

# Provider Relief Fund & Single Audit - Update as of July 22, 2020

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The following newsletter is intended to be an update on the previous version sent June 19, 2020. **All updates are in noted in red**, and are current as of the date prepared. The US Department of Health and Human Services (HHS) is still holding internal discussions about the CARES Act Provider Relief Fund status and the situation remains fluid. If this situation changes, we will send out further newsletters.

The HHS, through Health Resources and Services Administration, announced that distributions made to healthcare providers through the Provider Relief Fund are subject to Single Audit requirements. According to Sam.gov, the CFDA Number assigned to the Provider Relief Fund is 93.498.

## What is a Single Audit?

Single audits are audits focusing on compliance with the terms, conditions, and compliance requirements of federal funding. They are generally conducted by the CPA firm that audits your financial statements, concurrent with your financial statement audit.

Nonfederal entities who expend at least \$750,000 in federal awards are subject to a single audit for the fiscal year in which the funds were expended. Single audits are conducted under Subpart F of Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The significant compliance areas which will likely be audited as part of the single audit are described below.

## Allowable Expenditures of the Provider Relief Fund

How you spend your Provider Relief Fund dollars is subject to the terms and conditions of the Provider Relief Fund. This is a significant compliance area and will be included in the single audit testing. Provider Relief Fund payments are only to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse only healthcare-related expenses or lost revenues attributable to coronavirus. The term “healthcare-related expenses,” however, is very broad. According to the [FAQs](#) listed on HHS.gov’s website, healthcare-related expenses include the following:

- Supplies used to provide healthcare services for possible or actual COVID-19 patients;
- Equipment used to provide healthcare services for possible or actual COVID-19 patients;
- Workforce training;
- Developing and staffing emergency operation centers;
- Reporting COVID-19 test results to federal, state, or local governments;
- Building or constructing temporary structures to expand capacity for COVID-19 patient care or to provide healthcare services to non-COVID-19 patients in a separate area from where COVID-19 patients are being treated; and
- Acquiring additional resources, including facilities, equipment, supplies, healthcare practices, staffing, and technology to expand or preserve care delivery.

Another key compliance requirement related to expenditures is the concept of no double dipping. Providers received numerous types of funding related to COVID-19, such as the SBA Paycheck Protection Loan, other federal grants, and state grants.

If you have assigned a qualified expenditure to another funding source, you cannot also include it as an expenditure to be reimbursed by the Provider Relief Fund. Adequate tracking of expenses is essential to ensure specific expenses claimed for reimbursement by the Provider Relief Fund are allowable and that the same expenses are not also claimed for reimbursement by another funding source or covered by a third-party payor.

### Lost Revenues

Covering lost revenues is also an allowable use of the Provider Relief Fund and will be tested as part of your single audit. According to the [FAQ's](#), "the term "lost revenues that are attributable to coronavirus" means any revenue that you as a healthcare provider lost due to coronavirus. This may include revenue losses associated with fewer outpatient visits, canceled elective procedures or services, or increased uncompensated care. Providers can use Provider Relief Fund payments to cover any cost that the lost revenue otherwise would have covered, so long as that cost prevents, prepares for, or responds to coronavirus. Thus, these costs do not need to be specific to providing care for possible or actual coronavirus patients, but the lost revenue that the Provider Relief Fund payment covers must have been lost due to coronavirus."

To calculate lost revenues, a reasonable method of estimating would be to analyze the difference in revenue between each month of the COVID-19 emergency declaration compared to that same period had COVID-19 not been present. For example, if you had prepared a budget prior to COVID-19, the estimated lost revenue could be the difference between your budgeted revenue and actual revenue. It is also reasonable to compare revenues to the same period in the previous year. In either case, you should factor in circumstances unrelated to COVID-19, such as new providers, lost providers, new lines of services, and discontinued lines of services unconnected to COVID-19.

Documentation is key here. As lost revenues will be the primary use of Provider Relief Fund payments for most healthcare entities, documentation of your estimation of lost revenues will be the evidence tested in your single audit. Be sure to document the method used to estimate lost revenues, and make sure you retain your original budget, prior year revenue reports, financial statements, or patient statistics as support for your calculation.

### Reporting Requirements

Recipients of Provider Relief Fund payments do not need to submit a separate quarterly report to HHS or the Pandemic Response Accountability Committee, as HHS will be handling these reporting requirements. However, HHS will be requiring recipients to submit future reports relating to the recipient's use of Provider Relief Fund money. HHS will provide guidance in the future about the content and due dates of such reports, and we will include this in future newsletters. Proper filing of these required use reports will be tested as part of your single audit, if due before time of audit.

### Policy Requirements

All organizations subject to single audit are required to maintain policies and procedures in accordance with Uniform Guidance requirements. For the Provider Relief Fund, we recommend updating your policies and procedures relating to the following areas to ensure they meet Uniform Guidance requirements (links to the Uniform Guidance requirements are also included):

- [Procurement Standards](#) (how you procure goods and services)
- [General cost principles](#) (specific types of costs are not allowed to be reimbursed by federal funds)
- [Equipment](#) (how you track and maintain equipment)
- [Supplies](#) (how you maintain inventory and what you do with unused supplies)
- [Compensation](#) (employee compensation is reasonable and comparable to

- compensation for personnel not being reimbursed with federal funds)
- Fringe Benefits (benefit costs are reasonable and included in personnel policies)

If you would like a sample policy and procedure document for the above areas, please reach out to us; we would be happy to provide a sample tailorable to your organization.

### Cash management requirements

In general, advance payments of Federal awards must be put into an interest-bearing account, in accordance with Uniform Guidance. An exception is if the best reasonably available interest-bearing account would not be expected to earn more than \$500 during the year on the Federal cash balance. Any interest earned in excess of \$500 per year must also be remitted annually to the HHS Payment Management System. This will be tested as part of your single audit.

### Compliance Supplement

Typically, Federal agencies issue compliance supplements to assist organizations and auditors with compliance with federal funding requirements. The 2020 compliance supplement is expected to be issued in the next few weeks. We are hopeful the Provider Relief Fund will be included in the 2020 compliance supplement, as this would provide all of us with the specific compliance requirements HHS has determined to be important to the Provider Relief Fund. Once the supplement comes out, we will provide an update to this newsletter on any emerging developments.

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### Closing

Please feel free to reach out to me at 509.321.9472, or your favorite DZA representative with any questions.

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