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HHS Releases New Guidance and Opens Reporting Portal for the Provider Relief Fund

The long-awaited Provider Relief Fund (PRF) Reporting Portal has now opened, and the U.S. Department of Health and Human Services (HHS) has issued updated guidance for recipients and auditors on a number of lingering questions that have surrounded this program. This article summarizes portions of critical areas of guidance that have been released.

SEFA Reporting

The guidance for schedule of expenditures of federal awards (SEFA) reporting for recipients of PRF (Assistance Listing No. 93.498) is complicated and has continued to evolve over time. The 2020 Compliance Supplement Addendum indicated that recipients would *not* include PRF expenditures (and lost revenues, if applicable) on the SEFA until December 31, 2020, year ends. However, on July 15, 2021, HHS updated the *CARES Act Provider Relief Fund Frequently Asked Questions*, which communicated that SEFA reporting for PRF recipients will begin for those with fiscal years ending on or after June 30, 2021. Therefore, for entities with fiscal years ending prior to June 30, 2021, PRF is *not* subject to single audit in that year. However, these funds would still need to be audited for financial statement purposes and would still be subject to compliance with the terms and conditions of the award. The reason for this unusual and inconsistent treatment between entities receiving PRF funding with varying year ends is so that the SEFA reporting will link to required reporting to HHS via the PRF Reporting Portal.

There was a significant delay in the opening of the PRF Reporting Portal, which eventually opened to recipients in July 2021. The 2021 Compliance Supplement requires that auditors test PRF Portal reporting, as the amounts used for SEFA reporting must tie to direct reporting to HHS.

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PRF expenditures and lost revenues amounts will first be reported in the SEFA and audited under the Uniform Guidance in a fiscal year ending on or after June 30, 2021, and the time period for reporting has been established by HHS based on the recipient's fiscal year end. HHS uses the concept of reporting periods to establish both SEFA and PRF Reporting Portal requirements. The following table summarizes these reporting requirements.

Fiscal Year End	PRF Expenditures and Lost Revenue to Report on the SEFA
Before June 30, 2021	Do not report PRF on schedule of expenditures of federal awards.
June 30, 2021, through December 30, 2021	Report based on **Period 1** report submission to the PRF Reporting Portal.
December 31, 2021, through June 29, 2022	Report based on both **Period 1** and **Period 2** report submissions to the PRF Reporting Portal.
June 30, 2022, and later	Reporting guidance related to **Period 3** and **Period 4** will be provided in the 2022 Compliance Supplement.

The next table outlines the reporting period definitions, as referred to in the previous table:

Reporting Portal Period	Payment Received Period (Payments Exceeding $10,000 in Aggregate Received)	Period of Availability	Deadline to Use Funds	Reporting Time Period for the PRF Reporting Portal
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
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

In addition to the FAQ document, HHS has also issued a post-payment notice of reporting requirements. As of the date of this publication, the latest notice was posted on June 11, 2021. This notice outlines the reporting periods in the preceding tables and details other requirements for recipients related to the PRF Reporting Portal.

Concept of Lost Revenues

PRF allows recipients to replace lost revenues with remaining award amounts that are not fully expended on healthcare and other expenses attributable to COVID-19. HHS provides three options for entities to calculate their lost revenues amount, which are detailed in its June 11, 2021, *Post-Payment Notice of Reporting Requirements*. Those options are as follows:

- Option i: The difference between actual patient care revenues for the current fiscal year and actual patient care revenue from 2019 (on a quarter-by-quarter basis, to accommodate varying fiscal year ends).
- Option ii: The difference between budgeted and actual patient care revenues. To use Option ii, the budget must have been established and approved prior to March 27, 2020.
- Option iii: Calculated by any reasonable method of estimating revenue. This option provides entities with the opportunity to use an alternate methodology for calculating lost revenues that are attributable to COVID-19. Entities that use Option iii must be able to thoroughly document and justify their methodology. *NOTE:* The HHS notice explicitly states that entities who opt to utilize Option iii in their calculation of lost revenues will face an increased likelihood of audit by the Health Resources and Services Administration.

The notice also establishes the reporting and documentation that entities are required to submit regarding their lost revenues calculations. The requirements differ depending on which option the entity utilizes.

Due to the continuing and significant number of changes to guidance and reporting requirements for PRF, auditors and auditees should make sure that they are using the latest guidance, FAQs, and notices from the HHS, to ensure compliance with the most up-to-date requirements. Auditors and recipients should also carefully review the PRF program in Part 4 of the 2021 Compliance Supplement.

Practical Consideration:

The following sources offer further information:

- 2021 Compliance Supplement: **www.whitehouse.gov/wp-content/uploads/2021/08/OMB-2021-Compliance-Supplement_Final_V2.pdf**.
- HHS maintains and is continually updating FAQs on calculating eligible expenses and lost revenues, among a variety of other topics and questions related to the program. Those FAQs can be accessed at the following link: **www.hhs.gov/sites/default/files/provider-relief-fund-general-distribution-faqs.pdf**.
- The June 11, 2021, *Post-Payment Notice of Reporting Requirements*, can be accessed at the following link: **www.hhs.gov/sites/default/files/provider-post-payment-notice-of-reporting-requirements-june-2021.pdf**.
- The PRF Reporting Portal itself can be accessed at: **https://prfreporting.hrsa.gov/s/**.

