**Federal Award Compliance and Control Record**

**Audit Guidance and Testing**

|  |  |
| --- | --- |
| **Name of Client:** |  |
| **Year Ended:** | 2023 |

|  |  |
| --- | --- |
| **Federal Award Name:** | Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution |
| **AL#:** | 93.498 |

# Important Information

**In addition to completing the control and suggested audit procedures, yellow-highlighted text indicates items that must be addressed or updated by auditors and should be deleted after the required information is added.**

*Blue italicized text indicates guidance from CFAE.*

This FACCR has been tailored for local governments and Not-For-Profits. It does not include all required references and testing for Institutes of Higher Learning or State organizations.

If the program had COVID funding expenditures, please refer to the terms and conditions of the grant to determine if any additional requirements were imposed. Also see guidance in [Appendix VII](OMB_Appendix_VII.pdf) of the Compliance Supplement.

If additional material requirements are identified, auditors will need to create procedures to test those requirements. If you have questions, AOS Auditors please open a Spiceworks ticket for assistance (IPAs email AOSFederal@ohioauditor.gov).

**Navigation Pane**

Click on the “View” tab on the top ribbon and check the box that says “Navigation Pane” to bring up the headings on the left side of the screen. Click on the various sections within the navigation pane to go directly to that section.

**Table of Contents**

On the table of contents page, users can also click on listed sections to go directly to that section. As information is added into the FACCR, page numbering will change and the Table of Contents may need to be updated to reflect revised numbering. To update the Table of Contents, click on the word “Contents” directly above the line starting with Important Information, which brings up the icon “Update Table.” Clicking OK in the box that appears will update the page numbers on the Table of Contents to reflect any changes in the document.

**Guidance Links**

Links to guidance referenced throughout this document are included below:

* [Part 6](OMB_Part_6.pdf) (Internal Control) of the OMB Compliance Supplement
* [2013 COSO](https://www.coso.org/Shared%20Documents/Framework-Executive-Summary.pdf)
* [GAO’s 2014 Green Book](https://www.gao.gov/assets/gao-14-704g.pdf)
* [2 CFR Part 200](2_CFR_Part_200.pdf) – Once opened, click on the appropriate section(s)

# Agency Adoption of the UG and Example Citations

[*Appendix II*](OMB_Appendix_II.pdf) *to the OMB Compliance Supplement provides the codified section reference of the agency adoption of the Uniform Guidance (UG) (2 CFR Part 200) and nonprocurement suspension and debarment requirements in 2 CFR Part 180, including the 2020 revisions.*

*While some Federal agencies gave regulatory effect to the Uniform Guidance as a whole, others made changes to the UG language within the agency codified sections by either adding specific requirements/exceptions or editing/modifying existing language. OMB does not maintain a complete listing of agency exceptions to the UG, but the most recent compilation of agency additions and exceptions (updated through December 2014) is provided on the* [*CFO website*](https://www.cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf)*. AOS auditors should review the UG Exception Evaluation by Federal Agency spreadsheet (updated through June 2022)* [*on the Intranet*](https://ohauditor.sharepoint.com/%3Af%3A/r/sites/Intranet/Shared%20Documents/Audit_Resources/Federal/Other%20Federal%20Resources?csf=1&web=1&e=RtVw5R) *(Documents > Audit Resources > Federal > Other Federal Resources).*

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements.*

*Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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# Compliance Requirement Matrix

*Footnotes 1-7 below the matrix provide further explanation; review note 6 which discusses tailoring the matrix assessments.*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **(1)** | **(2)** | **(6)** | **(6)** | **(3)** | **(4)** | **(5)** | **(5)** | **(6/7)** |
| **Compliance Requirement** | **Applicable per Compliance Supplement***(Yes/No)* | **Direct & Material to Program / Entity***(Yes/No)* | **Monetary****or Nonmonetary***(Set by CFAE)**(M/N)* | **Population Subject to Requirement (if Monetary)***(in $)* | **Inherent Risk****(from IRAF)***(High/Low)* | **Final Control Risk***(High/Low)* | **Detection****Risk of Noncompl.***(High/Low)* | **Overall Audit Risk of Noncompl.***(High/Low)* | **Federal Materiality by Compliance Requirement***(usually 5%)* |
| **A** |   | **Activities Allowed or Unallowed** | Yes |  | M |  |  |  |  |  | 5% |
| **B** |   | **Allowable Costs/Cost Principles** | Yes |  | M |  |  |  |  |  | 5% |
| **C** |   | **Cash Management** | No |  |  |  |  |  |  |  |  |
| **D** |   | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **E**  |   | **Eligibility** | No |  |  |  |  |  |  |  |  |
| **F** |   | **Equipment & Real Property Mgmt** | No |  |  |  |  |  |  |  |  |
| **G** |   | **Matching, Level of Effort, Earmark** | No |  |  |  |  |  |  |  |  |
| **H** |   | **Period of Performance** | No |  |  |  |  |  |  |  |  |
| **I** |   | **Procurement & Sus. & Debarment** | No |  |  |  |  |  |  |  |  |
| **J** |   | **Program Income** | No |  |  |  |  |  |  |  |  |
| **K** |   | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **L** |   | **Reporting** | Yes |  | N |  |  |  |  |  | 5% |
| **M** |   | **Subrecipient Monitoring** | No |  |  |  |  |  |  |  |  |
| **N** |   | **Special Tests & Provisions** | No |  |  |  |  |  |  |  |  |

**(1)** *From Part 2, Matrix of Compliance Requirements, for the applicable program in the* [*OMB Compliance Supplement*](https://www.whitehouse.gov/omb/office-federal-financial-management/)*. For programs not included in Part 2, all compliance requirements should be marked as applicable.*

**(2)** *If the Compliance Supplement notes a compliance requirement as being applicable to the program in the first column, it still may not apply at a particular entity either because that entity does not have activity subject to that type of compliance requirement, or the activity could not have a material effect on a major program. If the Compliance Supplement indicates that a type of compliance requirement is applicable and the auditor determines it also is direct and material to the program at the specific entity being audited, the auditor should answer this question “Yes,” and then complete the remainder of the line. Alternatively, if the auditor determines that a particular type of compliance requirement that normally would be applicable to a program (as per part 2 of the Compliance Supplement) is not direct and material to the program at the specific entity being audited, the auditor should answer this question “No.” Along with that response, the auditor should document the basis for the determination in the working papers or this FACCR. When making that determination all parts of that compliance requirement must be considered. For example, Equipment and Real Property Management contains procedures regarding Acquisitions, Dispositions (Disposals), and Inventory Management. The documentation on why the compliance requirement is not be applicable to the program/entity must address all parts of that compliance requirement.*

***(3)*** *Refer to the AICPA Single Audit Guide, chapter 10, Compliance Auditing Applicable to Major Programs, for considerations relating to assessing inherent risk of noncompliance for each direct and material type of compliance requirement. For AOS auditors, the auditor documents the inherent risk assessment for each direct and material compliance requirement on the Inherent Risk Assessment Form (IRAF). The assessments in this column should directly tie to the final inherent risk assessment on the IRAF.*

**(4)** *See guidance on the following page for considerations relating to assessing control risk of noncompliance for each direct and material type of compliance requirement.* ***Planned control risk must be assessed at low per 2 CFR § 200.514; therefore, only final control risk is shown in the matrix.*** *Additionally, auditors must document final control risk in each compliance requirement section’s Audit Implications Summary in this FACCR. See AICPA Single Audit Guide, Chapter 9, Consideration of Internal Control over Compliance for Major Programs.*

**(5)** *Audit risk of noncompliance is defined in AU-C 935 as the risk that the auditor expresses an inappropriate opinion on the entity’s compliance when material noncompliance exists. Audit risk of noncompliance is a function of the risks of material noncompliance and detection risk of noncompliance. A “Low” assessment of detection risk in this matrix means that the risk has been reduced to an acceptable level.*

