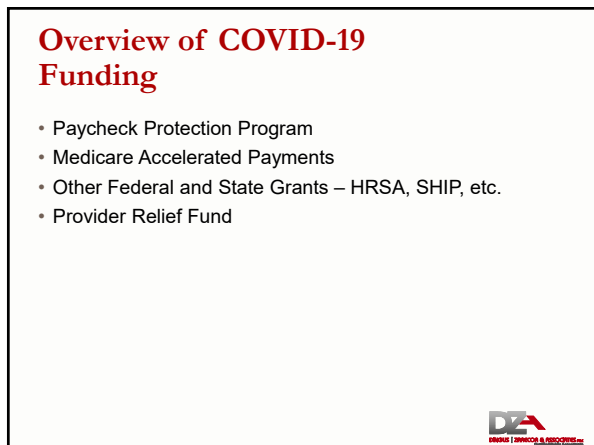
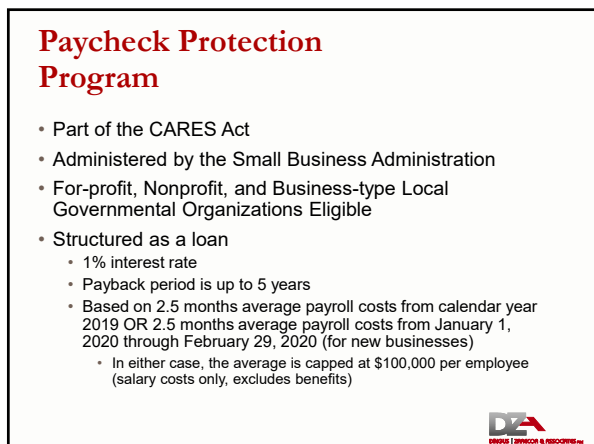


1




2



3

Paycheck Protection Program


- Eligible for Forgiveness
- NOT Subject to Single Audit



4

Paycheck Protection Program


- Forgiveness
 - Covered period for forgiveness period is either 8 weeks or 24 weeks (at election of recipient)
 - Starts on date funds received
 - Cap of \$100,000 per employee (pro-rated for forgiveness period)
 - At least 60% of the loan proceeds spent on payroll
 - Up to 40% can be spent on rent, utilities, or interest
 - Cash AND Accrual
 - Include both payments and accruals in forgiveness period



5

Paycheck Protection Program

- Reductions:
 - FTEs – comparison of FTEs to a base period
 - Wages – reduction of wages by more than 25% (at individual employee level)
 - Exemptions are available for reductions
 - Offer to rehire or restore hours
 - Rejected by employee (documentation retained & unemployment office notified)
 - Employee voluntarily resigns, requests hours reduction, or fired for cause (documentation required to be retained)
- No reductions IF:
 - FTEs restored no later than December 31, 2020
 - Wage reduction restored no later than December 31, 2020
 - Reductions must have been originally initiated between February 15 and April 26, 2020



6

Paycheck Protection Program

- Forgiveness application submitted to lender (bank)
 - Bank has 60 days to review
 - SBA has 90 days



7

Polling Question #1

- Has your facility applied for and received a Paycheck Protection Program Loan?
 - a. Yes
 - b. No
 - c. Not applicable – I do not work for a healthcare facility



8

Accounting for Paycheck Protection Program

- Nonprofit organizations
- Two options
 - Account for as a liability (debt)
 - Record liability as long-term debt
 - Liability reduced when forgiveness is approved by SBA (or pay down the loan)
 - Gain on forgiveness of debt recorded when forgiveness is approved by SBA
 - Record gain on extinguishment of debt as a separate item as a component of change in net assets without donor restrictions



9

Accounting for Paycheck Protection Program

- Two options (continued)
 - Account for as a conditional grant
 - Expectation is for the debt to be forgiven, subject to meeting the conditions for forgiveness
 - Original debt prior to forgiveness should be recorded as deferred grant revenue
 - Record as grant revenue as qualifying expenses are incurred
 - Deferred grant revenue reduced as grant revenue recorded
 - No guidance as to recording as operating or nonoperating revenue
 - DZA recommends recording as operating revenue, to match the classification of qualifying expenses
 - Conditional grant disclosure for unexpended portion will be necessary



