG funds for allowable costs.
2. If applicable, for indirect costs, determine whether the de minimis rate is applied to the appropriate base amount.

Suggested Examination Procedures

1. Obtain an understanding of the design of relevant portions of internal control over compliance regarding Allowable Cost/Cost Principles by performing some or all of the following:
 - a. Inquiries of appropriate management, supervisory, and staff personnel.
 - b. Inspection of the entity's relevant documents.
 - c. Observation of the entity's activities and operations.
2. Test a sample of SVOG expenditures to determine costs were allowable under the Uniform Guidance, as modified by the SVOG FAQs and SVOG Post-Award FAQs.
3. For indirect costs, test a sample of SVOG expenditures to determine:

- a. Select a sample of claims for reimbursement of indirect costs and verify that the de minimis rate was used consistently, the rate was applied to the appropriate base, and the amounts claimed were the product of applying the rate to a modified total direct costs base.
- b. Verify that the costs included in the base are consistent with the costs that were included in the base year, i.e., verify that current year modified total direct costs do not include costs items that were treated as indirect costs in the base year.

H. Period of Performance

Compliance Requirements

Initial Phase Awards

Recipients that receive an initial SVOG award were able to spend award funds over a 12-month period (defined in NOA Box 5 as the *Budget Period*) after the award issuance date (defined in the most recent NOA Box 4 as the *Project Period*) for eligible and allowable costs incurred between March 1, 2020, and December 31, 2021 (*Eligible Cost Period*).

Supplemental Phase Awards

Recipients that receive a supplemental award will be able to spend all award funds (both initial and supplemental phase awards) received over an 18-month period (defined in most recent NOA Box 5 as the *Budget Period*) after the initial phase award issuance date (defined in the most recent NOA Box 4 as the *Project Period*) for eligible and allowable costs incurred between March 1, 2020, and June 30, 2022 (*Eligible Cost Period*).

Reconsideration awards made through the SVOG program do not impact the award expenditure or spend down dates, these dates are only determined by the issuance of an initial or supplemental award.

Unless the SBA authorizes an extension, an entity must liquidate all financial obligations incurred under the federal award not later than 120 calendar days after the end date of the period of performance (*Eligible Cost Period*) as specified in the terms and conditions of the federal award (2 CFR section 200.344(b)). When used in connection with an entity's utilization of funds under a federal award, "financial obligations" means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the entity during the same or a future period (2 CFR section 200.1).

Examination Objective

1. Determine whether the federal award was only charged for costs incurred during the period of performance.
2. Determine whether financial obligations were liquidated within the required time period.

Suggested Examination Procedures

1. Obtain an understanding of the design of relevant portions of internal control over compliance regarding Period of Performance by performing some or all of the following:
 - a. Inquiries of appropriate management, supervisory, and staff personnel
 - b. Inspection of the entity's relevant documents
 - c. Observation of the entity's activities and operations
2. Test a sample of SVOG expenditures during the period of performance and verify that costs were incurred during the period of performance.
3. Test a sample of SVOG expenditures for which the obligation had not been liquidated (payment made) as of the end of the period of performance and verify that the liquidation occurred within the allowed time period.

Compliance Examination Engagement Reports

The practitioner issues the following reporting in the compliance examination engagement:

1. Practitioner's Examination Report prepared in accordance with [AT-C 315](#) and [Government Auditing Standards](#).
2. Schedule of Findings and Responses (if applicable) that includes findings required to be reported under *Government Auditing Standards* and the related finding elements required by those standards.