***(6)*** *The AICPA Single Audit Guide 10.55 states the auditor’s tests of compliance with compliance requirements may disclose instances of noncompliance. The Uniform Guidance refers to these instances of noncompliance, among other matters, as “audit findings.” Such findings may be of a monetary nature and involve questioned costs or may be nonmonetary and not result in questioned costs. CFAE included the monetary vs. nonmonetary determinations for each compliance requirement in this program. If AOS auditor believe the determination of monetary vs. nonmonetary should be updated for a particular section, other than sections E and N, they must consult with CFAE via the FACCR specialty in Spiceworks. The Eligibility and Special Tests & Provisions determinations reflect M/N as the determination of whether the compliance requirement is monetary or non-monetary is contingent upon the specific requirements of the program being tested as well as requirements contained within the grant agreement. For sections E and N, auditors should tailor the assessment as appropriate based on the facts and circumstances of their entity’s operations, update the Compliance Requirement Matrix for the appropriate designation (N or M), and document the research and reasoning behind the determination.*

***(7)*** *AU-C 935.13 & .A7 require auditors to establish and document two materiality levels: (1) a materiality level for the program as a whole, and (2) a second materiality level for the each of the applicable 12 compliance requirement listed in Appendix XI to Part 200. This column documents quantitative materiality at the compliance requirement level for each major program.*

*Note: If the compliance requirement is (1) of a monetary nature, and (2) the requirement applies to the* ***total*** *population of program expenditures, then the compliance materiality amount for the program also equals materiality for the requirement as shown in the last column of the matrix. For example, the population for allowable costs and cost principles will usually equal the total Federal expenditures for the major program as a whole. Conversely, the population for some monetary compliance requirements may be less than the total Federal expenditures. Auditors must carefully determine the population subject to the compliance requirement to properly assess Federal materiality. Auditors should also consider the qualitative aspects of materiality. For example, in some cases, noncompliance and internal control deficiencies that might otherwise be immaterial could be significant to the major program because they involve fraud, abuse, or illegal acts. The program level materiality, typically 5%, is documented in the Record of Single Audit Risk (RSAR).*

**Performing Tests to Evaluate the Effectiveness of Controls**

*Control Risk Assessment:*

*Auditors must:*

* *Document the five internal control components (control environment, risk assessment, control activities, information and communication, and monitoring) for each direct and material compliance requirement and*
* *Perform procedures to obtain an understanding of internal control over compliance for federal programs that is sufficient to plan the audit to support a low assessed level of control risk.*

*If internal control over compliance for a compliance requirement is likely to be ineffective in preventing or detecting noncompliance, the auditor is not required to plan and perform tests of internal control over compliance. Rather, the auditor must assess control risk at maximum, determine whether additional compliance tests are required, and report a significant deficiency (or material weakness) as part of the audit findings.*

*AICPA Single Audit Guide’s paragraph 9.08 states that Uniform Guidance provides that the auditors must perform tests of internal controls over compliance as planned. (Paragraphs 9.40-9.42 of the* *AICPA Single Audit Guide discuss an exception related to ineffective internal control over compliance.) In addition, AU-C 330.08 states the auditor should design and perform tests of controls to obtain sufficient appropriate audit evidence about the operating effectiveness of relevant controls. Further, AU-C 330.09 states in designing and performing tests of controls, the auditor should obtain more persuasive audit evidence the greater the reliance the auditor places on the effectiveness of a control.*

*Testing of the operating effectiveness of controls ordinarily includes procedures such as*

1. *inquiries of appropriate entity personnel, including grant and contract managers;*
2. *the inspection of documents, reports, or electronic files indicating performance of the control;*
3. *the observation of the application of the specific controls; and*
4. *reperformance of the application of the control by the auditor.*

*The auditor should perform such procedures regardless of whether he or she would otherwise choose to obtain evidence to support an assessment of control risk below the maximum level.*

*Paragraph .A24 of AU-C section 330 provides guidance related to the testing of controls. When responding to the risk assessment, the auditor may design a test of controls to be performed concurrently with a test of details on the same transactions. Although the purpose of a test of controls is different from the purpose of a test of details, both may be accomplished concurrently by performing a test of controls and a test of details on the same transaction (a dual-purpose test). For example, the auditor may examine an invoice to determine whether it has been approved and whether it provides substantive evidence of a transaction. A dual-purpose test is designed and evaluated by considering each purpose of the test separately.*

*Also, when performing the tests, the auditor should consider how the outcome of the test of controls may affect the auditor’s determination about the extent of substantive procedures to be performed. See chapter 11 of the AICPA Single Audit Guide for a discussion of the use of dual-purpose samples in a compliance audit.*

*Before a dual-purpose test is performed, AOS auditors must read AOSAM 30500 and 35900 for guidance.*

[Part 6](OMB_Part_6.pdf) of the 2023 OMB Compliance Supplement provides detailed guidance on assessing internal controls over the compliance requirements.

*(Source: 2023 OMB Compliance Supplement)*

**Improper Payments**

Under OMB guidance, Public Law (Pub. L.) No. 107-300, the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010 Presidential memorandum to enhance payment accuracy, federal agencies are required to take actions to prevent improper payments, review federal awards for such payments, and, as applicable, reclaim improper payments. Improper payments include the following:

1. Any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement; and includes -- (i) any payment to an ineligible recipient;(ii) any payment for an ineligible good or service; (iii) any duplicate payment; (iv) any payment for a good or service not received, except for those payments where authorized by law; and (v) any payment that does not account for credit for applicable discounts.
2. A payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation.

Auditors must be alert to improper payments, particularly when testing the following parts of section III. – A, “Activities Allowed or Unallowed;” B, “Allowable Costs/Cost Principles;” E, “Eligibility;” and, in some cases, N, “Special Tests and Provisions.”

*(Source: 2023 OMB Compliance Supplement Part 3)*

# Part I – OMB Compliance Supplement Information

### I. Program Objectives

Note: This program is considered a “higher risk” program for 2023, pursuant to 2 CFR section 200.519(c)(2). Refer to the “Programs with Higher Risk Designation” section of Part 8, Appendix IV, Internal Reference Tables, for a discussion of the impact of the “higher risk” designation on the major program determination process.

The PRF and ARP Rural Distribution are administered by the Health Resources and Services Administration (HRSA) and support eligible health care providers in the battle against the COVID-19 pandemic. PRF provides relief funds to eligible providers of health care services and support for health care-related expenses or lost revenues attributable to coronavirus. ARP Rural Distribution addresses the disproportionate impact that COVID-19 has had on rural communities and rural health care providers. PRF and ARP Rural Distribution recipients must only use payments for eligible expenses, including services rendered, and lost revenues during the period of availability, as outlined in the table below. Providers must use a consistent basis of accounting to determine expenses. PRF and ARP Rural Distribution recipients may use payments for eligible expenses incurred prior to receipt of those payments (i.e., pre-award costs) dating back to January 1, 2020, so long as they are to prevent, prepare for, and respond to coronavirus.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Payment Received Period****(Payments Exceeding $10,000 in Aggregate Received)** | **Period of Availability** | **PRF and ARP Rural Portal Reporting Time Period** |
| Period 1 | April 10, 2020 to June 30, 2020 | January 1, 2020 to June30, 2021 | July 1, 2021 to September 30, 2021 |
| Period 2 | July 1, 2020 to December 31, 2020 | January 1, 2020 toDecember 31, 2021 | January 1, 2022 to March 31, 2022 |
| Period 3 | January 1, 2021 to June 30, 2021 | January 1, 2020 to June30, 2022 | July 1, 2022 to September 30, 2022 |
| Period 4 | July 1, 2021 to December 31, 2021 | January 1, 2020 toDecember 31, 2022 | January 1, 2023 to March 31, 2023 |
| Period 5 | January 1, 2022 to June 30, 2022 | January 1, 2020 to June30, 2023 | July 1, 2023 to September 30, 2023 |
| Period 6 | July 1, 2022 to December 31, 2022 | January 1, 2020 toDecember 31, 2023 | January 1, 2024 to March 31, 2024 |

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, #93.498 Provider Relief Fund)*

### II. Program Procedures

The PRF and ARP Rural Distribution include the following components and may include additional components established after the date of this Supplement:

For the first phase of the PRF General Distributions, money was distributed proportionate to providers’ share of Medicare fee-for-service reimbursements in 2019. A portion of providers were automatically sent an advance payment based off the revenue data they submit in CMS cost reports. Providers without adequate cost report data on file needed to submit their revenue information to the General Distribution Portal for additional funds.

For the second and third phases of the PRF General Distribution, Medicaid, Children’s Health Insurance Program (CHIP), dental, assisted living, and behavioral health providers were eligible to apply for funds, along with Medicare providers paid under Phase 1 who qualified to receive additional funds.

