Provider Relief Fund & ARP Rural: What You Need to Know for 2023

Provider Relief Fund reporting requirements and guidance have been relatively stable this past year. That will change in 2023 as American Rescue Plan (ARP) Rural payments are included in the process. In this session, we provide an overview of the Health Resources and Services Administration's revised post-payment notice of reporting requirements along with updated FAQs. With a round of single/program audits under our belt, we'll also take a look at general findings, the process to resolve findings and some compliance tips.

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Here is a transcription of this session:

Sean Morrison: All right. Good morning or good afternoon, everybody, depending on where from the country you're joining us from. Welcome today to our discussion on yet another update for Provider Relief Funds and what you need to know as we move into 2023. My name is Sean Morrison. I am a principal here at CLA and a member of our healthcare team and have been for the last two and a half or so years also been a member of our Provider Relief Fund advisory team providing consulting as well as performing a number of single audits as they relate to the Provider Relief Fund over the past couple of years. I am joined by my colleague Trent Fast. Trent, you want to give yourself a brief introduction as well?

Trent Fast: Sure. Thanks, Sean. As Sean said, my name is Trent Fast. I'm also a principal at CLA. I'm in our National Assurance Technical group and I focus on healthcare as part of that. And similar to Sean, the last two and a half years, the number keeps getting longer and longer, I've spent a lot of time on PRF and I've really been focusing on the audit and the compliance side a fair amount with that. So I'll cover some of that a little bit later in the presentation.

Sean Morrison: All right. Thank you, Trent. Before we get started today, just want to spend a brief moment going over our learning objectives. At the end of the session, the goal here is to be able to recognize the recent changes made to the Provider Relief Fund and ARP Rural reporting requirements, identify the key timelines for Provider Relief Fund and ARP Rural reporting as well as single audit and program audits, as well as finally describing the common audit findings and compliance tips. Now that a lot of organizations have gone through a first round of single audit or program audits, we've gotten a good look at what some of the more common pitfalls are and will be spending some time going over those so your organization can hopefully shore up your controls and compliance areas where necessary to ensure that you're not running into any potential issues during future compliance reporting periods.

Our agenda, very similar to our learning objectives. We're going to start off by going over a higher level review of the Provider Relief Funds. Then we're going to also touch on the American Rescue Plan Rural or ARP Rural funds, which are being reported on for the first time coming up here in this upcoming reporting cycle starting on January 1st. So this is going to be a new component for many, not all, but many healthcare providers that have Provider Relief Fund compliance reporting coming up. And

then we're going to end the program today reviewing those single program and other audits and some of the items that you need to watch out for. As we go through the session today, I do just ask that if you have a question, please don't hesitate to drop it into the Q&A pod. We have reserved some time for the end of this session today to spend time going through those Q&A items.

If past sessions on the Provider Relief Fund are any indication, I expect there to be probably quite a large number of Q&A items showing up there. So I will say that if we don't have a chance to get to your specific question live during today's webinar, we do make sure to go back and review and reach out to everybody afterwards in the next day or so to try and get you answers to those questions. So just because we might not necessarily have time to answer a specific question today, we will be in touch in the next day or so if we don't get a chance to get to it. So with that, I'm going to go over Provider Relief Fund and ARP Rural. As a quick refresher really on, as we get into our next reporting cycle, what we can use to satisfy these grant dollars that they've been used in accordance with their terms and conditions.

Really falling into two separate buckets here. The first being lost revenues. The second being those COVID-19 specific costs. With both of these, you can in theory go back to January of 2020 in order to identify and claim those costs. One thing that we do caution providers about though, if you do go back all the way to January of 2020, is really asking yourself the question of is this lost revenue or expense truly related to COVID? Generally speaking, we haven't seen many providers having a significant amount of COVID impact until maybe late February, early to mid-March of 2020. So if you are claiming costs or lost revenues in January of 2020, just make sure that you're comfortable with your documentation that it is truly COVID related. With lost revenues, you have three options to choose from and how to calculate it. We'll go over this a bit more in the portion that Trent is going to do, but that second option of budget actual is technically an option, but in reality it's not a viable option for the vast majority of providers given some of the rules that surround when you can and cannot use that.

With COVID expenses, once again, you can go back to 2020 and examples of these costs are certain types of personnel costs, supplies, certain construction if it's related to COVID response can be claimed as well, but it must be done during the period of availability.

Anytime we're claiming COVID-19 related expenses, one of the key things that we need to make sure is that we go back to our terms and conditions, which everybody who received funding attested to in order to keep your funding and it is highlighted below here on this slide is that these funds must be used to prevent, prepare for or respond to coronavirus. That's really the overarching question that you need to ask yourself for any type of cost that you're claiming is does it fit into that prevent, prepare for or respond to COVID? Because that's directly from the terms and conditions that were signed with receiving that funding.

