

# Provider Relief Fund Recipients: Do You Have an Obligation to Conduct a Federally Mandated Single Audit?

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Alice V. Harris  
803.253.8284  
AHarris@nexsenpruet.com

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By now, if you are a provider who received Provider Relief Funds, you are familiar with the related reporting requirements on the use of the Funds. But do you also have an obligation to conduct a mandatory Single Audit?

The Health Resources & Services Administration (“HRSA”) has issued guidance reminding providers that if they receive and spend a certain level of federal funds, the provider must comply with federal Single Audit Requirements. This article addresses who must conduct an audit and the various regulatory requirements for the audit process.

**Which Providers Are Subject to the Single Audit Requirement?** Basically, any recipient that spends a total of \$750,000 or more in federal funds in a fiscal year is subject to federal audit requirements. This includes Provider Relief Fund payments and other federal financial assistance.

**What Are the Requirements for the Single Audits?** The requirements are set forth by federal regulation (45 CFR 75 Subpart F). HRSA has also published an informative page concerning provider “Reporting and Auditing Questions.”

**What Kind of Audits Are Required?** “Non-federal” entities and “Commercial” organizations have different audit options. “Non-federal” entities include states, local governments and non-profit organizations. They must have a Single Audit conducted in accordance with government auditing standards (GAGAS). The auditor must also determine compliance with related federal statutes, regulations, and terms and conditions of the federal awards.

A “Commercial Organization,” which includes for-profit hospitals, can elect to have the same Single Audit or it can have an audit conducted in accordance with GAAP (Generally Accepted Government Auditing Standards).

**Has Health and Human Services (“HHS”) Provided Any Guidance to CPAs and Other Organizations That Will Conduct the Audits?** The only guidance HHS has provided to auditors is through the Office of Management and Budget Compliance Supplement. Non-Federal Entities can find guidance in the 2020 Compliance Supplement Addendum and in the forthcoming 2021 Compliance Supplement.

**What if a Provider Does Not Spend \$750,000 or More During the Fiscal Year?** The provider is exempt from the Federal audit requirements but it must make sure to retain its records for possible future auditing by federal agencies.

**How Should a Provider Account for FEMA funds When Accounting for Provider Relief Funds?** As it relates to expenses attributable to coronavirus, providers are instructed to identify their health care-related expenses, and then apply any amounts received through other sources, which includes funds received from FEMA. Provider Relief Fund payments may be applied to the remaining expenses or cost.

**If a Provider Anticipates it Will Receive COVID-19 Assistance from FEMA, Should That be Included in Provider Relief Fund Reporting?** If a provider has not yet received the FEMA funds, the provider should not report the requested FEMA amounts in the Provider Relief Fund report. However, if FEMA funds are received during the same Payment Received Period in which provider is reporting on use of Provider Relief Fund payments, the funds should be included. Finally, if a provider receives a retroactive payment from FEMA that overlaps with a previous period, the provider cannot use the FEMA payment on expenses or lost revenues already reimbursed by Provider Relief Fund payments.

**In Addition to Mandatory Self-Audits, Will HRSA Conduct Audits?** Any recipient of Provider Relief Fund payments may be subject to auditing by HRSA, which will audit to check the accuracy of data submitted HHS for payment. Any recipients identified as having provided inaccurate information to HHS will be subject to payment recoupment and other legal action.

The Self-Audit process is complex and creates novel issues related to reporting and accounting for the use of federal funds. Let us know if Nexsen Pruet can help guide you through this process.