For the fourth phase of the PRF General Distribution, consistent with the requirements included in the Coronavirus Relief and Response Supplemental Appropriation (CRRSA) Act (Pub. L. No. 116-260), PRF Phase 4 payments were based on providers’ changes in operating revenues and expenses from July 1, 2020 to March 31, 2021. Phase 4 also included new elements specifically focused on equity, including reimbursing smaller providers for their changes in operating revenues and expenses at a higher rate compared to larger providers, and bonus payments based on the amount of services providers furnish to Medicaid/CHIP and Medicare beneficiaries. In addition, eligible applicants applied for the ARP Rural funds through the same Application and Attestation Portal that was available to apply for the Phase 4 General Distribution.

Funding for high-impact areas was distributed to hospitals in areas that were particularly impacted by the COVID-19 outbreak based on submission of the hospital’s: Tax Identification Number, National Provider Identifier, total number of Intensive Care Unit beds as of April 10, 2020 and June 10, 2020, and total number of admissions with a positive diagnosis for COVID-19 from January 1, 2020 to April 10, 2020, and January 1, 2020 to June 10, 2020.

Funding for Indian Health Service/Tribal facilities was distributed on the basis of operating expenses. Prior to the availability of ARP Rural funding, funding for rural providers was distributed on the basis of operating expenses.

Funding for safety net hospitals was based on Centers for Medicare & Medicaid Services (CMS) cost report data.

Funding for children’s hospitals was based on patient service revenue.

Funding for skilled nursing facilities and nursing homes was primarily based on the number of certified beds in the facility, and for the Nursing Home Infection Control Quality Incentive Program payments, data submission to the Centers for Disease Control and Prevention’s (CDC) National Healthcare Safety Network (NHSN) Long-term Care Facility Component COVID-19 Module.

Most payments were sent out to providers without application, with requirement for recipients to accept the terms and conditions through an online portal or return funds. The Assistance Listing numbers were not provided at time of payments or included in initial terms and conditions.

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, #93.498 Provider Relief Fund)*

### III. Source of Governing Requirements

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Pub. L. No. 116-136, 134 Stat. 563)

Paycheck Protection Program and Health Care Enhancement Act (PPPHCA) (Pub. L. No. 116- 139, 134 Stat. 622)

Coronavirus Relief and Response Supplemental Appropriations (CRRSA) Act (Pub. L. No. 116- 260)

The American Rescue Plan Act (ARPA) (Pub. L. No. 117-2)

Under the definition of federal financial assistance, PRF and ARP Rural Distributions are considered other financial assistance. Per the applicability table in 45 CFR section 75.101(b)(1), other financial assistance is not subject to the post federal award or cost principles requirements in 45 CFR Part 75, subparts C, D, and E, respectively, with the exception that 45 CFR section 75.303 (Internal Controls) and sections 75.351 through 75.353 (Subrecipient Monitoring and Management) are applicable.

Under the terms and conditions of the award, PRF and ARP Rural Distributions are subject to 45 CFR section 75.302 (Financial management and standards for financial management systems) and 45 CFR sections 75.361 through 75.365 (Record Retention and Access).

Additionally, under the terms and conditions of the award, PRF (Phase 4) and ARP Rural Distributions are subject to 45 CFR section 75.371 (Remedies for non-compliance) and 45 CFR sections 75.305(b)(8).

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, #93.498 Provider Relief Fund)*

### IV. Other Information

Note: Since the PRF and ARP Rural Distribution amounts to be reported on a recipient’s Schedule of Expenditures of Federal Awards (SEFA) are based on the PRF report (see Other Information below), and the PRF report is to be tested as part of the Reporting compliance requirement, auditors should consider delaying the commencement of the compliance audit of the PRF and ARP Rural Distribution program until recipients have completed the PRF report.

*1. Webpage Guidance*

Guidance documents accessed by links on the HRSA.gov website such as those listed under “Availability of Other Program Information” are provided only to clarify the applicable laws, regulations, and terms and conditions of the award and do not create new compliance requirements. However, nonfederal entities in substantial compliance with the guidance applicable in these guidance documents are considered in compliance with the underlying compliance requirements.

*2. Schedule of Expenditures of Federal Awards (SEFA) Reporting*

SEFA reporting amounts for this program (including both expenditures and lost revenues) are based upon the PRF report that is required to be submitted to the HRSA reporting portal (described in “L.3 Special Reporting;” <https://prfreporting.hrsa.gov/s/>). Therefore, it is first important to understand the HRSA PRF and ARP Rural Distribution reporting requirements, which are summarized in the following table.

For the PRF and Rural Distribution it is the last day a provider can use the funds (end of the period of availability), which drives inclusion of the PRF amount on the Schedule of Expenditures for Federal Awards (SEFA) in a Single Audit report.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Payment Received Period (Payments Exceeding $10,000 in Aggregate Received)** | **Period of Availability** | **PRF Portal Reporting Time Period** | **Fiscal Year Ends (FYEs) to include each PRF Period on the Schedule of Expenditures for Federal Awards (SEFA)****Reporting** |
| Period 1 | April 10, 2020 to June30, 2020 | January 1,2020 to June30, 2021 | July 1, 2021 toSeptember 30, 2021 | Fiscal Year End (FYEs) of June 30, 2021 through June29, 2022 |
| Period 2 | July 1, 2020 toDecember 31, 2020 | January 1,2020 toDecember 31,2021 | January 1, 2022 toMarch 31, 2022 | FYEs of December 31, 2021 through FYEs December 30, 2022 |
| Period 3 | January 1, 2021 toJune 30, 2021 | January 1,2020 to June30, 2022 | July 1, 2022 toSeptember 30, 2022 | FYEs of June 30, 2022through June 29, 2023 |
| Period 4 | July 1, 2021 toDecember 31, 2021 | January 1,2020 toDecember 31,2022 | January 1, 2023 toMarch 31, 2023 | FYEs of December 31, 2022 through FYEs December 30, 2023 |
| Period 5 | January 1, 2022 toJune 30, 2022 | January 1,2020 to June30, 2023 | July 1, 2023 toSeptember 30, 2023 | FYEs of June 30, 2023through June 29, 2024 |
| Period 6 | July 1, 2022 toDecember 31, 2022 | January 1,2020 toDecember 31,2023 | January 1, 2024 toMarch 31, 2024 | FYEs of December 31, 2023through FYEs June 29, 2024 |

**Summary of SEFA Reporting of PRF for Fiscal Year Ends (FYEs) Covered by the 2023 Compliance Supplement**

For FYEs of June 30, 2023, and through FYEs of December 30, 2023 recipients should report in the SEFA, the expenditures and lost revenues from the **Period 4 and Period 5** PRF report.

For a FYE of December 31, 2023 and through FYEs of June 29, 2024, recipients should report in the SEFA, the expenditures and lost revenues from both the **Period 5 and Period 6** PRF reports.

For FYEs on or after June 30, 2024, SEFA reporting guidance will be provided in covered under the 2024 Compliance Supplement.

*3. Defining the Entity to be Audited*

The reporting entity required for PRF and ARP Rural Distribution reporting purposes may not align to the reporting entity as defined for financial reporting purposes. It is important to note that the required PRF level of reporting has no bearing on the application of the requirements in 2 CFR 200.514 for defining the entity to be audited for single audit purposes. Thus, for single audits that include PRF and ARP Rural Distribution, the Single Audit must cover the entire operations of the auditee, or, at the option of the auditee, such audit must include a series of audits that cover departments, agencies, and other organizational units that expended or otherwise administered federal awards during such audit period, provided that each such audit must encompass the financial statements and schedule of expenditures of federal awards for each such department, agency, and other organizational unit, which must be considered to be a nonfederal entity.

As a best practice, the recipients may wish to include a footnote disclosure on the SEFA to identify which providers by TIN are included in the audit.