One of the changes that came up in the most recent round of updates from HRSA is an updated table of the different periods that we need to be aware of as far as when we received funding and how that impacts when we can use that funding through and the reporting windows that also go along with that funding. So we are going to be or we're currently in period four, which allows you to spend funds received from July 1st of 2021 through December 31st of 2021 through the end of this calendar year. Upcoming, starting on January 1st and ending on March 31st will be the reporting window. So for all of the funds you received in the second half of 2021, you're going to have to report on them coming up here in just about a couple of weeks assuming you hit the reporting threshold of $10,000.

One of the new wrinkles that is coming into this reporting period is that many, although not all, providers also received ARP Rural funds in this period for reporting window. ARP Rural. It's not technically Provider Relief Fund. It was part of a different piece of legislation. Although HRSA is treating the funds very similarly to Provider Relief Funds and you're reporting on them in the same manner you are your more typical Provider Relief Funds. Many providers will also be reporting on their phase four general distributions coming up here in a couple of weeks. Most but not all providers received that funding at the end of calendar year 2021, and there are a few providers out there who still to this day have applications pending for phase four. So that money is still continuing to trickle out a little bit. Most providers received their ARP Rural payments on November 23rd of 2021.

This is something that can help you identify which payments are which. These payments were also based on historical Medicare and Medicaid claims data. So you didn't necessarily apply for this funding, although it was through the phase four application. You just ticked a box saying, I want to be considered, and HRSA would then push out some funding if they deemed you eligible. ARP Rural is a slight misnomer in that you don't necessarily need to be located in a rural area in order to have qualified and received this funding. It was more based on where the residents or patients that you served came from. So if those individuals came from a rural classified CBSA, then they would have theoretically gotten you some of that ARP Rural funding in order to spend on your COVID relief projects.

All right. What are the similarities and what are the differences between ARP Rural and phase four? Because this is quite honestly going to make things a little bit confusing for some providers during the reporting process that we're coming up on here. Phase four is a general distribution. As a general distribution, HRSA does allow you to move it between subsidiaries and parent organizations within a controlled group. This gives providers some flexibility to move funding to certain other providers that may have needed it more to help support their operations. As I mentioned before, it is still being distributed, so it's possible you won't be reporting on your phase four distributions until a little more than a year from now depending on when you received that funding. One of the things that was new with phase four in ARP Rural is a requirement in the terms and conditions that unless you meet certain exceptions, which I would definitely recommend looking at, you were required to keep those funds in an interest bearing account.

When you get to the reporting portion, you'll have to report to HRSA how much interest you earned on those funds, which will then be added to the amount of Provider Relief Funds phase four that you have to report on how you spent. As with prior periods, if you received more than $10,000 in provider relief during this period of time, that's what triggers the reporting requirements. Also, if you received more than 10,000 in dollars in phase four, you must now notify HRSA of any merger or acquisition of any healthcare provider that happened during that reporting time period. So if you had a merger or acquisition related to that entity during that period, you are now going to be required to report that to HRSA. And they have specifically stated that this will increase the likelihood that HRSA audits you themselves as opposed to just potentially an independent CPA doing a single audit or program audit.

When it comes to ARP Rural, this funding must be used by the provider that it's identified to be used for. So when you receive this funding, HRSA would identify who it is for, and you must use it at that entity level. You cannot transfer the funding between entities like you can phase four funding. As I mentioned before, it is not technically PRF, but it's all being reported in the same process. Similarly to phase four, unless you meet certain exemptions, you are required to keep that in an interest bearing accounts until it is spent. Also similarly to phase four, if you received more than 10,000 of ARP Rural

funds, you're required to notify health and human services or HRSA of a merger or acquisition for any healthcare provider that happened during that reporting time period, and it will ,just like phase four, increase the likelihood according to HRSA that you will be audited by them.

All right. Some of the changes that came out in the most recent post-payment notice of reporting requirements, which is just about two months old at this point, are here on this slide. If you haven't read through the post-payment notice of reporting requirements, I do recommend that you go on HRSA's website, download that report and read through it. This is the document that really lays out how the reporting is going to work moving forward until they inevitably change it yet again. Some of the changes that we've already gone over are the new reporting periods that they've added in. Really just extending things out as the program takes longer and longer for them to disperse all the funding. They created the requirements for ARP Rural funds in here, which largely mirror the requirements for general distributions from the Provider Relief Fund. One of the new items in here is that they've indicated that the ability to use lost revenues will end. So this is a new one, and what HRSA is now saying is that you will no longer have the ability to claim loss revenues following the end of the quarter when the public health emergency ends. And there is also new language on net unreimbursed expenses, and we'll go through that in a minute here as well.

