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PPP Audits: What You Need to Know

If you received a PPP loan, you might be audited or reviewed by the SBA. Since the first round of funding was depleted so quickly, and many large businesses were approved for loans they didn't need, the SBA is stepping up efforts to make sure every loan is going to the right business, for the right amount, for the right purpose.

The audit will be an independent review to verify the business's eligibility and ensure the proper guidance is being followed. Audits help ensure that public funds are being used appropriately.

Who will get audited?

Any business that receives a PPP loan may be audited. As part of the loan conditions, you allowed the lender to share tax information with the SBA for loan compliance and SBA loan reviews. On April 28, Treasury Secretary Steven Mnuchin stated that **any business receiving more than \$2 million in PPP loans would be fully audited**, and spot checks would be made for smaller loans.

What are some things that the SBA may verify?

The auditing process will likely be overseen by the SBA's [Office of Inspector General](#) (OIG), an independent and objective oversight office. The OIG will want to ensure that the certifications you made when applying for the PPP were accurate and made in good faith.

In the forgiveness process, the auditor will attempt to confirm that the claimed expenses were indeed made, by examining your payroll records and expense documentation.

In short, the auditor will be looking for proof that your application was accurate and truthful. Your business/PPP loan could be audited at any point of the loan process: during the application, after getting approved, while applying for forgiveness, or after the loan is fully paid off or forgiven.

There are three areas the SBA will be focusing on:

1. Borrower eligibility: was the borrower actually eligible for the PPP loan based on the rules and guidance available at the time of application?
2. Loan amount and loan use: did the borrower receive the correct amount they were eligible for, and did the borrower use the loan funds for allowed expenses?
3. Loan forgiveness: is the borrower eligible for forgiveness on the claimed amount?

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How do I make sure I'm calculating my PPP loan amount correctly?

To calculate your PPP loan amount properly, we recommend reading our guide on [How to Calculate Your PPP Loan Amount](#), then running your numbers through our [PPP Loan Calculator](#).

There are three PPP rules to be mindful of when calculating your loan amount:

- Independent contractor payments can't be included in your payroll costs
- Owner draws can't be included in payroll costs
- Individual compensation has to be capped at \$100,000 per employee

The most common PPP mistakes tend to involve forgetting one of those three rules.

Your lender should be verifying your claimed amount based on the documentation you provide, but the Treasury has indicated that the borrower (that's you) will mainly bear the consequences for inaccurate information, especially if it was provided intentionally.

How do I make sure that I'm using my PPP funds correctly?

As long as you're spending the PPP funds on payroll, employee benefits, utilities, rent, and mortgage interest, you should be fine.

And if you want the funds to be forgiven, at least 60% of the funds must be spent on payroll and employee benefits, and the remaining 40% on utilities, rent, and mortgage interest.

If you spend the funds on anything other than the defined categories, you could be subject to additional liability or even charges of fraud.

How long should I keep my documents?

You must retain your supporting documents for six years after the loan is fully forgiven or fully repaid. Take into consideration where you'll think your business will be in 2026 or 2027! Digital backup copies of important files are a good idea.

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I'm being audited. What should I do?

If the SBA decides to begin a review on your PPP loan, they will inform your lender in writing. The lender must then notify you in writing within five business days.

The SBA may ask the lender to contact you for further details or documentation, or they may contact you directly. While an audit can certainly be stressful, your auditor will work with you throughout the process. Staying in active communication will make the process go smoothly.

You don't have to do it alone, either. Your bookkeeper, CPA, accountant, or lawyer can help you find or prepare the documents you are asked for. While your loan is under review by the SBA, your lender will not be able to approve any forgiveness application during that time.

What could happen as the result of an audit?

- The SBA may determine that you were:
- ineligible for the PPP loan
- ineligible for the loan amount received
- ineligible for the loan forgiveness amount claimed

If the SBA determines you are ineligible for the loan amount or for the forgiveness amount, your forgiveness application may be partially or entirely denied. The SBA may request you repay the outstanding loan balance, but as long as the business was indeed eligible to receive the PPP, the SBA is not allowed to hold you or your partners personally liable for the loan.

The SBA may work with other partners, such as the IRS, FBI and Justice Department. In serious cases, charges of bank fraud and wire fraud have been laid.

You may choose to appeal the SBA's determination. The SBA will release further guidance on this process.

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