**Availability of Other Program Information**

PRF Reporting Portal <https://prfreporting.hrsa.gov/s/>

Assistance Listing for PRF and ARP Rural Distribution <https://sam.gov/fal/7886e62bcc404c008669faf8227ffb6a/view>

The following webpages provide additional information about the PRF:

PRF Information <https://www.hrsa.gov/provider-relief/>

PRF and ARP Rural Distribution Terms and Conditions <https://www.hrsa.gov/provider-relief/compliance/terms-conditions>

The following websites provide additional information about the ARP Rural Distribution:

<https://www.hrsa.gov/provider-relief/future-payments/phase-4-arp-rural>

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, #93.498 Provider Relief Fund)*

# Part II – Pass through Agency and Grant Specific Information

**This section should contain introductory program specific information that is applicable to the program AL being tested from the pass-through agency and contained within the individual grant agreement.**

### Program Overview

### Testing Considerations

### Reporting

*Example SEFA and Footnote shells, the “Single Audit SEFA 2023 Completeness Guide” and additional resources are available for AOS Staff on the Intranet and for IPAs on the* [*IPA Resource Internet Page*](http://www.ohioauditor.gov/references/practiceaids.html)*.*

# Part III – Applicable Compliance Requirements

## A. ACTIVITIES ALLOWED OR UNALLOWED

### OMB Compliance Requirements

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A)**and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR Part 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and auditors) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Source of Governing Requirements**

The requirements for activities allowed or unallowed are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

*1. Activities Allowed (All distributions except Skilled Nursing Facility Infection Control Distribution)*

*Law (Pub. L. No. 116-136, 134 Stat. 563 and Pub. L. No. 116-139, 134 Stat. 622 and 623, Pub. L. No. 117-2)*

To prevent, prepare for, and respond to coronavirus and COVID-19, domestically or internationally, for necessary expenses to reimburse, through grants or other mechanisms, eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus. (Note: Auditors are not expected to test the funding reported as lost revenues to determine if it was expended only for federally defined allowable activities.)

That funds appropriated under this paragraph in this Act shall be available for building or construction of temporary structures, leasing of properties, medical supplies and equipment, including personal protective equipment and testing supplies, increased workforce and trainings, emergency operation centers, retrofitting facilities, and surge capacity.

Payment means a pre-payment, prospective payment, or retrospective payment.

*Terms and Conditions*

a. The recipient certifies that the payment will only be used to prevent, prepare for, and respond to coronavirus and COVID-19, and that the payment shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus and COVID-19.

b. The recipient certifies that retaining the payment for at least 90 days without contacting HHS regarding remittance of those funds, is deemed to have accepted the Terms and Conditions.

c. The recipient must provide or have provided after January 31, 2020, diagnoses, testing, or care for individuals with possible or actual cases of COVID-19. The Department of Health and Human Services (HHS) broadly views every patient as a possible case of COVID-19.

*2. Activities Allowed (Skilled Nursing Facility Infection Control Distribution)*

*Terms and Conditions*

Funds may only be used to reimburse the recipient for costs associated with the following items and services (“Infection Control Expenses”):

a. Costs associated with administering COVID-19 testing, which means an in vitro diagnostic test defined in section 809.3 of title 21, Code of Federal Regulations (or successor regulations) for the detection of SARS-CoV-2 or the diagnosis of the virus that causes COVID-19, and the administration of such a test, that:

• Is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 USC 360(k), 360c, 360e, 360bbb-3);

• The developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 USC 360bbb-3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

• Is developed in and authorized by a state that has notified the secretary of HHS of its intention to review tests intended to diagnose COVID-19; or

• Other test that the secretary determines appropriate in guidance.

b. Reporting COVID-19 test results to local, state, or federal governments.

c. Hiring staff, whether employees or independent contractors, to provide patient care or administrative support.

d. Expenses incurred to improve infection control, including activities such as implementing infection control “mentorship” programs with subject matter experts or changes made to physical facilities.

e. Providing additional services to residents, such as technology that permits residents to connect with their families if the families are not able to visit in person.

f. The recipient must provide or have provided after January 31, 2020, diagnoses, testing, or care for individuals with possible or actual cases of COVID-19.

*3. Activities Allowed (Rural distribution)*

*Terms and Conditions*

Funds may only be used to reimburse the provider(s) associated with the applicable subsidiary or billing TIN and cannot be transferred or allocated to another entity not associated with the subsidiary or billing TIN. Control and use of the Payment must be delegated to the Recipient that was eligible for and received the Payment.

*4. Activities Unallowed (All distributions)*

*Law (Pub. L. No. 116-136, 134 Stat. 563 and Pub. L. No. 116-139, 134 Stat. 622, Pub. L. No. 117-2)*

That these funds may not be used to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.

*Terms and Conditions*

Payments may not be used to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, #93.498 Provider Relief Fund)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).
2. Determine whether Federal awards were expended only for allowable activities.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):***Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):***Person(s) responsible for performing the control procedure** *(Title):***Description of evidence documenting the control was applied** *(i.e. sampling unit):* |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*1. Identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of the contract or grant agreements pertaining to the program.*Auditors should be able to identify these activities using Part 4 requirements as well as tailoring the “Additional Program Specific Information” section above.*2. When allowability is determined based upon summary level data, perform procedures to verify that:a. Activities were allowable.b. Individual transactions were properly classified and accumulated into the activity total.\*3. When allowability is determined based upon individual transactions, select a sample of transactions and perform procedures to verify that the transaction was for an allowable activity.4. The auditor should be alert for large transfers of funds from program accounts which may have been used to fund unallowable activities. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## B. ALLOWABLE COSTS/COST PRINCIPLES

**Introduction**

2 CFR Part 200, Subpart E and Appendices III-VII establish principles and standards for determining allowable direct and indirect costs for Federal awards. This section is organized into the following areas of allowable costs: States and Local Government and Indian Tribe Costs (Direct and Indirect); State/Local Government Central Service Costs; and State Public Assistance Agency Costs.

*(Source: 2023 OMB Compliance Supplement Part 3)*

*FACCR Section B includes five distinct testing sections, the first of which is always applicable.*

1. *Cost Principles for States, Local Governments, and Indian Tribes – testing guidance and steps included in FACCR, not separate testing document.*

*Auditors* ***must*** *evaluate if additional section(s) are applicable to their Entity, including sources reviewed to verify applicability. For additional sections, auditors must pull the testing section(s) into their working papers and test accordingly.*

*Additional testing sections are located* [***here***](https://ohauditor.sharepoint.com/sites/Intranet/Shared%20Documents/Forms/AllItems.aspx?FolderCTID=0x0120002FFBFB1F4A3C3F47AE37C7A44E1C1EDE&id=%2Fsites%2FIntranet%2FShared%20Documents%2FAudit%5FResources%2FFederal%2FFACCRs%20and%20IRAFs%2F2023%2FSection%20B%20Addenda&viewid=68cb3ab2%2D567e%2D456a%2D975c%2Da88f3e9c3727)*for AOS auditors and* [***here***](https://ohioauditor.gov/references/practiceaids/faccrs.html) *for IPA auditors.*

1. *De Minimis Indirect Cost Rate*
	1. *This section must be tested if the Entity utilizes the de minimis indirect cost rate to charge indirect costs to the grant, whether as a recipient or subrecipient.*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**
2. *Allowable Costs – State/Local Government-wide Central Service Costs*
	1. *This section must be tested if the Entity allocated costs to the grant using central service cost allocation plans (CAPs).*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**
3. *Allowable Costs – State Public Assistance Agency Costs*
	1. *This section must be tested if the Entity charged state public assistance agency costs to the grant.*
		1. *State public assistance agency costs are defined as (1) all costs allocated or incurred by the State agency except expenditures for financial assistance, medical vendor payments, and payments for service and goods provided directly to program recipients and (2) normally charged to Federal awards by implementing the public assistance cost allocation plan (CAP).*
		2. *This may be applicable at the local level if local entities perform procedures to support the State compliance (For example, this may occur with JFS programs)*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**
4. *Cost Principles for Nonprofit Organizations*
	1. *This section must be tested if the Entity is a nonprofit organization.*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**

### Applicability of Cost Principles

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A) and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and we) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

*The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of the Federal award contracts or grant agreements pertaining to the program.*

The cost principles in 2 CFR Part 200, Subpart E (Cost Principles), prescribe the cost accounting requirements associated with the administration of Federal awards by:

1. States, local governments and Indian tribes
2. Institutions of higher education (IHEs)
3. Nonprofit organizations

As provided in 2 CFR 200.101, the cost principles requirements apply to all Federal awards with the exception of grant agreements and cooperative agreements providing food commodities; agreements for loans, loan guarantees, interest subsidies, insurance; and programs listed in 2 CFR 200.101(e) (see Appendix I of this Supplement). Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from 2 CFR Part 200, Subpart E, but are subject to the requirements [45 CFR Part 75, Appendix IX](45_CFR_Part_75.pdf), the Department of Health and Human Services (HHS) implementation of 2 CFR Part 200. The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal awarding agency or indirectly through a pass-through entity. For this purpose, Federal awards include cost-reimbursement contacts under the Federal Acquisition Regulation (FAR). The cost principles do not apply to Federal awards under which a non-Federal entity is not required to account to the Federal awarding agency or pass-through entity for actual costs incurred.