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Accounting for Paycheck Protection Program

- Governmental organizations
 - Account for as a liability (debt)
 - Record liability as long-term debt
 - Liability reduced when forgiveness is approved by SBA (or pay down the loan)
 - Gain on forgiveness of debt recorded when forgiveness is approved by SBA
 - Gain on forgiveness recorded as a special item (below operating and nonoperating revenue)



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Accounting for Paycheck Protection Program


- Statement of Cash Flows
- Nonprofit Organization
 - Accounting for as a conditional grant
 - Operating activity
 - Accounting for as a liability (debt)
 - Financing activity



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Accounting for Paycheck Protection Program


- Statement of Cash Flows
- Governmental organization
 - Noncapital financing activity



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Accounting for Paycheck Protection Program


- Disclosure Requirements
 - Policy for recording of Paycheck Protection Program loans
 - Including how forgiveness revenue was recorded
 - For Nonprofit organizations, conditional grant disclosure for unexpended portion



14

Medicare Accelerated Payments


- Medicare prepayments
- Requested by providers
- 125% of last 6 months' Medicare reimbursement (CAH) or 100% (PPS)
- These are loans that will be paid back to Medicare
- Paid back through Medicare withholds starting 365 days after funds received
- Medicare withholds are as follows:
 - 25% of payments for 11 months
 - 50% of payments for 6 months
 - If still not paid in full, CMS will issue letters of repayment and will assess 4% interest



15

Accounting for Medicare Accelerated Payments


- Should be recorded in a separate liability account (Medicare accelerated payments payable)
- Once recoupment starts, credit accounts receivable and debit liability (instead of cash) based on the remittance advice
 - Recording of the contractual adjustment on the remittance advice stays the same as before



16

Other Federal & State Grants


- HRSA COVID Funding (Health Centers)
- SHIP
- Others
- Double dipping concerns – the same expense cannot be applied to multiple funding sources
 - PPP
 - Provider Relief Fund
 - Other Federal or State Grants



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Accounting for Other Federal & State Grants

- Generally accounted for as revenue when eligibility requirements (governmental entities) or conditions (nonprofit organizations) are met
 - As funds are spent on allowable costs, revenue is recognized
 - Grants receivable recorded if funds not received by year end
 - Deferred grant revenue recorded if funds received but not spent at year end
- Generally recorded as operating revenue, depending on accounting policy
- Statement of cash flows – generally operating activity



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Polling Question #2

- How has the COVID-19 pandemic generally affected your community?
 - a. Significant outbreak and my facility has tested and treated many COVID-19 patients
 - b. Moderate outbreak in that we have been providing community testing in which we have seen a few positive cases
 - c. Limited outbreak, but we are still preparing for the pandemic to affect our community
 - d. I do not work for a healthcare facility



19

Provider Relief Fund

- Part of CARES Act
- Administered by Department of Health and Human Services (DHHS)
- Purpose is to prevent, prepare for, and respond to coronavirus (COVID-19)
- \$175 billion distributed to health care entities nationwide

Disclaimer This is all based on what we know as of this date (through 11/2/20 FAQ update). The regulations have continued to change and the guidance here could also change.



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Provider Relief Fund

- Reimburses recipient for “healthcare-related expenses or lost revenues that are attributable to coronavirus”
 - OR = “AND”?
- Eligible healthcare related expenses reported in the following categories
 - Supplies
 - Equipment
 - Information technology
 - Facilities
 - Other healthcare related expenses


• **Emphasis:** Expenses need to be “attributable to coronavirus” and “over and above what has been reimbursed by other sources”



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Provider Relief Fund


- General and Administrative Expenses Attributable to Coronavirus:
 - Mortgage/rent
 - Insurance
 - Personnel
 - Fringe benefits
 - Lease payments
 - Utilities/operations
 - **Other** general and administrative
- **Emphasis:** Expenses need to be "attributable to coronavirus" and "over and above what has been reimbursed by other sources"



