
Q&A Section 9160

Other Reporting Issues

.36 Reporting on the Provider Relief Fund in the Schedule of Expenditures of Federal Awards in Relation to the Financial Statements in a Single Audit

Background on the Provider Relief Fund

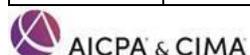
The Provider Relief Fund (PRF) is a federal program established by the Coronavirus Aid, Relief, and Economic Security Act (also known as the CARES Act) that provides relief funds to eligible providers of health care services and support for health care-related expenses or lost revenues attributable to coronavirus. The U.S. Department of Health and Human Services (HHS) is administering this \$178 billion program and has provided this funding to hospitals and other health care providers, which include governmental, not-for-profit, and for-profit entities. PRF distributions have been disbursed in various phases beginning in April 2020 and include both general and targeted distributions. PRF recipients may use payments for eligible expenses and lost revenues attributable to coronavirus. The program is subject to single audit requirements, including the provision in the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 2 CFR 200.514, which requires the auditor to determine and report on whether the Schedule of Expenditures of Federal Awards (SEFA), presented as supplementary information (SI), is fairly stated in all material respects, in relation to the financial statements as a whole.

Unlike other federal programs subject to single audit where the amounts to be reported on the SEFA generally represent expenditures incurred during an entity's fiscal year, HHS linked the amounts to be reported on a recipient's SEFA to expenditures and lost revenue required to be calculated and reported to HHS in the HHS Reporting Portal. This HHS decision was originally set forth in the Office of Management and Budget (OMB) 2020 *Compliance Supplement Addendum*.

However, the HHS Reporting Portal was significantly delayed and eventually opened for submissions in July 2021. When the HHS Reporting Portal opened, HHS rolled out a unique reporting timeframe for recipients based on the date of receipt of PRF funds rather than the period to which the funds were expended. The following table illustrates the HHS Portal Reporting requirements:

Table 1 – HHS Reporting Portal Requirements

Reporting Portal Period	Payment Received Period (Payments Exceeding \$10,000 in Aggregate Received)	Period of Availability	Deadline to Use Funds	PRF Portal Reporting Time Period
Period 1	April 10, 2020 to June 30, 2020	January 1, 2020 to June 30, 2021	June 30, 2021	July 1, 2021 to September 30, 2021
Period 2	July 1, 2020 to December 31, 2020	January 1, 2020 to December 31, 2021	December 31, 2021	January 1, 2022 to March 31, 2022



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Period 3	January 1, 2021 to June 30, 2021	January 1, 2020 to June 30, 2022	June 30, 2022	July 1, 2022 to September 30, 2022
Period 4	July 1, 2021 to December 31, 2021	January 1, 2020 to December 31, 2022	December 31, 2022	January 1, 2023 to March 31, 2023

As a result of delays in opening the HHS Reporting Portal, HHS indicated in the OMB 2021 *Compliance Supplement* that entities with years ending prior to June 30, 2021, would not include PRF on the related SEFA. HHS also provided the following table in the OMB 2021 *Compliance Supplement* to describe the SEFA reporting requirements for fiscal years ending on or after June 30, 2021.

Table 2 – HHS SEFA Reporting Requirements

<i>Year end</i>	<i>What is included on the SEFA?</i>
Before 6/30/2021	No PRF
6/30/2021 through 12/30/2021	Total expenditures and lost revenues from the <u>Period 1</u> report submission to the PRF Reporting Portal
12/31/21 through 6/29/22	Total expenditures and lost revenues from <i>BOTH</i> <u>Period 1</u> and <u>Period 2</u> report submissions to the PRF Reporting Portal
6/30/22 or after	SEFA reporting guidance related to Period 3 and Period 4 to be provided at a later date in the 2022 <i>Compliance Supplement</i>

The following scenario illustrates the resulting SEFA presentation using the tables above:

- A PRF recipient with a June 30, 2021 fiscal year-end has received \$3,000,000 in total PRF funding since April 2020.
- This funding was received as follows:
 - \$2,000,000 in April 2020 (Period 1); and
 - \$1,000,000 in July 2020 (Period 2).

Assume that the entity had incurred \$3,000,000 in expenditures and lost revenue by June 30, 2021, which includes some expenditures and lost revenue from the prior period (for example, from the fiscal year ending June 30, 2020) and some expenditures and lost revenue from the current period (e.g., fiscal year ending June 30, 2021). In accordance with the tables above, the recipient would report \$2,000,000 in expenditures and lost revenue on the June 30, 2021, SEFA, which includes expenditures and lost revenue from the prior period (for example, from the fiscal year ending June 30, 2020). Although not stated in the table above, it is expected that the \$1,000,000 in expenditures and lost revenue will then be reported on the June 30, 2022, SEFA (which will also include prior period amounts (for example, from the fiscal year ending June 30, 2021).

- Therefore, both the June 30, 2021 and the June 30, 2022 SEFAs will include expenditures and lost revenues from the prior period (for example, from the fiscal years ended June 30, 2020 and June 30, 2021, respectively).

The amount of prior period expenditures and lost revenues versus current year expenditures and lost revenues to be included on a PRF recipient's SEFA will be dependent on the facts and circumstances of each situation.

The issuance of the above HHS reporting guidance has led to questions about how an auditor can meet the single audit requirement to report on the SEFA in relation to the audited financial statements (an in-relation-to opinion), in accordance with AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*, when expenditures and lost revenues included on the SEFA do not relate to the same period as the financial statements (that is, they are out-of-period amounts).

Inquiry — Paragraph .05 of AU-C section 725 requires that the supplementary information relate to the same period as the financial statements for the auditor to issue an in-relation-to opinion on the supplementary information. Can an auditor report on a SEFA with PRF funding in relation to the audited financial statements when some of the amounts relate to an entity's prior fiscal year?

Reply — Yes. There are many situations in practice where the SEFA and financial statements do not align exactly. For example, it is common for some entities to prepare the SEFA on the cash basis of accounting, which results in timing differences between the basis of accounting and the financial reporting framework used to prepare the audited financial statements. In those cases, as noted section 9160.27, "Providing Opinion on a Schedule of Expenditures of Federal Awards in Relation to an Entity's Financial Statements as a Whole When the Schedule of Expenditures of Federal Awards Is on a Different Basis of Accounting Than the Financial Statements," the auditor may provide an in-relation-to opinion on the SEFA as long as the schedule can be reconciled back to the underlying accounting and other records used in preparing the financial statements or to the financial statements themselves, and as long as the other conditions and requirements of AU-C section 725 are met.

In the case of PRF, the out-of-period amounts reflected on the SEFA were reported in the prior year financial statements but are also reflected in beginning net assets (or net position) of the current year financial statements. Similar to the conclusion in section 9160.27, if the other conditions and requirements of AU-C section 725 are met and the schedule can be reconciled back to the underlying accounting and other records used in preparing the financial statements or to the financial statements themselves, the auditor may provide an in-relation-to opinion.

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