**Source of Governing Requirements**

The requirements for allowable costs/cost principles are contained in 2 CFR Part 200, Subpart E, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for the development and submission of indirect (facilities and administration (F&A)) cost rate proposals and cost allocation plans (CAPs) are contained in 2 CFR Part 200, Appendices III-VII as follows:

* Appendix III to Part 200—Indirect (F&A) Const Identification and Assignment and Rate Determination for Institutions of Higher Education (IHEs)
* Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
* Appendix V to Part 200—State/Local Government-Wide Central Service Cost Allocation Plans
* Appendix VI to Part 200—Public Assistance Cost Allocation Plans
* Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals

Except for the requirements identified below under “Basic Guidelines,” which are applicable to all types of non-Federal entities, this compliance requirement is divided into sections based on the type of non-Federal entity. The differences that exist are necessary because of the nature of the non-Federal entity organizational structures, programs administered, and breadth of services offered by some non-Federal entities and not others.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Basic Guidelines**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards;

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under the principles in 2 CFR Part 200, Subpart E.

2. Conform to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E or in the Federal award as to types or amount of cost items.

3. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.

4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

5. Be determined in accordance with generally accepted accounting principles (GAAP), except, for State and local governments and Indian tribes only, as otherwise provided for in 2 CFR Part 200.

6. Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.

7. Be adequately documented.

**Selected Items of Cost**

2 CFR 200.420 - 200.476 provide the principles to be applied in establishing the allowability of certain items of cost, in addition to the basic considerations identified above. These principles apply whether or not a particular item of cost is treated as a direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment provided for similar or related items of cost and the principles described in 2 CFR 200.402 - 200.411.

[List of Selected Items of Cost Contained in 2 CFR Part 200](Selected_Items_of_Cost_Part_3_ComplianceSupplement.pdf)

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

While 45 CFR 75 Subpart E – Cost Principles do not apply to the PRF and the ARP Rural Distribution, charges to the PRF and the ARP Rural Distribution must be necessary, reasonable, accorded consistent treatment, and conform to the limitations and exclusions of the terms and conditions of the award. The PRF and ARP Rural Distribution Frequently Asked Questions referenced under Availability of Other Information above provides additional guidance and examples.

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, #93.498 Provider Relief Fund)*

***Written Procedure Requirements:***

*2 CFR 200.302(b)(7) requires written procedures for determining the allowability of costs in accordance with Subpart E-Cost Principles of this part and the terms and conditions of the Federal award.*

*2 CFR 200.430 states that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.*

*2 CFR 200.431 requires established written leave policies if the entity intends to pay fringe benefits.*

*2 CFR 200.464(a)(2) requires reimbursement of relocation costs to employees be in accordance with an established written policy must be consistently followed by the employer.*

*2 CFR 200.475 requires reimbursement and/or charges to be consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally funded activities and in accordance with non-Federal entity's written travel reimbursement policies.*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Cost Principles for States, Local Governments and Indian Tribes

### OMB Compliance Requirements

**Direct Costs**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

**Indirect Costs**

*Allocation of Indirect Costs and Determination of Indirect Cost Rates*

1. The specific methods for allocating indirect costs and computing indirect cost rates are as follows:
	1. *Simplified Method* – This method is applicable where a governmental unit’s department or agency has only one major function, or where all its major functions benefit from the indirect cost to approximately the same degree. The allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures described in 2 CFR Part 200, Appendix VII, paragraph C.2.
	2. *Multiple Allocation Base Method* – This method is applicable where a governmental unit’s department or agency has several major functions that benefit from its indirect costs in varying degrees. The allocation of indirect costs may require the accumulation of such costs into separate groupings which are then allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. (For detailed information, refer to 2 CFR Part 200, Appendix VII, paragraph C.3.)
	3. *Special Indirect Cost Rates* – In some instances, a single indirect cost rate for all activities of a department or agency may not be appropriate. Different factors may substantially affect the indirect costs applicable to a particular program or group of programs (e.g., the physical location of the work, the nature of the facilities, or level of administrative support required). (For the requirements for a separate indirect cost rate, refer to 2 CFR Part 200, Appendix VII, paragraph C.4.)
	4. *Cost Allocation Plans* – In certain cases, the cognizant agency for indirect costs may require a state or local government o unit’s department or agency to prepare a CAP instead of an ICRP. These are infrequently occurring cases in which the nature of the department or agency’s federal awards makes impracticable the use of a rate to recover indirect costs. A CAP required in0 such cases consists of narrative descriptions of the methods the department or agency uses to allocate indirect costs to programs, awards, or other cost objectives. Like an ICRP, the CAP either must be submitted to the cognizant agency for indirect cost for review, negotiation, and approval, or retained on file for inspection during audits.

*Submission Requirements*

1. Submission requirements are identified in 2 CFR Part 200, Appendix VII, paragraph D.1. All departments or agencies of a governmental unit claiming indirect costs under federal awards must prepare an ICRP and related documentation to support those costs.
2. A state/local department or agency or Indian tribe that receives more than $35 million in direct federal funding must submit its ICRP to its cognizant agency for indirect costs. Other state/local government departments or agencies that are not required to submit a proposal to the cognizant agency for indirect costs must develop an ICRP in accordance with the requirements of 2 CFR Part 200 and maintain the proposal and related supporting documentation for audit.
3. Where a government receives funds as a subrecipient only, the pass-through entity will be responsible for the indirect cost rate used (2 CFR section 200.331(a)(4)).
4. Each Indian tribe desiring reimbursement of indirect costs must submit its ICRP to the DOI (its cognizant agency for indirect costs).
5. ICRPs must be developed (and, when required, submitted) within 6 months after the close of the governmental unit’s fiscal year, unless an exception is approved by the cognizant agency for indirect costs.

*Documentation and Certification Requirements*

The documentation and certification requirements for ICRPs are included in 2 CFR Part 200, Appendix VII, paragraphs D.2 and 3, respectively. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in 2 CFR section 200.333(f).

**Cognizant Agency for Indirect Costs**

2 CFR Part 200, Appendix V, paragraph F, provides the guidelines to use when determining the Federal agency that will serve as the cognizant agency for indirect costs for States, local governments, and Indian tribes. References to the “cognizant agency for indirect costs” are not equivalent to the cognizant agency for audit responsibilities, which is defined in 2 CFR 200.1\_Cognizant\_Agency.

For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is generally the Federal agency with the largest value of direct Federal awards (excluding pass-through awards) with a governmental unit or component, as appropriate. In general, unless different arrangements are agreed to by the concerned Federal agencies or described in 2 CFR Part 200, Appendix V, paragraph F, the cognizant agency for central service cost allocation plans is the Federal agency with the largest dollar value of total Federal awards (including pass-through awards) with a governmental unit.

Once designated as the cognizant agency for indirect costs, the Federal agency remains so for a period of 5 years. In addition, 2 CFR Part 200, Appendix V, paragraph F, lists the cognizant agencies for certain specific types of plans and the cognizant agencies for indirect costs for certain types of governmental entities. For example, HHS is cognizant for all public assistance and State-wide cost allocation plans for all States (including the District of Columbia and Puerto Rico), State and local hospitals, libraries, and health districts and the Department of the Interior (DOI) is cognizant for all Indian tribal governments, territorial governments, and State and local park and recreational districts.

*(Source: 2023 OMB Compliance Supplement Part 3)*

#### Audit Objectives and Control Tests: Allowable Costs –– Direct and Indirect Costs

The individual State/local government/Indian tribe departments or agencies (also known as “operating agencies”) are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement **under** Federal awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with 2 CFR Part 200, Subpart E.

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State/local government/Indian tribe department or agency to substantiate its request for the establishment of an indirect cost rate. The indirect costs include (1) costs originating in the department or agency of the governmental unit carrying out Federal awards, and (2) for States and local governments, costs of central governmental services distributed through the State/local government-wide central service CAP that are not otherwise treated as direct costs. The ICRPs are based on the most current financial data and are used to either establish predetermined, fixed, or provisional indirect cost rates or to finalize provisional rates (for rate definitions refer to 2 CFR Part 200, Appendix VII, paragraph B).