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Provider Relief Fund


- Attributable to coronavirus
 - "incremental"
 - "additional"
 - "purchased"
 - "increased"
 - "not normally incurred"



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Provider Relief Fund


- Salaries and Wages
 - Direct patient time for testing and treating COVID patients
 - Only cost over and above reimbursement can be claimed
 - Meeting time
 - Added positions
 - Check in
 - Security
 - Testing sites
 - Hazard pay
 - Salaries capped at Executive Level II - \$197,300
 - Annualized and pro-rated



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Provider Relief Fund


- Other Expenses
 - Patient related COVID expenses
 - Supplies
 - Testing
 - Remember this cannot be claimed if reimbursed by insurance or patients
 - Other non-patient expenses
 - Consulting fees
 - Single Audit fees
 - Costs to prepare for an outbreak
 - What would your facility need to be prepared
 - Supplies
 - Equipment (depreciation only)
 - Construction (depreciation only)



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Provider Relief Fund


- Expenses can not be reimbursed by other sources
- Other sources include:
 - Payments received from insurance and/or patients
 - Direct patient billing, commercial insurance, Medicare, Medicaid, etc.
 - Paycheck protection program (PPP) forgiveness
 - FEMA CARES Act
 - CARES Act testing
 - Local/State/Tribal Government assistance
 - Business insurance
 - Other assistance



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Provider Relief Fund


- Critical Access Hospital cost based reimbursement
 - Medicare, and for some states, Medicaid
 - Only expenses not reimbursed cost based can be reimbursed
 - Inverse of the department's cost based reimbursement percentage
 - Example:
 - Acute care cost based reimbursement percentage - 80%
 - 20% of costs attributable to coronavirus and not reimbursed by other sources may be claimed
 - Emergency room cost based reimbursement percentage - 45%
 - 55% of costs attributable to coronavirus and not reimbursed by other sources may be claimed
 - Admin & general cost based reimbursement percentage - 33%
 - 67% of costs attributable to coronavirus and not reimbursed by other sources may be claimed
 - Cost based reimbursement tool should be prepared.



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Provider Relief Fund


- Timing of expenses
 - Can be used during pandemic declaration period
 - Earliest date of expenditure is January 1, 2020
 - Must be expended by June 30, 2021



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Provider Relief Fund


- Capital assets
 - Depreciation only
 - Based on capitalization policy
 - 12 month life or less may be expensed
- COVID related construction projects
 - Separate ED entrance, etc.
 - Most likely no cost reimbursed by Provider Relief Fund, unless completed and placed into service in 2020.
- Temporary structures to expand capacity, testing, etc.
 - Expense



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Provider Relief Fund


- Lost Revenue
 - Remaining Provider Relief Fund payments not fully expended are then applied to patient care lost revenues
 - Calculated based on the difference between 2019 and 2020 actual patient care revenue
 - Negative year over year change in actual revenue from patient care related sources
 - Net patient revenue
 - Measured on a calendar year (2020 vs. 2019)
 - Reported by quarter
 - ~~Net of healthcare related expenses attributable to coronavirus~~
 - ~~Provider relief fund reimbursement of such expenses~~
 - 11/2/2020 FAQ states, "Healthcare related expenses are no longer netted against the patient care lost revenue amount in Step 2."



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Provider Relief Fund


- Lost Revenue
 - Adjustments for operational changes?
 - Appears the answer is NO
- Exclude "retail-like" revenues
 - Pharmacies
 - Durable medical equipment
 - Optical stores



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Provider Relief Fund


- Payment for Uninsured COVID-19 Patients
 - Providers can bill the Provider Relief Fund for treatment of uninsured COVID-19 patients
 - Payments will be paid at Medicare fee schedule rates
 - Covered services:
 - Specimen collection, diagnostic, and antibody testing
 - Testing related visits in the physician's office, urgent care, emergency room, or via telehealth
 - Treatment at Medicare covered locations (including office visits, inpatient and outpatient hospital stays, ambulance transfers, and FDA approved drugs once available)
 - COVID-19 vaccine (when developed)