All right. Talking a bit more about how HRSA wants you reporting on mergers and acquisitions. And this is one of the areas where things get a little complicated because how you report on mergers and acquisitions is different depending on which funding you're reporting on. So for phases one, two, three or targeted distributions, so targeted distributions being things such as skilled nursing facility infection control payments. So for those payments, you're required to report on mergers and acquisitions or any changes in ownership that occurred during the period of availability. So this is that period of availability that always starts on January 1st of 2020 and ends in staggered six month increments depending on when you received that funding. One of the tables earlier, a couple slides back, lays out what all of those periods of availability are. For phase four and ARP Rural distributions, you're required to report on changes in ownership that occurred during the payment received period.

So if you received the funding in the second half of 2021, for instance. So it's important to make sure that you understand the differences between when you have to report on these mergers and acquisitions as it is different depending on which type of funding you're reporting on. Definitely not the simplest layout for how we're reporting on these items. As I mentioned earlier, lost revenues are going to end at some point in time. It depends on when the public health emergency truly expires. It's currently set to expire on January 11th of 2023. If that holds and it is not extended yet again, that means you would only be able to ever claim identified, calculated lost revenues through the end of Q1 of 2023. You wouldn't be able to claim Q2 of 2023 even if your period of availability ran through that point of time. Similarly, there's a new FAQ that HRSA's put on their website that really just rehashes this point that this ability to use lost revenues is going to be ending. But it does depend on when that public health emergency related to COVID does truly end. It's been extended time and time again at this point, and we don't know yet if it's going to be extended again or if it's finally going to be allowed to expire here in about three or four weeks.

When it comes to reporting on ARP Rural payments, there are also some unique items as it relates to parent and subsidiary information and exactly who is going to be reporting on that funding. In some instances, a parent TIN ... HRSA really uses the TIN or the tax ID number as the identifying characteristic here. In some instances, a parent TIN may have received our payments on behalf of some of its subsidiaries with identifications of which subsidiaries those payments were for. In this case, those

subsidiaries are required to spend the specific amounts attributable to them, but the parents and only the parents can attest and report on those payments. HRSA is not allowing the subsidiaries themselves in this type of instance to report on those payments, but that parent entity that received the funding, even though that parent entity isn't the one that was allowed to spend the funding. What this really results in is just an increased importance on how all of your organizations are tracking the funding that you received, the funding that was meant for that specific entity, and who spent what. When you have different organizations reporting on the same cost base of a specific subsidiary, you might have a subsidiary that has to report on some of its own spending and also a parent entity that has to report on some of its spending.

It's going to be critically important that you track all of that so that should you come under audit, you can show your auditor or HRSA, if they decide to audit you, that you did not double dip in any of the funding. That's one of the overarching really important items to watch out for is ensuring that you're not claiming the same cost more than once, either within Provider Relief Funds or against any other type of state, federal, or local grant program.

A little bit more on this. With general Provider Relief Fund targeted distributions, you may move those among the parents and the subsidiaries, but it must be reported on by the TIN that received the distribution. But once again, with the ARP Rural, if that funding was sent to the parent entity, the parent must send it to the subsidiary TIN that was identified as being the true recipient of those dollars. It cannot send those dollars anywhere else. The subsidiary must use that money, but then the parent has to report on it. So making sure that you have a clear tracking mechanism for all of this is very, very important, especially when it comes to the reporting phase. And then to support your reporting, should you be subjected to one audit type or another.

One of the other items that came out as a result of the newest post-payment notice of reporting requirements is the report itself in the reporting portal is going to look a little bit differently. They're adding additional categories, sections to report on depending on what type of funding you received. So to start off, you're going to have to report to HRSA on the amount of interest earned on PRF prior to phase four, and then interest earned on phase four and ARP Rural payments. Similar to previously, you're going to have to report on that other assistance received. Other assistance received being things such as PPP loans, state and local grant programs. A number of states are running their own programs. A number of states also currently have been pushing out ARPA funding to healthcare providers as well. You have to report on all of this. It's not necessarily going to impact your Provider Relief Fund reporting. It doesn't impact the calculations in this report at all. But what is important is to make sure that you're considering that funding when you're claiming costs or lost revenues against your Provider Relief Funds is you need to be able to show that you're not claiming the same costs or lost revenues against more than one grant.

One thing that's not new, but HRSA added some additional language related to is the reporting of unreimbursed COVID-19 expenses. This is that section of your report where you basically were telling HRSA, these are all the costs that we incurred due to COVID, but we didn't get enough funding either from HRSA or a different grant program to cover. All of that unfunded cost that you have. So the fact that you have to report on this is not new. However, HRSA has added additional language in here that you'll see high ... Not highlighted, but bolded up on the screen. And it seems that HRSA is trying to tell providers that this information, even though it's informational only, it doesn't impact your calculation, it is important that you accurately calculate it and report on it, and they are expecting providers to do so and not just leave that section blank, for instance, which we have seen in some circumstances.

