

January 5, 2021

**ILLINOIS HEALTH AND HOSPITAL ASSOCIATION
M E M O R A N D U M**

SUBJECT: Updated PRF FAQs and Single Audit Requirements

On Dec. 28, the U.S. Department of Health and Human Services (HHS) updated the Provider Relief Fund (PRF) [Frequently Asked Questions](#) (FAQs), providing information specific to the Phase 3 General Distribution methodology. Additionally, on Dec. 22, the Office of Management and Budget (OMB) released the final [2020 OMB Compliance Supplement Addendum](#) (2020 Addendum), which addresses audit procedures specific to COVID-19 federal funding, including Single Audit due dates. A summary of these updates follows.

Updated FAQs: Phase 3 General Distribution

Phase 3 general distribution applications for the PRF were due Nov. 6, 2020. HHS began issuing Phase 3 payments in mid-December and will continue making payments through the first months of 2021. Applicants that have not yet received approximately 2% of their annual patient care revenue in general distributions from the PRF will receive at least that amount in their Phase 3 payment. Additionally, providers will be paid up to 88% of their reported losses and net change in operating expenses from patient care from the first half of calendar year (CY) 2020 (i.e., quarters 1 and 2 of CY 2020).

While HHS determined Phase 3 payments based on data from the first half of CY 2020, the FAQs clarify that the only deadline for expending PRF payments is June 30, 2021. Additionally, the current FAQs indicate there may not be additional PRF distributions. However, the [Consolidated Appropriations Act](#) (CAA) (H.R. 133), signed into law on Dec. 28, 2020, added \$3 billion to the PRF and directs the HHS Secretary to allocate payments for at least 85% of the remaining PRF dollars using an application process similar to the Phase 3 application. According to the CAA, future applications should consider financial losses and changes in operating expenses occurring in the third or fourth quarters of CY 2020, or the first quarter of CY 2021.

2020 OMB Compliance Supplement Addendum

Non-federal hospitals that spend \$750,000 or more in federal awards during the hospital's fiscal year are required to obtain a Single Audit. IHA collaborated with BKD CPAs & Advisors to present information on Single Audits to the membership in October 2020. Slides and a recording of the webinar are on the IHA education [website](#) (IHA password required to access content).

Every year, OMB releases an audit compliance supplement and relevant addendums. This year's [addendum](#) addresses several audit issues related to federal COVID-19 funding and audits

in Appendix VII. First, awarding agencies of federal COVID-19 funding must offer three month Single Audit package extensions to recipients or subrecipients with original due dates between Oct. 1, 2020 through June 30, 2021. While recipients and subrecipients do not need to seek approval for this extension, they should maintain documentation of the reason for the delayed filing. New due dates are as follows:

Year-End	Original Due Date	Extended Due Date
Mar. 31, 2020	Dec. 31, 2020	Mar. 31, 2021
May 31, 2020	Feb. 28, 2021	May 31, 2021
June 30, 2020	Mar. 31, 2021	June 30, 2021
Sept. 30, 2020	June 30, 2021	Sept. 30, 2021

Additionally, the addendum addresses the treatment of donated personal protective equipment (PPE) on the Schedule of Expenditures of Federal Awards (SEFA). Most PPE purchased with federal assistance funds and subsequently donated to various entities for the COVID-19 response are not subject to compliance or reporting requirements and came without assistance listing information from the donors. Thus, nonfederal entities that received donated PPE should provide the fair market value of the PPE at the time of receipt as a stand-alone footnote accompanying their SEFA. Because donated PPE has no bearing on the single audit, the donated PPE footnote may be marked “unaudited.” The amount of donated PPE should not be counted for purposes of determining the threshold for a single audit or determining the Type A/B threshold for major programs, and donated PPE is not required to be audited as a major program.

Finally, the addendum notes that auditors may consider guidance documents (such as the Provider Relief Fund FAQs) effective during the COVID-19 period to understand program requirements. This is in addition to federal statutes, regulations, and the terms and conditions of federal awards.

Federal reporting requirements related to COVID-19 are evolving and IHA will continue monitoring and communicating major changes to the membership. Please send questions or concerns about the current PRF FAQs [to IHA](#). Please discuss questions or concerns about the 2020 OMB Compliance Supplement Addendum with your audit firm.