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Polling Question #3


- In general, what has been the most significant expenditure of your Provider Relief Funds?
 - a. Salaries and benefits (net of those reimbursed by the PPP), specifically related to preventing, preparing for, or responding to Coronavirus
 - b. Other operating expenses specifically related to preventing, preparing for, or responding to Coronavirus
 - c. Coronavirus related construction projects
 - d. Lost revenues
 - e. I do not work for a healthcare facility



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Accounting for Provider Relief Fund


- When received, should be recorded to deferred grant revenue
- When used for expenses or lost revenues, should be recorded as grant revenue
- Revenue should be non-operating (governmental organization)
 - Grant revenue – CARES Act Provider Relief Fund



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Accounting for Provider Relief Fund


- No guidance as to recording as operating or nonoperating revenue (nonprofit organization)
 - DZA recommends recording as operating revenue, to match the classification of qualifying expenses (or lost revenues)
- Statement of Cash Flows
 - Nonprofit organization
 - Operating activity
 - Governmental organization
 - Noncapital OR Capital financing activity
 - Depends on the use of the funds



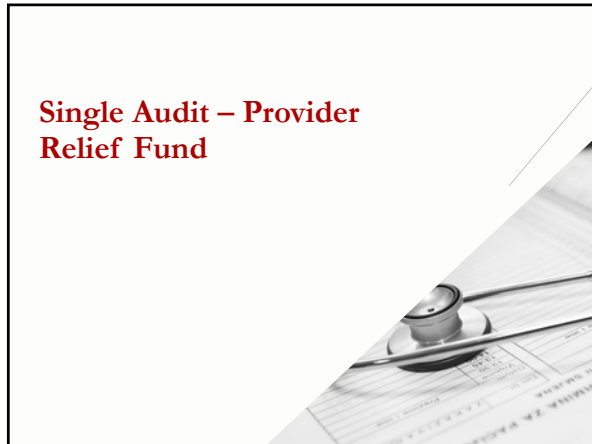
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Accounting for Provider Relief Fund

- Disclosure requirements
 - Description of the Provider Relief Fund payments received, expended, and available to spend
 - For nonprofit organizations, conditional grant disclosure for unspent portion must be disclosed (could be part of disclosure describing the Provider Relief Fund)



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Single Audit – Provider Relief Fund

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What is a single audit?


- 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)
- Audit of compliance requirements of major federal programs
- Opinion on compliance with compliance requirements
- Report on internal control over compliance
 - Findings classified as material weaknesses or significant deficiencies over compliance.
- Done in conjunction with your financial statement audit



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Single audits

- Governmental and nonprofit entities
- \$750,000 or more of federal awards expended (with some exceptions)
 - PPP is an exception
- Includes loans and loan guarantees (USDA, HUD)
- Auditors perform a “Major Program Determination”



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Auditee Responsibilities

- Internal control policies and procedures in compliance with Uniform Guidance requirements
- Compliance with Federal award compliance requirements
- Preparation of Schedule of Expenditure of Federal Awards (SEFA) - (your auditor can help)
 - Keeping track of federal awards
 - Not all come direct from the federal government
 - Indirect awards from state, hospital association, etc. are included on the SEFA



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Major Program Determination

- Programs separated by Part A & B
 - Threshold for Part A generally \$750,000
- Risk assessment process done by auditor
 - Part A not low risk – major program
 - Part A low risk – review Part B programs for high risk
 - High risk Part B audited in place of low risk part A
 - Coverage
 - 20% or 40% of all federal dollars must be audited
 - Depends on low risk auditee status



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Federal Audit Clearinghouse

- Repository for filing Uniform Guidance Single Audits
- Single audits due 9 months after fiscal year end
- For June 30, 2020 FYE and later, no current extension is in place.
- <https://facweb.census.gov/Default.aspx>
- Tip – EIN and DUNS number required for reporting. Make sure you provide these to your auditor.