Last item I have here before I turn things over to Trent is HRSA has been allowing providers in certain limited circumstances to request extensions or to report late due to extenuating circumstances. You can find the detailed list of exactly what types of circumstances can qualify you for this if you run into any of them on HRSA's Provider Relief fund website. I do recommend that if you think you're going to have an issue reporting timely that you review this. We're not recommending that providers go this route unless you absolutely, positively have to. Because if you do not report timely and HRSA does not grant your extenuating circumstance, then it could result in HRSA making you return all of the funding that was supposed to have been reported on. So we're really only recommending you go this route unless it's absolutely necessary to do so. With that, I will turn things over to Trent to go over single audit and compliance considerations.

Trent Fast: Thanks, Sean. Yeah. We're going to cover a couple of main focuses here. It's probably a refresher, I would presume for most people at this point. If you've received dollars, you very possibly have been through a single audit at this point. Or if you're a for-profit organization, its counterpart type of audit. But then we also want to cover what we've been seeing so far, what we've been hearing from organizations that we work with, communications from HRSA. We're seeing findings. How's HRSA respond to some of those of things? So let's jump into what, as I said, may be a little bit of a refresher for some. Let's start with just the audit requirement, first of all, from a funding standpoint. So the requirement we're looking at here, excuse me, is a potential, what's referred to as a single audit. The requirements that would trigger that are having expended $750,000 or more in all federal funds or federal awards during an annual period or during your fiscal year.

So you may have, let's say PRF or we're moving to ARP payments received that are below that threshold. But if you have other federal awards that would potentially be subject to a single audit in the aggregate, if they exceed $750,000, then you're very likely subject to a single audit. And there's some unusual circumstances and a timing when it gets to PRF dollars. We'll talk about those a little bit later. From a timing standpoint of when you receive it versus when would you need to consider it for an audit. We'll touch on that. One consideration is that if we're looking at non-federal entities as defined in the compliance supplement is where the guidelines are for this. It's got the types of organizations you see there. So we're looking at not-for-profit organizations, but you'll have state and local governments, higher everyday. It specifically excludes commercial organizations, is what it references, which is really just for-profit organizations. But you're not left out if you are one of those organizations. There's a separate type of audit, potential audit, and we'll touch on that again here in just a moment as well.

One thing to note is that we refer to Provider Relief Funds or refer to PRF a lot. We might talk about the audits and requirements. ARP Rural has been combined with that as part of the receipt of funds that would trigger a potential audit. The compliance supplement is the guidance that's put out that puts all these requirements in there that we're talking about. And that has been updated to reference both Provider Relief Funds and ARP Rural. So there's that assistance listing number that you see there. That doesn't mean a lot to most people, but when it gets into the federal guidelines and the awards, everything's got a number in it from a tracking standpoint. And so those all fall under this. So any requirements, any compliance considerations, things like that will all fall under this from a potential audit standpoint.

So as I mentioned, the single audit, we'll refer to that mainly, it's a little different than a financial statement audit, for example. It really focuses on compliance. So that compliance supplement I've mentioned a couple times. A new one gets issued annually. It's effective 6/30 each year and then goes forward until the next one is released. Within that, there are a number of different potential compliance

requirements identified and each different award. So if you go by that assistance listing number identifies which of those compliance supplements are applicable to that award. So there're really just three as we get to PRF and ARP Rural. They're by the letters that you see there. So we looked at things like activities allowed or unallowed and allowable costs, those two are often looked at together because it's the same concept. Very similar.

What are the dollars used for? And are specific dollars that are expended allowed as we get in there? So if you used expenses as part of qualifying to retain your PRF or ARP payments received, there would be testing on those expenditures. If you used loss revenue for those, that would get tested as well. That really falls under this L, which is reporting compliance area, and that mainly looks at the HHS portal submissions. That's what your dollars that might get audit are based on. So we would look at that reporting. There's just a handful of things we look at in there. How'd you report the expenses, et cetera. And then their lost revenue calculations, if you have some included, they would get audited as part of that as well. So those are the main areas that would get looked at as far as a single audit or the commercial organization audit goes.