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

**Audit Objectives: Direct Costs**

1. Determine whether the organization complied with the provisions of 2 CFR Part 200 as follows:
2. Direct charges to federal awards were for allowable costs.
3. Unallowable costs determined to be direct costs were included in the allocation base for the purpose of computing an indirect cost rate.

**Audit Objectives: Indirect Costs**

1. Determine whether the governmental unit complied with the provisions of 2 CFR Part 200 as follows:
2. Charges to cost pools used in calculating indirect cost rates were for allowable costs.
3. The methods for allocating the costs are in accordance with the cost principles, and produce an equitable and consistent distribution of costs (e.g., all activities that benefit from the indirect cost, including unallowable activities, must receive an appropriate allocation of indirect costs).
4. Indirect cost rates were applied in accordance with negotiated indirect cost rate agreements (ICRA).
5. For State/local departments or agencies that do not have to submit an ICRP to the cognizant agency for indirect costs (those that receive less than $35 million in direct Federal awards), indirect cost rates were applied in accordance with the ICRP maintained on file.

*(Source: 2023 OMB Compliance Supplement Part 3)*

***Additional Control Test Objectives for Written Procedures***

*When documenting and identifying the key control(s) in place to address the compliance requirement, consider if the client has written procedures to document the control process.*

* *UG requires written policies for the requirements outlined in 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
* *Document whether the non-federal entity established written procedures consistent with the following requirements:*
	+ *2 CFR 200.302(b)(7) for determining the allowability of costs in accordance with Subpart E-Cost Principles.*
	+ *2 CFR 200.430 for allowability of compensation costs.*
	+ *2 CFR 200.431 for written leave policies.*
	+ *2 CFR 200.464(a)(2) for reimbursement of relocation costs.*
	+ *2 CFR 200.475 for travel reimbursements.*
* *It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
	+ *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
	+ *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.*
		- *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

#### Suggested Substantive Audit Procedures – Compliance – Direct and Indirect Costs

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.****Direct Costs*** \*Test a sample of transactions for conformance with the following criteria contained in 2 CFR Part 200, as applicable:1. If the auditor identifies unallowable direct costs, the auditor should be aware that “directly associated costs” might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would not have been incurred if the other cost had not been incurred. For example, fringe benefits are “directly associated” with payroll costs. When an unallowable cost is incurred, directly associated costs are also unallowable.
2. Costs were approved by the Federal awarding agency, if required (see the above table (Selected Items of Cost, Exhibit 1) or 2 CFR 200.407 for selected items of cost that require prior written approval).
3. Costs did not consist of improper payments, including (1) payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; (2) payments that do not account for credit for applicable discounts; (3) duplicate payments; (4) payments that were made to an ineligible party or for an ineligible good or service; and (5) payments for goods or services not received (except for such payments where authorized by law).

d. Costs were necessary and reasonable for the performance of the Federal award and allocable under the principles of 2 CFR Part 200, Subpart E.e. Costs conformed to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E, or in the Federal award as to types or amount of cost items.*While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.* *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*f. Costs were consistent with policies and procedures that apply uniformly to both federally financed and other activities of the State/local government/Indian tribe department or agency.g. Costs were accorded consistent treatment. Costs were not assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.h. Costs were not included as a cost of any other federally financed program in either the current or a prior period.i. Costs were not used to meet the cost-sharing or matching requirements of another Federal program, except where authorized by Federal statute.j. Costs were adequately documented.***Indirect Costs***a. If the State/local department or agency is not required to submit an ICRP and related supporting documentation, the auditor should consider the risk of the reduced level of oversight in designing the nature, timing, and extent of compliance testing.b. *General Audit Procedures* – The following procedures apply to charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs under Federal awards.(1) Test a sample of transactions for conformance with:(a) The criteria contained in the “Basic Considerations” section of 2 CFR 200.402 - 200.411.(b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 200.420 - 200.476).*While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.* *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*(2) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would have not been incurred if the other cost had not been incurred. When an unallowable cost is incurred, directly associated costs are also unallowable. For example, occupancy costs related to unallowable general costs of government are also unallowable.c. *Special Audit Procedures for State, Local Government, and Indian Tribe ICRPs (see also the AOS discussion on* [*testing the ICRP*](Testing_the_ICRP_discussion.pdf)*)*(1) Verify that the ICRP includes the required documentation in accordance with 2 CFR Part 200, Appendix VII, paragraph D.(2) *Testing of the ICRP* – There may be a timing consideration when the audit is completed before the ICRP is completed. In this instance, the auditor should consider performing interim testing of the costs charged to the cost pools and the allocation bases (e.g., determine from management the cost pools that management expects to include in the ICRP and test the costs for compliance with 2 CFR Part 200). Should there be audit exceptions, corrective action may be taken earlier to minimize questioned costs. In the next year’s audit, the auditor should complete testing and verify management’s representations against the completed ICRP.The following procedures are some acceptable options the auditor may use to obtain assurance that the costs collected in the cost pools and the allocation methods used are in compliance with 2 CFR Part 200, Subpart E:(a) *Indirect Cost Pool* – Test the indirect cost pool to ascertain if it includes only allowable costs in accordance with 2 CFR Part 200.(i) Test to ensure that unallowable costs are identified and eliminated from the indirect cost pool (e.g., capital expenditures, general costs of government).(ii) Identify significant changes in expense categories between the prior ICRP and the current ICRP. Test a sample of transactions to verify the allowability of the costs.(iii) Trace the central service costs that are included in the indirect cost pool to the approved State/local government or central service CAP or to plans on file when submission is not required.(b) *Direct Cost Base* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of 2 CFR Part 200 and produce an equitable distribution of costs.(i) Determine that the proposed base(s) includes all activities that benefit from the indirect costs being allocated.(ii) If the direct cost base is not limited to direct salaries and wages, determine that distorting items are excluded from the base. Examples of distorting items include capital expenditures, flow-through funds (such as benefit payments), and subaward costs in excess of $25,000 per subaward.(iii) Determine the appropriateness of the allocation base (e.g., salaries and wages, modified total direct costs).(c) *Other Procedures* (i) Examine the records for employee compensation to ascertain if they are accurate, and the costs are allowable and properly allocated to the various functional and programmatic activities to which salary and wage costs are charged. (Refer to 2 CFR 200.430 for additional information on support of salaries and wages.)(ii) For an ICRP using the multiple allocation base method, test statistical data (e.g., square footage, audit hours, salaries and wages) to ascertain if the proposed allocation or rate bases are reasonable, updated as necessary, and do not contain any material omissions.(3) *Testing of Charges Based Upon the ICRA* – Perform the following procedures to test the application of charges to Federal awards based upon an ICRA:(a) Obtain and read the current ICRA and determine the terms in effect.(b) Select a sample of claims for reimbursement and verify that the rates used are in accordance with the rate agreement, that rates were applied to the appropriate bases, and that the amounts claimed were the product of applying the rate to the applicable base. Verify that the costs included in the base(s) are consistent with the costs that were included in the base year (e.g., if the allocation base is total direct costs, verify that current-year direct costs do not include costs items that were treated as indirect costs in the base year).(4) *Other Procedures* – No Negotiated ICRA(a) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, the auditor should determine whether documentation exists to support the costs. When the auditee has documentation, the suggested general audit procedures under paragraph 3.b above should be performed to determine the appropriateness of the indirect cost charges to awards.(b) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, and documentation to support the indirect costs does not exist, the auditor should question the costs based on a lack of supporting documentation. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.****This box should include results of applicable additional testing sections as determined at the beginning of Section B.***1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
 |

## L. REPORTING

### OMB Compliance Requirements

*Financial Reporting*

Recipients must use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form) when reporting to the Federal awarding agency. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient’s accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of closed formats or on paper.

Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of available documentation.

The financial reporting requirements for subrecipients are as specified by the pass-through entity. In many cases, these will be the same as or similar to those for recipients.