AICPA Issues SLG

The AICPA recently released its Audit and Accounting Guide, *State and Local Governments* (SLG), updated through March 1, 2021. SLG provides valuable guidance to auditors and accountants working in the area of state and local governments. It is intended to help practitioners properly record transactions according to generally accepted accounting principles and audit and report on those financial statements in accordance with generally accepted auditing standards (GAAS).

The auditing guidance in SLG is considered interpretive, which means it does not establish auditing standards but provides recommendations on applying GAAS in specific circumstances. AU-C 200 requires auditors to consider applicable interpretive publications in planning and performing their audits.

What's New?

The most notable feature of the 2021 Guide is the inclusion of the long-awaited illustrative reports implementing the reporting SASs, SAS Nos. 134–140, and SAS No. 141. Because SAS Nos. 134–140 are effective for years ending on or after December 15, 2021, SLG has fully implemented them. For entities that have not implemented SAS Nos. 134–140, auditors are advised to use the 2020 edition of SLG for the auditing guidance and illustrative auditor reporting in effect before implementing SAS Nos. 134–140.

As noted in SLG, the changes in the 2021 edition for SAS Nos. 134–140 are significant and found in chapters 4, 13, 15, 16, and 17. Additionally, all the illustrative auditor's reports included in chapters 16 and 17 and the appendixes to chapter 13 have been updated to reflect the new reporting model under SAS No. 134 and related SASs.

Practical Consideration:

If you subscribe to *PPC's Guide to Audits of Local Governments* or *PPC's Guide to Audits of School Districts*, selected report examples after implementing SAS No. 134 and related SASs have been posted to the Thomson Reuters customer support website at: **https://thomsonreuterstax-support.secure.force.com/pkb/pkb_Home**.

While Appendix E identifies all significant changes to the 2021 edition of SLG, we highlight significant changes to two chapters below.

Chapter 4, General Auditing Consideration. The most noteworthy changes to chapter 4 were made to the other information section beginning in paragraph 4.143 based on SAS No. 137. SAS No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports,* as amended, provides clarification as to what other information is within the scope of the auditor's procedures, additional guidance on the auditor's objectives in reading other information, and direction regarding the group auditor's responsibilities for reading other information when reference is made to a component auditor in the group auditor's report. As a result, SLG added significant information on material misstatements on other information.

If the auditor becomes aware of information in the document that he or she believes is a material misstatement of fact but not a material inconsistency, the auditor should discuss the matter with the client. If the client agrees to make the correction, the auditor should determine that the correction has been made. If the client refuses to make the correction, the auditor should notify those charged with governance and consider other actions that might be appropriate, including obtaining advice from the auditor's legal counsel, withholding the auditor's report, or withdrawing from the engagement.

Chapter 16, Concluding the Audit. As discussed above, SLG has been updated for SAS Nos. 134–141. Implementing these SASs has contributed to significant

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changes made to the auditor's report and the information presented in this chapter. For example, a new discussion of *Key Audit Matters* (KAMs) has been added for instances in which government auditors are engaged to communicate KAMs. Accordingly, the new auditor's report under SAS No. 134 and related SASs is divided into the following sections:

- *The Auditor's Opinion.* This section, among other things, should identify the entity whose financial statements have been audited and specify the dates or periods covered by each financial statement that the financial statements comprise.
- *Basis of Opinion.* This section follows the opinion and includes an affirmative statement about the auditor's independence and fulfillment of the other ethical responsibilities in accordance with relevant ethical requirements relating to the audit.
- *Responsibility of Management for the Financial Statements.* The second paragraph in this section addresses management's responsibility for evaluating going concern conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern, which under GASB Statement No. 56 should be twelve months beyond the financial statement date.
- *Auditor's Responsibility for the Audit of the Financial Statements.* This section expands the description of the auditor's responsibilities for the audit and of key features of an audit. It requires statements that (1) the auditor's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error and to issue a report that includes the auditor's opinion, (2) reasonable assurance is a high level of assurance, but not absolute assurance, and is not a guarantee that an audit will detect a material misstatement when it exists, (3) the risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, (4) misstatements can arise from fraud or error and are considered material if they could reasonably be expected to influence the economic decisions users make based on the financial statements, (5) the auditor exercises professional judgment and maintains professional skepticism throughout the audit, and (6) the auditor's responsibilities include concluding on the entity's ability to continue as a going concern.
- *Required Supplementary Information.* AU-C 730, as amended by SAS No. 140, requires reporting required supplementary information in a separate section in the auditor's report on the financial statements or in a separate report, instead of as an other-matter paragraph.
- *Supplementary Information.* AU-C 725, as amended by SAS No. 140, requires reporting supplementary information in a separate section in the auditor's report on the financial statements or in a separate report, instead of as an other-matter paragraph.
- *Other information.* AU-C 720, as amended by SAS No. 137, requires reporting other information in a separate section in the auditor's report on the financial statements or in a separate report.

Practical Consideration:

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