For those of you who paid attention to this early on, there was initially some compliance requirements for auditors to test what's referred to as special tests and provisions. Under that, for example, it included the balance billing aspect for PRF. The out of network, out-of-pocket costs. That was pulled out. So as of last year, that was no longer required to be audited as part of a single audit. However, if HHS is reviewing audits, they would very likely look at that or as a part of another process. So just because the independent auditors aren't looking at that doesn't mean that no one's going to be looking at that so keep that in mind as well. Sean referenced the post payment notice, the most recent one. Well, he dove into a little bit more than just referencing, I guess. But part of that discusses the audit requirements that I was talking about. And if you kept up with the dozens of pages of FAQs on PRF from HRSA, there was similar language to this in there as well that just talks about the audit requirements. So the first paragraph as we look here, talks about the single audit.

So that 45 CFR, that's really the requirements that are going to result in those audits that you might have. But then down below that, you see it references commercial organizations. And they really give you two options. You could choose to do an audit that's similar to this single audit that has all the different compliance requirements and the governmental aspect to it, or you could take a different approach and they just refer to a financial audit of the awards as the process for this. So it looks a little different than a single audit, and we're not going to really dive deep into what that means here today. But the concept is similar. If you have this commercial audit, we're going to look at a lot of the same types of compliance considerations. Did you spend the money appropriately? All goes back to that prevent, prepare for, respond to. That continues to be the overarching umbrella as we would say. Let's test your expenses and make sure they're allowed in the process to make sure you can retain those dollars that you received.

If you are an organization that would fall into that commercial audits, if you're a for-profit entity, you're probably aware of a new portal that has made available to use. Prior to the release of this commercial audit portal, the requirement was to email the completed audit to a HRSA email address. I think it was prfaudit@hrsa.gov. So that was a previous requirement to do. When this portal was opened up, HRSA said that it's highly encouraged to utilize it, but at this point it's not required. It's possible it would be required at some point in the future. If you're a not-for-profit organization, you have a single audit performed, and then there's this federal audit clearinghouse that all the single audits are required to be submitted to. This portal looks a lot like that. So if you want to take that route, you certainly can.

As I said, at some point it may be required. We just don't know that. If you do that, there's a couple things to keep in mind. Accessing it is the same as, excuse me, accessing the submission portal. So you're going to use the same logins for that. The auditors are allowed to utilize this and assist with the completion of it, and you'd have to provide access to them or really allow them to have a login for it.

A word of caution though, as independent auditors, there are certain services that an auditor can and can't perform. There's kind of this line for independence. If you get into what we consider more management type services or even there's new language about augmentation. If we're acting as kind of a staff accountant or something like that for an organization that we need to be in independent of, that would be prohibited. So use caution whether you're an organization, whether you're a provider or you're an auditor who's performing these audits, keep that in mind as you're going through this. We just want to make sure that we're not impairing independence by providing assistance with this. Not-for-profit entities, you're still using that federal audit clearinghouse. The submission, you don't utilize this at all and touch into it.

Again, just a refresher background of the audit requirements and some of the considerations there. We are starting to see ... Well, there've been a lot of audits performed. So we are seeing findings at CLA as we perform audits. We have the ability ... All firms, all organizations, you have the ability to go out and look at other submitted audits, other single audits that were submitted. You can go look at it under the PRF program under that assistance listing number. And you can look through and see what are we seeing out there for findings from just the audit standpoint. Some of the types of findings we're seeing, with a single audit, you have a couple different pieces of it. There's the actual expenditures. Are you spending the dollars right? There's the compliance. But then there's also this aspect of what are your controls over that compliance.

So you spent the dollars that fall under the allowable requirements. You have controls over it to make sure that they're being reviewed and approved before that goes through. We're required to evaluate both of those. So we're seeing some compliance findings as we look at that, some things like that. But when we get to really the detail things, unallowable costs is one of the things that we see popping up fairly regularly. You might run into things like there's costs claimed and the costs look like they'd be allowable. They seem unreasonable. There's no supporting documentation for it. Or organizations may say, "Hey, we're going to try to do some types of allocations." Not that that alone is a problem, but you have to have some good support for why are we doing what we did and what's the documentation that supports that. Do we have specific time that was spent, specific reasons that time was spent that we're allocating or assigning costs to it.

We're seeing incorrect amounts. Dollars are claimed and maybe the amount that's calculated for it is not correct. Or sometimes dollars are just put in wrong. There's even a simple keying error. We'll see things like that. Double counting of expenses is something that pops up. I don't know that we've personally seen it a lot. But you think the double dipping idea. We have payroll costs that we want to claim under PRF. Well, it was covered under a PPP loan, so that would be a double dipping. So that pops up here and there.

We'll see things like in the reporting portal, for example, just errors that are in there. Sometimes very unusual circumstances where someone had all these expenses or lost revenue and they put it on the wrong lines. They put it between expenses and lost revenue. I'm not quite sure how that can happen sometimes, but they're just mistakes that happen. So things like that are popping up. So when that happens, you're going to see in the audit, there's a finding and it's identified and discussed what the

issue was, how's management been respond to that. Probably the most significant consideration findings is when they result in a questioned cost. So if we look from an audit standpoint and there's costs that are claimed, but they don't have adequate documentation or don't actually apply, that prevent, prepare for, and respond to umbrella can feel like it's rather large and leaves it open.

