

# Snapshot

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## Provider Relief Funds subject to compliance audit

Due to the influx of federal financial assistance under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other new sources of federal awards, many entities are or will be recipients of new federal awards, some of which are still being evaluated to determine whether they will be subject to a single audit. Recently, the U.S. Department of Health and Human Services (HHS) decided that funds expended under the new Provider Relief Fund (PRF) program, which is the second largest new federal program established by the Coronavirus Preparedness and Response Supplemental Appropriations Act, will be subject to a single audit or a financial-related audit.

HHS has provided funding under the PRF program to thousands of hospitals and other healthcare providers, including both non-federal entities (states, local governments, and not-for-profits) as well as for-profit entities. The following table summarizes the recently announced HHS requirements.

This is an evolving area where further guidance is expected.

Entity type	Impact of having PRF expenditures
Non-federal entities (states, local governments, or not-for-profits) that have expended \$750,000 or more of federal awards, including PRF funds, during their fiscal year	Entity is subject to a single audit under Title 2 <i>U.S. Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance).
For-profit entities that have expended \$750,000 or more of PRF funds (or multiple HHS awards) during their fiscal year	Entity is subject to either (1) a financial-related audit of a particular award or multiple HHS awards in accordance with <i>Government Auditing Standards</i> (GAGAS or Yellow Book) or (2) a full single audit that meets the requirements contained in Subpart F of the Uniform Guidance.
For-profit entities that have expended \$750,000 or more of federal awards, including PRF funds, from multiple federal agencies during their fiscal year	Entity is subject to a full single audit that meets the requirements contained in Subpart F of the Uniform Guidance.

It is likely that many recipients of funding through the PRF program have not been subject to a single audit or a financial-related audit in the past. Some initial considerations for non-federal entities and for-profit entities are discussed below.

## **Initial considerations and impact of Compliance Supplement delays**

The Office of Management and Budget's (OMB's) *2020 Compliance Supplement – 2 CFR Part 200, Appendix XI* (2020 Compliance Supplement), which applies to audits for years beginning after June 30, 2019, is being issued in two parts. The [first part](#) of the *2020 Compliance Supplement* was released on August 18 and reflects content that was developed for issuance before COVID-19; the second part will be issued as an addendum to address federal awards issued in response to COVID-19. The exact timing of the addendum's release is unknown, although the OMB has indicated that it will be issued in the fall of 2020. Grant Thornton is advising entities with year-ends prior to June 30, 2020 that are still subject to the 2019 Compliance Supplement to wait for the addendum's release before issuing their schedule of federal awards (SEFA) or financial-related schedule (and potentially the related financial statements), since they may have received federal awards under the CARES Act or under other new sources of federal awards with unknown compliance requirements that are expected to be covered in the addendum.

As a result of the delay in this year's Compliance Supplement due to the influx of new COVID-19-related federal awards, compliance requirements for the PRF program are currently unknown. However, entities can take initial steps to prepare by

- Determining whether they will be subject to audit and contacting their auditor to discuss a potential expanded scope of services.
- Contacting legal counsel for additional guidance on their responsibilities.
- Establishing processes and controls over the funds as well as retaining appropriate documentation.

The firm will continue to monitor the situation and provide more guidance as it becomes available. The firm currently serves many clients in the CARES Act and Federal Emergency Management Agency (FEMA) funding areas, and our Public Sector practice works with the federal agencies that administer these funds.

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