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Uniform Guidance Compliance Supplement

- Covers specific compliance requirements and suggested audit procedures for most federal programs
- Usually issued in June each year
- Effective for June 30 fiscal year ends and later
- 2020 compliance supplement released on August 14, 2020
 - https://www.whitehouse.gov/wp-content/uploads/2020/08/2020-Compliance-Supplement_FINAL_08.06.20.pdf



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2020 Compliance Supplement

- Expected to be issued in two versions
- Non-COVID-19 funding version – released August 14
 - This was developed prior to COVID-19 pandemic.
- COVID-19 funding addendum – not expected until “Fall 2020”
 - Expected to include COVID-19 Funding
 - CARES Act Provider Relief Fund
 - Other COVID-19 Funding subject to single audit
- AICPA Summary of New COVID Programs and Related Guidance
 - [Access the summary](#)



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General 2020 Single Audit Guidance

- Since COVID-19 funds were released very quickly, many federal agencies are having to develop program and audit policy on the back end
- This will result in significant challenges for 2020 single audits
- Documentation of key decisions by auditees is critical!
- Use best information you have available at the time
 - Terms and conditions
 - FAQs
 - Post-Payment Notice of Reporting Requirements



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AICPA (and DZA) Recommendations

- June 30, 2020 audits (and potentially September 30, 2020 audits)
- Delay single audits until 2020 Compliance Supplement – COVID-19 Addendum, is issued
- Financial statement audits can proceed as normal
 - Make sure your financial statement audit is conducted under Government Auditing Standards
 - Already a requirement for governmental hospitals in most states
 - Not a requirement in California, Colorado, or Texas
 - Not a requirement for nonprofit hospitals, unless single audit already required (pre COVID)



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Polling Question #4

- Has your facility been subject to a single audit prior to the COVID-19 pandemic?
 - a. Yes
 - b. No
 - c. I do not work for a healthcare facility



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CARES Act Provider Relief Fund

- CFDA 93.498 – [beta.sam.gov link](#)
- 2 CFR policy requirements applicable
 - Subpart B, [General Provisions](#)
 - Subpart D, [Post Federal; Award Requirements](#)
 - Subpart E, [Cost Principles](#)
 - Subpart F, [Audit Requirements](#)



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Provider Relief Fund – Compliance Requirements

- Disclaimer – Compliance requirements compiled from beta.sam.gov, Provider Relief Fund FAQs, Provider Relief Fund Terms and Conditions, Post-Payment Notice of Reporting Requirements, Uniform Guidance general compliance supplement (non program specific)
 - 2020 COVID-19 Compliance Supplement Addendum could include additional compliance requirements not covered
 - 2020 COVID-19 Compliance Supplement Addendum could exclude compliance requirements covered



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Provider Relief Fund – Compliance Requirements

- Allowable Activities/Allowable Costs & Cost Principles
 - Eligible expenses:
 - supplies used to provide healthcare services for possible or actual COVID-19 patients;
 - equipment (depreciation only) used to provide healthcare services for possible or actual COVID-19 patients;
 - workforce training;
 - developing and staffing emergency operation centers;
 - reporting COVID-19 test results to federal, state, or local governments;



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Provider Relief Fund – Compliance Requirements


- Allowable Activities/Allowable Costs & Cost Principles
 - Eligible expenses (continued)
 - building or constructing temporary structures to expand capacity for COVID-19 patient care or to provide healthcare services to non-COVID-19 patients in a separate area from where COVID-19 patients are being treated; and
 - acquiring additional resources, including depreciation of facilities and equipment, supplies, healthcare practices, staffing, and technology to expand or preserve care delivery
 - 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
 - No double dipping



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Provider Relief Fund – Compliance Requirements


- Allowable Activities/Allowable Costs & Cost Principles
 - Unallowable costs:
 - Compensation in excess of Executive Level II:
 - 2020 - \$197,300
 - Lobbying activities
 - Abortions
 - Embryo research
 - Gun control
 - Refer to Provider Relief Fund terms and conditions



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Provider Relief Fund – Compliance Requirements


- Cash management
 - Interest earned on Provider Relief Fund considered Provider Relief Fund
 - Apply towards allowable use of funds
 - If unspent, must be returned with balance of unspent funds



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Provider Relief Fund – Compliance Requirements


- Equipment & Real Property Management
 - Title vests with non-federal entity (hospital)
 - Equipment records are maintained (depreciation schedule)
 - Physical inventory of equipment taken every 2 years and reconciled to equipment records.
 - Special rules for disposals – however not likely disposing of equipment or real estate purchased in 2020 with PRF proceeds.
- DZA Analysis – Since only depreciation is allowed, this section may not be considered “direct and material” so may not be audited.