But there are also specific things that are really not allowed based on all those FAQs. So if there's expenses that really don't have support or they really shouldn't be allowed to begin with, they probably result in a questioned cost. And those are the kind of things that HHS is going to look at when they're reviewing these audits. Sean mentioned the three different options for lost revenue. Early on, periods one and two especially, it was not uncommon to see option two selected. Well, the challenge with option two is that the budget had to have been claimed by late March of 2020. So the early quarters might have been fine, but the later quarters, there was no approved budget. So that would be a finding that had to be reported because you put lost revenue based on an unapproved budget. Going forwards, I'm hoping that no one's choosing option two anymore because budgets at this point not ... I can't imagine even were approved at that point, unless it's some unusual circumstances.

But another consideration is just really what's the overall terms and conditions and compliance with that. I mentioned the balance billing aspect of it. From PRF, we don't have to audit that, but if you get into, let's say COVID uninsured, it's a different program so potentially a little bit different from an audit standpoint. But those are the kind of things that we'd be looking at there as well. And we're seeing findings in those periodically as well. So across the country, across the industry, I think there's a lot of consistency in the type of errors that are made out there. And unfortunately, especially when we get to period one and period two, which would've been funds received in 2020, a lot of confusion, a lot of misunderstanding. So hopefully as we got into periods three, period four, now we're into periods five and six reporting, or coming up at least, hopefully some of those will be alleviated as well, which will make it a lot of easier on the back end when HRSA comes in and takes a look at those.

Just a couple reminders, as I said, that can help eliminate some of those findings. Really, the balance billing piece is the consideration there. As I said, even if the auditors aren't looking at that from a required standpoint, very likely HHS will look at those at some point in the future. Right now we're seeing responses to audits out there, but we're just not necessarily sure where they're going to go and when. So when will they start pulling more organizations and what'll be the rationale behind that? So keep that in mind. The questions to ask as you look at your organization is, what do we have in place to make sure that we are in compliance? If you don't have something, and again, we're down the road a little ways, but you can still take a look at that. If you're in a situation where you were out of compliance one of other thing that HRSA wants to know is what did you do to fix that? So have you added controls and policies to make sure that you've covered that at this point?

So there's findings out there, like I said, and we are starting to see HRSA respond to audits that have been submitted that have findings, and particularly if there have been questioned costs related to those. On the right side you see HRSA's resolution process. Some of the requirements that they will need to do. One of the things that we're running into is as they start to ask questions and run into scenarios, they have issued additional guidance out there. I might as well jump to here quick because they've issued a couple FAQs on what are the responses, what is an organization's opportunities when you have findings. One of them that they, they've identified, Sean talked about the ability to potentially reopen reports and update. I think those opportunities seem like they're getting less and less. But even if that's an option for an organization, if an audit was performed on a submission that was incorrect, so

there's a finding on it, even if you're able to go in there and fix it, you're not going to eliminate the finding that you had for it because that's how it was submitted, that's what was audited.

Fixing it is really just the resolution of that finding. So you're really not going to have an opportunity to modify that. Another FAQ that HRSA's put out relates to an organization that had what we'd refer to as questioned costs from a findings standpoint, but really unallowable costs. So you had expenditures that were made that were determined to not be allowable. One thing that HRSA specifically said is that if you have that situation, but you have unapplied lost revenue, you have the ability to apply that lost revenue in future periods and future reporting to those unallowable costs. So we have expenses that we shouldn't have claimed.

We can look at and say, okay, we got lost revenue, we're fine. But they also want some specific communication identifying that you're doing that and so then you won't double dip again. That lost revenue then would be ... The unapplied is going to be reduced by those. So making sure that that's accounted for well. They've put out some guidance on that and if someone's in that situation, we can help you walk through that piece of it too. One other thing that we've experienced recently with organizations that we've audited is that if an organization submitted expenses, they claimed costs that were determined to not be allowable, HRSA said, "Okay, fine. What do you have for allowable expenses?" And they've actually allowed organizations to identify replacement expenses, so to speak. They have a process for that though, and we haven't seen it every time.

We've seen it a couple specific situations. So if you're in that spot, certainly ask that question. Sean talked about the unreimbursed expenses section, and that's maybe even a potential area to say, we have costs, they were allowable, but we didn't have the distributions to cover those, but we're reporting them anyway because we're asked to. So keep that in mind that there may be potential there that if you have extra expenses to replace some of those that weren't in there, maybe an option to go with. One thing to note as you claim expenses, that we have to be careful so that whatever we submit for expenses for that dollar amount on the report, we need to actually have a schedule that ties to that. So we can't just throw a number out there and say, "Hey, we have lots of expenses. They see that. We're good. HRSA wants to know that no, we have a list that ties to that and takes care of it.