The standard financial reporting forms for grants and cooperative agreements are as follows:

* *Request for Advance or Reimbursement (SF-270) (OMB No. 0348-0004))*. Recipients are required to use the SF-270 to request reimbursement payments under non-construction programs, and may be required to use it to request advance payments.
* *Outlay Report and Request for Reimbursement for Construction Programs (SF-271) (OMB No. 0348-0002))*. Recipients use the SF-271 to request funds for construction projects unless they are paid in advance or the SF-270 is used.
* *Federal Financial Report (FFR) (SF-425/SF-425A) (OMB No. 0348-0061)).* Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

Electronic versions of the standard forms are located on agency’s home page.

Financial reporting requirements for cost reimbursement contracts subject to the Federal Acquisition Regulation (FAR) are contained in the terms and conditions of the contract.

*Performance and Special Reporting*

Non-Federal entities may be required to submit performance reports at least annually but not more frequently than quarterly, except in unusual circumstances, using a form or format authorized by OMB (2 CFR 200.329(c)(1)). They also may be required to submit special reports as required by the terms and conditions of the Federal award.

Compliance testing of performance and special reporting is only included in Part 4, “Agency Program Requirements” and Part 5, “Clusters of Programs,” if such reporting has been identified by a federal agency as subject to audit. Further, compliance testing of performance and special reports is only required for data, identified by agencies in parts 4 and 5 as key line items, that are quantifiable and are capable of evaluation against objective criteria stated in the statutes, regulations, contract or grant agreements pertaining to the program.

Performance and special reports in parts 4 and 5 are assumed to meet the above criteria. However, if an agency does not identify key line items for a performance or special report, auditors are only required to test that the report was submitted in a timely manner and no other procedures are required. Similarly, if key line items are identified in parts 4 and 5 that would not be quantifiable and capable of evaluation against objective criteria (e.g., narratives, futuristic information, information that would require verification at the program beneficiary level), auditors are not required to perform testing of such items.

**Federal Funding Accountability and Transparency Act**

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). In accordance with OMB Memorandum M-20-21, Implementation Guidance for Supplementing Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19), existing Transparency Act subaward reporting requirements may be leveraged to meet the transparency requirements outlined in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Information input to FSRS is available at USASpending.gov as the publicly available website for viewing this information (<https://www.usaspending.gov/search>).

Where the Reporting type of compliance requirement is marked as a “Y” in the Part 2 Matrix of Compliance Requirements, indicating it is subject to audit, auditors must test the compliance with the reporting requirements of 2 CFR Part 170 using the guidance in this section when the auditor determines Reporting to be direct and material and the recipient makes first tier awards.

*Federal Funding Accountability and Transparency Act*

Aspects of the Transparency Act that relate to subaward reporting (1) under grants and cooperative agreements were implemented in OMB in 2 CFR Part 170 and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR at 5 FR 39414 et seq., July 8, 2010). The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR Part 170 and the FAR. The guidance at 2 CFR Part 170 currently applies only to federal financial assistance awards in the form of grants and cooperative agreements (e.g., it does not apply to loans made by a federal agency to a recipient), however the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

As provided in 2 CFR Part 170 and FAR Subpart 4.14, respectively, federal agencies are required to include the award term specified in Appendix A to 2 CFR Part 170 or the contract clause in FAR 52.204-10, Reporting Executive Compensation and First-Tier Subcontract Awards, as applicable, in awards subject to the Transparency Act.

Consistent with the OMB guidance,

• 2 CFR Part 170 “subaward” has the meaning given in 2 CFR 200.1 and means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

• [FAR 52.204-10(a)](FAR_52.204-10.pdf) defines “first-tier subcontract” to mean a subcontract awarded directly by a contractor to acquire supplies or services (including construction) for performance of a prime contract, but excludes the contractor’s supplier agreements with vendors, such as long-term arrangements for materials or supplies that benefit multiple contracts or the costs of which would normally be applied to a contractor's general and administrative expenses or indirect cost.

While 2 CFR Part 170 and the FAR implement several distinct Transparency Act reporting requirements, including reporting of executive compensation, the Supplement addresses only the following requirements: (1) recipient reporting of each first-tier subaward or subaward amendment that results in an obligation of $30,000 or more in federal funds; and (2) contractor reporting of each first-tier subcontract award of $30,000 or more in federal funds (this requirement was phased in based on the value of the new prime contract as specified below under “Effective Date of Reporting Requirements”).

*Reporting Site*

Grant and cooperative agreement recipients and contractors are required to register FSRS and report subaward data through FSRS. To do so, they will first be required to register in the System for Award Management (SAM) (if they have not done so previously for another purpose (e.g., submission of applications through Grants.gov) and actively maintain that registration. Prime contractors have previously been required to register in SAM. Information input to FSRS is available at USASpending.gov as the publicly available website for viewing this information (<https://www.usaspending.gov/search> ).

*Key Data Elements*

Compliance testing of the Transparency Act reporting requirements must include the following key data elements about the first-tier subrecipients and subawards under grants and cooperative agreements.

|  |  |
| --- | --- |
| **Subaward Data Element** | **Definition** |
| Subawardee Name | This is the Sub-Awardee’s Name |
| Subawardee DUNS # | The subawardee organization’s nine-digit Data Universal Numbering System (DUNS) number. |
| Amount of Subaward | The net dollar amount of federal funds awarded to thesubawardee including modifications. |
| Subaward Obligation/Action Date | Date the subaward agreement was signed. |
| Date of Report Submission | Date the recipient entered the action/obligation into FSRS. |
| Subaward Number | Subaward number or other identifying number assigned by the prime awardee organization to facilitate the tracking of itssubawards. |
| Subaward Project Description | Describes the subaward project. |
| Subawardee Names and Compensation of HighlyCompensated Officers | Names of officers if thresholds are met. |

For purposes of programs included in parts 4 and 5 of this Supplement, the designation “Not Applicable” in relation to “Financial Reporting,” “Performance Reporting,” and “Special Reporting” means that the auditor is not expected to audit anything in these categories, whether or not award terms and conditions may require such reporting.

**Source of Governing Requirements**

**Reporting requirements are contained in the following:**

1. Financial reporting, 2 CFR 200.328
2. Monitoring and reporting program performance, 2 CFR 200.329
3. Program legislation.
4. Transparency Act, implementing requirements in 2 CFR Part 170 and the FAR, and the previously listed OMB guidance documents.
5. Federal awarding agency regulations.
6. The terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

**1. Financial Reporting** – Not Applicable

**2. Performance Reporting** – Not Applicable

**3. Special Reporting**

*PRF Report*

PRF Reporting Portal (A Public Health Emergency Declaration-PRA Waiver Notice was issued January 14, 2021, applicable to the financial information collected by HRSA from eligible healthcare providers (<https://aspe.hhs.gov/public-health-emergency-declaration-pra-waivers>).

The PRF reporting portal was launched on July 1, 2021 (<https://prfreporting.hrsa.gov/s/>); refer to the table in the Program Objective section for reporting time period(s). Auditors are expected to test this special reporting for fiscal years ending on or after June 30, 2021. Since the PRF and ARP Rural Distribution amounts to be reported on a recipient’s Schedule of Expenditures of Federal Awards (SEFA) are based on the PRF report (see the Other Information section below), and since the PRF report is to be tested as part of the Reporting type of compliance requirement, auditors should consider delaying the commencement of the compliance audit of the PRF program until recipients have completed the PRF report.

*Key Line Items* – The following line items contain critical information (items are not numbered in report):

1. Total Reportable Nursing Home Infection Control Expenses Used in the Reporting Period

a. Total Nursing Home Infection Control Expenses – Cell that contains the aggregated total sum

2. Total Reportable Other PRF Expenses for Payments Received During Payment Period

a. Total Other PRF Expenses – Cell that contains the aggregated total sum

3. Calculation of Lost Revenues Attributable to Coronavirus

a. 2019 Actuals

(1) Total Column for Total Revenue/Net Charges from Patient Care (2019 Actuals) – Each cell at the bottom of each quarter (Total revenue/Net Charges from Patient Care) and for each year, 2019, 2020, 2021, 2022 and 2023.

b. 2020 Budgeted

(1) Total Column for Total Revenue/Net Charges from Patient Care (Budgeted) – Each cell at the bottom of each quarter (Total revenue/Net Charges from Patient Care) and for each year, 2020, 2021, 2022 and 2023.

(2) Total Column for Total Revenue/Net Charges from Patient Care (Actuals) – Each cell at the bottom of each quarter (Total revenue/Net Charges from Patient Care) and for each year, 2020, 2021, 2022 and 2023.

c. Alternate Method of Calculating Lost Revenues Attributable to Coronavirus

(1) Each individual cell in the alternative method – audit back to the narrative and underlying supporting documentation. (Note: The auditor is not responsible for determining the reasonableness of the alternative method described in the narrative.)

