



Are you prepared for an audit? - by Phillip Ross

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The Paycheck Protection Program (PPP), initiated during the pandemic's height, has been a critical support mechanism for many businesses, notably within the architecture, engineering, and construction (A/E/C) services sector. Having successfully navigated the complex process of loan forgiveness by the Small Business Association (SBA), companies within this sector might understandably feel a sense of relief and conclusion. However, the sense of finality may be premature as the SBA holds the authority to audit the documentation related to these loans up to a decade post-forgiveness, instating a prolonged period of accountability for businesses.

The legal changes, encompassing both the PPP and Bank Fraud Enforcement Harmonization Act of 2022 and the COVID-19 Economic Injury Disaster Loan (EIDL) Fraud Statute of Limitations Act of 2022, underscore the federal government's intensified efforts to combat pandemic relief fraud and recover funds from fraudulent activities. According to the Pandemic Response Accountability Committee (PRAC), the SBA Office of Inspector General is actively conducting over 650 investigations into PPP and EIDL loan fraud, resulting in more than 700 indictments related to fraud, with losses totaling over \$1.2 billion.

This evolving legal landscape necessitates a proactive approach to compliance and documentation for A/E/C businesses. Understanding the scope of permissible PPP loan uses, accurately tracking and reporting expenditures, and preparing for the possibility of SBA audits, are critical steps in ensuring long-term compliance. As the oversight community aggressively pursues fraud within pandemic relief efforts, A/E/C firms must navigate this extended scrutiny with caution and diligence, ensuring their operations and financial reporting withstand potential federal audits. The enactment of these laws demonstrates an increased dedication to ensuring accountability in pandemic relief initiatives, highlighting the critical need for honesty and precision in administering PPP loans.

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