All right. Let's just jump the timing just a little bit. This is a schedule from the compliance supplement that I referred to a number of times. The schedule Sean looked at earlier had everything but the far right column and that far right column makes this even more confusing. So unfortunately it's not our table, it's through the compliance supplement and put together by HRSA so they can get the credit for the confusion on this. But really what we're doing is looking at the periods in which distributions are received, the period availability, when it's reported on is still there. But then how do we apply the single audit or the potential audit requirement on those as well? The next slide lays out a little bit differently, so I'll jump to that in a second here too. But really the timing of when PRF and now ARP payments would be included in a single audit or would be on that SEFA that's referred to there, that's the schedule of expenditures of federal awards. That's really what gets audited if you have a single audit. It's based on when the availability to use those funds ends. So let's say we look at period four on the bottom there. These were dollars that were received in the second half of 2021, but they were available to be used until December 31st, 2022.

So you wouldn't include them on any kind of single audit until you had a year end that would get to December 30, '22 and following. Okay. So the timing on that's a little bit weird because we might be including something for an audit that you received 18 months ago. But where it gets a little more

confusing is that other federal awards are based on your annual year, your fiscal year end. So you expended non PRF awards, let's say in calendar '22, but you're using PRF awards that you received in '21 potentially. So you have this weird overlap in there. So I include that not only just to understand that there's a difference, but you need to be careful as we're calculating, are we over 750,000 that threshold that might trigger a single audit or not? Again, if you have questions on that, talk to your auditors. If you don't have auditors, you can get a financial statement, certainly send it to us.

We're glad to help with that. But can we identify that appropriately so we're getting the right dollars in the right period. A little bit easier way to look at it, at least that was the intent here, is that we've laid a handful of fiscal year ends there, and which period gets included depending on what your fiscal year end is. So if you have a fiscal year end of June 30 '22 to December 30th '22, you use periods two and three. Once you get to 12/31/22, it moves forward so your periods three and four. So those periods are six months so there's this rolling look at those in there.

One thing you might notice in the middle block, for example, it cuts off at June 29th, 2023. The reason for that is that compliance supplement I mentioned, which lays out all the guidance of what are you supposed to do for audits, all the regulations, that comes out annually, and that's effective as of June 30th every year and then is effective till June 29th of the following year. So those dollars up through June 29 of this year are still using the 2022 compliance supplement. There are drafts out there for all the different programs for the 2023 compliance supplement already. So ideally that's going to be issued in spring, sometime spring, maybe late Q1 into Q2. We don't expect to have any significant changes or maybe even any changes in the audit requirements. Like I said, ARP Rural is already included in there with PRF, so those are already subject to the same type of rules and reporting and testing. So we wouldn't expect any major changes there.

Then just a couple more things I'll touch on so we leave at least a few minutes for maybe some question responses. What are we seeing for audits out there right now? I mentioned now that HRSA has reached out to different providers based on the audits that were submitted we have a limited timeframe. So it's possible you'll get questions and not hear from them for a little while after you submit information and suddenly they want to get it closed down. We've unfortunately seen that a little bit recently. They want to get things done by Christmas and it's kind of pushing it. So we've seen some of those. But there are other audits out there too. Not just the providers and not just HHS for that matter. HHS for example, the OIG, the Office of the Inspector General, is the overall piece, but HHS has that component as well.

They're actually auditing how HRSA administered the program. So they're looking at a lot of different things there. They're looking at provider compliance, like I mentioned. That's where you're going to see the balance billing piece looked at more. Looking at the different phase distributions to this point. It gets kind of weird because as we talked about, phases and periods, they don't line up. So they're really looking at it from the phases standpoint, because that's where a lot of the requirements changed from a reporting usage, things like that. The PRAC refers to project rental assistance contracts. So we're looking at more housing, so we're seeing some activity there as well. And then we're seeing other organizations get in involved as well. The GAO, the Government Accounting Office. If you get to situations where there's fraud and abuse, you're going to jump up to a whole different level when you get to that point as well.

I guess just lastly, what do we need to do to be ready not only for audits, but even you think about your continued submissions. Make sure we understand the federal award requirements. So in two

and a half years we've had a lot of FAQs and a lot of guidance, so hopefully we're feeling a little bit better about that from a PRF standpoint. But if we're looking at a single audit, like I said, it may be PRF and other awards. Make sure you understand all the pieces that are in there. If you think there's an issue there, reach out to your auditors, to the agency involved, whoever it might be. If you can rectify that on the front end, that's obviously a lot better. Retain all your data. Like I said, HRSA wants to see a ... And auditors want to see as well, if you claimed a million dollars of expenses that were covered by prevent, prepare for, and respond to, we're going to want to see a schedule that shows the detail for those million dollars of expenses, because that has to be tested and verified.