**4. Special Reporting for Federal Funding Accountability and Transparency Act**

See OMB Compliance Requirements section on prior pages for audit guidance.

*(Source: 2023 OMB Compliance Supplement, Part 4, HHS, #93.498 Provider Relief Fund)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether required reports for federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| --- |
| **OMB Note for Direct Awards Only**: For recipients using HHS’ Payment Management System (PMS) to draw Federal funds, the auditor should consider the following steps numbered 1 through 4 as they pertain to the cash reporting portion of the SF-425A, regardless of the source of the data included in the PMS reports. (During FY2016, HHS is completing the transition from pooled payment to use of subaccounts.) Although certain data is supplied by the Federal awarding agency (e.g., award authorization amounts) and certain amounts are provided by HHS’ Payment Management Services, the auditor should ensure that such amounts are in agreement with the recipient’s records and are otherwise accurate. |
| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*1. Review applicable statutes, regulations, and the terms and conditions of the Federal award pertaining to reporting requirements. Determine the types and frequency of required reports. Obtain and review Federal awarding agency or pass-through entity, in the case of a subrecipient, instructions for completing the reports.a. For financial reports, ascertain the accounting basis used in reporting the data (e.g., cash or accrual).b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.2. Select a sample of reports and perform appropriate analytical procedures and ascertain the reason for any unexpected differences. Examples of analytical procedures include:a. Comparing current period reports to prior period reports.b. Comparing anticipated results to the data included in the reports.c. Comparing information obtained during the audit of the financial statements to the reports.3. Select a sample of each of the following report types, and test for accuracy and completeness:a. *Financial reports*(1) Ascertain if the financial reports were prepared in accordance with the required accounting basis. (2) Review accounting records and ascertain if all applicable accounts were included in the sampled reports (e.g., program income, expenditure credits, loans, interest earned on Federal funds, and reserve funds).(3) Trace the amounts reported to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards and verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records. If reports require information on an accrual basis and the entity does not prepare its accounting records on an accrual basis, determine whether the reported information is supported by available documentation.(4) For any discrepancies noted in SF-425 reports concerning cash status when the advance payment method is used, review subsequent SF-425 reports to ascertain if the discrepancies were appropriately resolved with the applicable payment system.b. *Performance and special reports**Testing is only required for data identified by the federal agency as key line items in the Part 4 OMB Program Specific Requirements section above. If an agency does not identify key line items auditors are only required to test that the report was submitted in a timely manner. If the program is not included in Part 4 of the OMB Compliance Supplement, auditors will need to review the grant agreement to determine applicability.*(1) Review the supporting records and ascertain if all applicable data elements were included in the sampled reports. Trace the reported data to records that accumulate and summarize data.(2) Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.c. *Special reports for FFATA (Only applicable for direct recipients)*(1) Gain an understanding of the recipient’s methodology used to identify which, if any, awards were subject to the Transparency Act based on inclusion of the award term, the assignment by the federal awarding agency of a new FAIN, the effective date of the reporting requirement, and whether the entity passed funds through to first-tier subrecipients.(2) Select a sample of first-tier subawards. Obtain related subaward agreements/amendments/modifications and determine if the subaward/subcontract was subject to reporting under the Transparency Act based on (a) the date of the award and (b) the amount of the obligating action for subawards or face value of the first-tier subcontracts (inclusive of modifications).If the subaward/subcontract was subject to reporting under the Transparency Act:(a) Using the FAIN, find the award in FSRS.FSRS is the portal where the recipient enters the award information; it is only accessible by the recipient. Therefore, in order for recipients to demonstrate that information has been properly input, they should coordinate with the auditor regarding the auditor’s review of the information, physically or virtually (e.g. by logging into its FSRS account either in the auditor’s presence or remotely using technology such as screensharing, screenshot evidence, etc.) so that the auditor is able to find the awards in the system as required in this procedure).(b) Compare the award information accessed in step 2.a to the subaward/subcontract documents maintained by the recipient to assess if—(i) applicable subaward obligations /modifications have been reported,(ii) the key data elements (see above) were accurately reported and are supported by the source documentation, and(iii) the action was reported in FSRS no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.(c) The auditor must provide the following information for non- compliance finding (s) as the results of step 2.b.(i) The non-federal entity did not report the subaward information(ii) The non-federal entity did not report the subaward information timely(iii) The non-federal entity reported incorrect amount(iv) The non-federal entity did not report all the key data elementsThe following format is recommended to report non-compliance findings and included in the audit report. Data is included for illustration purposes only.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Transactions Tested** | **Subaward not reported** | **Report not timely** | **Subaward amount incorrect** | **Subaward missing key elements** |
| 25 | 2 | 10 | 13 | 0 |
| **Dollar Amount of Tested Transactions** | **Subaward not reported** | **Report not timely** | **Subaward amount incorrect** | **Subaward missing key elements** |
| $5,000,000 | $200,000 | $4,000,000 | $800,000 | $0 |

d. *For each type of report*(1) When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to the data.(2) Test mathematical accuracy of reports and supporting worksheets.4. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the Federal awarding agency, the applicable payment system, or pass-through entity in the case of a subrecipient. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
 |

## Program Testing Conclusion

We have performed procedures sufficient to provide reasonable assurance for federal award program compliance requirements (to support our opinions). The procedures performed, relevant evidence obtained, and our conclusions are adequately documented. (If you are unable to conclude, prepare a memo documenting your reason and the implications for the engagement, including the audit reports.)

|  |
| --- |
| **Conclusion** |
| **The opinion on this major program should be:** |  |
| **Unmodified:** |  |
| **Qualified (describe):** |  |
| **Adverse (describe):** |  |
| **Disclaimer (describe):** |  |

Per paragraph 13.39 of the **AICPA Single Audit Guide**, the **following are required to be reported** as audit findings in the federal awards section of the schedule of findings and questioned costs **(2 CFR 200.516):**

1. Significant deficiencies and material weaknesses in internal control over major programs.
2. Material noncompliance with the federal statues, regulations, or the terms and conditions of federal awards related to a major program.
3. Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. The auditor also must report (in the schedule of findings and questioned costs) known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program.
4. Known questioned costs that are greater than $25,000 for programs that are not audited as major.
5. Known or likely fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs.
6. Significant instances of abuse relating to major programs.
7. The circumstances concerning why the opinion in the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs (for example, a scope limitation that is not otherwise reported as a finding).
8. Instances in which the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with 2 CFR 200.511(b) of the Uniform Guidance, materially misrepresents the status of any prior audit finding.

[Appendix I](2_CFR_Part_200.pdf) lists block grants and other programs excluded from the requirements of specified portions of 2 CFR Part 200.

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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| **Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:** |
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| **Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:** |
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**Per paragraph 13.50 of the AICPA Single Audit Guide,** the schedule of findings and questioned costs must include all audit findings required to be reported under the Uniform Guidance. A separate written communication (such as a communication sometimes referred to as a management letter) may not be used to communicate such matters to the auditee in lieu of reporting them as audit findings in accordance with the Uniform Guidance. See the discussion beginning at paragraph 13.34 for information on Uniform Guidance requirements for the schedule of findings and questioned costs. If there are other matters that do not meet the Uniform Guidance requirements for reporting but, in the auditor's judgment, warrant the attention those charged with governance, they should be communicated in writing or verbally. If such a communication is provided in writing to the auditee, there is no requirement for that communication to be referenced in the Uniform Guidance compliance report. Per table 13-2 **a matter must meet the following in order to be communicated in the management letter:**

* Other deficiencies in internal control over compliance that are not significant deficiencies or material weaknesses required to be reported but, in the auditor's judgment, are of sufficient importance to be communicated to management.
* Noncompliance with federal statutes, regulations or terms and conditions of federal awards related to a major program that does not meet the criteria for reporting under the Uniform Guidance but, in the auditor's judgment, is of sufficient importance to communicate to management or those charged with governance.
* Other findings or issues arising from the compliance audit that are not otherwise required to be reported but are, in the auditor's professional judgment, significant and relevant to those charged with governance.

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| **Cross-reference to any Management Letter items and explain why not included in the Single Audit Compliance Report:** |
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