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Provider Relief Fund – Compliance Requirements


- Period of Availability
 - Time period for permitted use of funds
 - Funds to be fully expended by June 30, 2021
- Not likely to be tested until 2021 single audits



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Provider Relief Fund – Compliance Requirements


- Procurement and Suspension and Debarment
 - Procurement procedures are followed in accordance with Uniform Guidance
 - [Link to Procurement Standards](#)
- Suspension & Debarment
 - Contracting with parties who are suspended or debarred is prohibited
 - Verify vendors for contracts exceeding \$25,000
 - <https://www.sam.gov/SAM/pages/public/searchRecords/search.jsf>



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Provider Relief Fund – Compliance Requirements


- Reporting
 - Reporting requirements updated on October 22.
 - Demographic information
 - Expenses Attributable to Coronavirus Not Reimbursed by Other Sources
 - Lost Revenues Attributable to Coronavirus
 - Additional non-financial data
 - Personnel metrics
 - Patient metrics
 - Facility metrics



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Provider Relief Fund – Compliance Requirements


- Reporting
 - Timing
 - First report due February 15, 2021 (covering the period ended December 31, 2020)
 - If all funds expended by December 31, 2020, this is the only report required.
 - Second (and final) report due July 31, 2021 (covering the period ended June 30, 2021)



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Provider Relief Fund – Compliance Requirements


- Special Tests and Provisions
 - No balance billing
 - Out of network providers may seek collection of deductibles, copays, but only up to what the patient would have otherwise been required to pay if the care had been provided by an in-network provider.



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Provider Relief Fund – Compliance Requirements

- Special Tests and Provisions
 - Lost revenues attributable to coronavirus
 - Represented as a negative change in year-over-year actual revenue from patient care related sources
 - Calendar year 2019 compared to calendar year 2020
 - 2020 lost revenue can be applied up to the amount of 2019 actual net patient care revenue
 - Net of Provider Relief Fund reimbursement for expenses attributable to coronavirus
 - No longer net of PRF reimbursement for expenses (11/2/2020)



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Polling Question #5

- How prepared are you for your Provider Relief Fund Single Audit?
 - a. I'm ready, lets get to it
 - b. I'm keeping track of my expenses and lost revenues, and feel confident I will be ready when the compliance supplement is issued
 - c. The uncertainty related to what I can claim for reimbursement under the Provider Relief Fund has delayed my preparedness
 - d. Not prepared at all – please help!
 - e. I do not work for a healthcare facility



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Be Prepared

- Items to have ready for your auditor
 - Listing of all federal and nonfederal COVID related funding recognized/received during fiscal year
 - PPP, Provider Relief Fund, SHIP, other federal grants, state grants, etc.
 - Listing of other federal grants recognized/received (non-COVID)
 - Attestation confirmations for Provider Relief Fund
 - Grant documents for funding listed above
 - Uniform Guidance compliant policies and procedures
 - Procurement
 - Equipment tracking
 - Compensation



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Be Prepared


- Items to have ready for your auditor (continued)
 - Basis used for Provider Relief Fund revenue recognized
 - COVID related expenses tracking sheet
 - Lost revenue calculations
 - Listing of all patients who received COVID related services by patient ID, financial class (for balance billing testing)
 - Gross charge, third party reimbursement, copays/deductibles billed to patient
 - Identification of bank account Provider Relief Fund proceeds were deposited into



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Resources – not COVID specific

- [Single Audit Tools, Practice Aids, and Other Resources for Auditees](#)
- Archived AICPA GAQC event – [Preparing for your First Single Audit: An Auditee Perspective](#)



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Questions?




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