So make sure you have your documentation. If there's approvals, reviews, controls in place, make sure you see all those things. As you look at your revenue, your lost revenue calculations, make sure you're including, excluding things appropriately. If you're using option three, which it's not a free for all, but there's a lot more opportunity there, make sure you're documenting well what you're including and why you're including it, and have a good narrative of your process with it as well. If you get questions on your audits, for example, in responses to findings from HRSA, your auditor can certainly help you understand that. Maybe give some guidance on what are they asking or even help to clarify something with HRSA. If you start getting questions from organizations or agencies such as the DOJ or OIG, definitely seek legal counsel before you start responding to those. You want to make sure you're not responding in a way that you really don't understand what they're asking for and can result in more trouble than not potentially.

So that's, I guess, little bit of a high level review and what we're seeing out there and some things to watch for. Go ahead, Sean.

Sean Morrison: All right. We have many, many, many questions that have been entered in. We'll try and go through some of the more common ones and some of the questions that are applicable to a large number of organizations. But as I said when we were kicking things off about an hour ago, just because we don't get to your question right now doesn't mean we won't. We will be spending some time over the next couple of days reaching out to anybody who did ask a question. So bear with us if we don't have a chance to get to you in the next four or five minutes here.

One of the more common questions that we've seen in here, and Trent covered it a bit in his last section, relates to when funds go on your SEFA and how that relates to when you receive the funds versus when you expend the funds. Now, a SEFA is called SEFA because it's the schedule of expenditure of federal awards and federal awards typically go in when they are expended or spent. Provider Relief Fund dollars are, as far as I'm aware, the only federal program where that is not true. It does not matter when you expend the funds as far as when it is included in your SEFA. It matters when you received the funds and how it matches up with the schedule here that Trent went over earlier. So it depends entirely on when you received the funding as far as when it goes in your SEFA and when you potentially are subjected to a single audit over those funds.

Trent Fast: Can I tough on the-

Sean Morrison: It leads to a lot of ... Oh, go ahead, Trent.

Trent Fast: If you want to finish the thought, go for it. But I was going to touch on some of the timing in there. Because there was a couple questions on there about how do the periods line up and might you have to report on a period twice, something like that. There's really two pieces to it. Like Sean said, it's about when you received the funds, that period. But the second piece is what's your fiscal year

end? So those periods shift between an entity's reporting period. You include different ones. But you only include them once. So for example, the simple way I like to think of it, if you're a December 31st year end, you'll have periods one and two will be together, and periods three and four will be together and five and six will be together. So it's only one time for each period, but it just rotates depending on what your year end is.

Sean Morrison: And one of the quirks that results from this is that generally speaking, assuming that from a gap accounting perspective, you were able to recognize those grant dollars when you received them, then you could very easily find yourself in a situation where your SEFA does not match your income statement or your statements of activities. You could very easily find yourself in a situation where those two do not agree because you recognized the Provider Relief Fund dollars, let's say last year from a gap perspective, but now they're included in your SEFA the following year, which is going to be the case for a lot of organizations.

With regards to the interest bearing account as probably the most frequent question that I've seen that we've gotten in here so far. And the question is many versions of it, but a lot of them are related to either what are the exceptions to needing to keep it in an interest bearing account, and what about a situation where I am applying the funds received against costs or lost revenues that were incurred before I got the money.

And if you look at the actual ... Well, if you look at the terms and condition sheet, which is available on HRSA's website, it references a specific federal law and if you go and read the text of that law, it relates specifically to advanced payments. So when you receive funds in advance of expending them. So the first thing you're going to need to do is to assess whether or not you received the funding before or after maybe a combination of when you expended those dollars. The exceptions to when you have to adhere to this, there's four of them, but the two that probably apply to more frequently for providers are if the organization received less than $120,000 in federal awards during the year, or if you're not expecting to earn interest in excess of $500. There are a couple others as well so I definitely recommend you go and read the text of that and then come to an assessment, talk to your auditor, talk to your advisors, legal counsel if you have any questions, and they can hopefully try and help you interpret that.

I know we're a minute over time here and there are many, many, many questions that we have not gotten to yet. We will get to you. I do to just thank everybody for attending here. If you have any questions, you'll have the opportunity to request that we reach out to you and we will reach out to anybody who has submitted a question that we haven't responded to here. And I just want to say thank you and have a great rest of your day and great holiday season.

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