

COVID-19 and Health Center Boards

FOCUS AREA: UNDERSTANDING THE IMPACT OF COVID-19 ON THE HEALTH CENTER

Audit Considerations Related to the COVID-19 Pandemic

BACKGROUND

On March 11, 2020, the World Health Organization designated the SARS-Co-V-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Many businesses were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure or limitations on certain businesses. Health centers were affected as well as many were forced to shut down their dental departments, reduce or discontinue selective preventative medical services, and make other arrangements for some services such as offering telehealth in place of a face-to-face visit.

The health center grant requires that grantees receive a financial statement audit annually. In accordance with the Uniform Guidance issued by the Office of Management and Budget, if a health center expends more than \$750,000 annually of federal grant funds, they are subject to the audit requirements described in the Uniform Guidance.

The board's role in the audit is to: select the auditor, who must perform the audit in compliance with Federal requirements; review the audit; ask questions of the auditor; and approve the audit. If there are findings or material weakness, the board is responsible for ensuring that the CEO and staff develop and implement a corrective action plan.

Although many deadlines were extended, the annual audit still needs to be completed, therefore, many changes were necessary to comply with health requirements while maintaining audit integrity. ***This short article summarizes key pandemic-***

related considerations for health centers boards related to audits. Additionally, this resource contains a list of discussion questions for boards at the end of the document.

Items to Consider

Various considerations for boards are listed below:

- **Ensure awareness of the shift to remote audit procedures**—One of the big changes that occurred during the pandemic was the transition to remote-based auditing. Traditionally, the auditor schedules audit fieldwork where staff from the audit firm visit the health center to perform audit procedures. Social distancing requirements and travel restrictions required auditors to take a different approach as video conference calls and PDF documents replaced face to face meetings and original invoices. It is important that the switch to remote auditing not

reduce audit quality. Audit personnel and health center management must work together to help ensure that the audit can be performed appropriately. It is acceptable for board members to request a meeting with the lead auditor (audit partner or engagement executive, etc.) during audit planning to address any remote audit concerns and to discuss the plan to maintain audit quality during this pandemic. Boards can also ask questions about what to expect when they have virtual closed session meeting with the auditor.

- **Ensure continued focus on financial complexity and grants compliance given the impact on audits**—It wasn't long after the pandemic began that Congress acted to try and mitigate the operating losses that were occurring in many businesses. The Paycheck Protection Program (PPP) was first established in early April

2020 as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act. The legislation authorized the United States Treasury to use the Small Business Administration's (SBA) small business lending program to fund loans that businesses could spend to cover payroll, mortgage interest, rent, and utilities. Also included in the CARES Act was the establishment of the Provider Relief Fund (PRF) to give health care providers financial relief during the pandemic. The American Rescue Plan Act (ARPA) of April 2021 will also result in significant investment in health centers.¹ There were also many other stimulus dollars that were provided to assist health centers including state and local funding as well as private dollars that were donated.

Each of these funding streams, as well as other grant monies, must be tracked in the health center's financial records. Many of these stimulus dollars have different requirements for spending or reporting and it is easy to get lost in the many rules and regulations. Health center finance departments are familiar with tracking grant funds as the health center grant that health centers have received for years requires that each expenditure that is charged to the health center grant be tracked in the general ledger. However, when grant funds increased, especially grants from multiple sources, it has become increasingly more difficult to keep everything separate. Grant rules require that each expenditure can only be charged to one funding

source. If an expenditure is charged to more than one funding source, it generally is referred to as "double dipping". Not only can this get a grantee into difficulty with regulators or auditors, it may also require grant funds to be paid back to the granting agency. This can also lead to accusations of fraud for the health center. Such fraud accusations could carry serious far-reaching implications.

It is especially difficult to adequately track these funds when many of the rules and regulations have changed from the time that the monies were received. For example, the Provider Relief Funds (PRF) rules have continued to evolve from the original guidance that was issued in June. Many rounds of updated guidance have been issued and the Department of Health and Human Services (HHS) has also tracked Frequently Asked Questions (FAQs) that have been received. The answers and guidance to those FAQs have been released on HHS website periodically throughout the pandemic. Some guidance has been issued and then repealed, some FAQs appear to contradict themselves and health center finance departments and financial statement auditors are left to interpret the rules to the best of their ability.

The complexity of these COVID-19 stimulus funds adds an additional layer of intricacy for health center finance departments. Staff leadership will need to ensure proper documentation of grant

fund to ensure the health center operates in compliance with grant regulations. If not, it is possible that funds received from the PPP or the PRF program may have to be repaid. It is likely that the Office of Inspector General (OIG) will audit compliance with these stimulus programs and may require repayment where compliance was deficient. It is important for health center finance departments to double down on their compliance programs to help ensure that funds were spent correctly and that the record keeping can stand up to audit. It is also important for boards to have awareness of and exercise oversight of grants compliance related to such funding. Boards can encourage CEOs to assess whether additional staff support, or expertise is needed on their finance teams at this time. For more information on the board's role related to grants compliance, please see "[Grants Compliance During the COVID-19 Pandemic: Considerations for Health Center Boards.](#)"

- **Ensure awareness of audit-related risks**—Every audit has an overall level of risk associated with the audit. This pandemic with its stimulus dollars, auditors auditing remotely and even some health center employees working remotely increases the level of audit risk. It is important that audit risk be reduced to an acceptable level (meaning the risk that a material misstatement exists in the financial statements is remote). Board members may inquire of management or the auditors about

1 <https://bphc.hrsa.gov/program-opportunities/american-rescue-plan>

any concerns with non-compliance and what procedures are being performed to help reduce the likelihood of future compliance problems. With everyone working together, health centers can strengthen their compliance programs and be ready for audit scrutiny now and into the future.

- **Be aware of different types of “audits”**—It is important to remember that a financial statement audit is not the same as a program audit that a regulatory body (e.g., U.S. Department of Health and Human Services, Office of Inspector General, Health Resources and Services Administration, etc.) might conduct to audit the compliance of a particular Federal program. The financial statement audit conducts limited procedures related to grant compliance and a program audit typically dives much deeper into the details. So, it is possible to get a passing grade from your financial statement auditors and still have compliance issues with a particular grant.

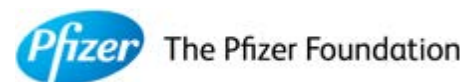
Discussion Questions

Below are questions that board members or Audit Committee members may wish to ask at board or committee meetings.

- What plans are in place for the audit? How might the Audit Committee (or equivalent) prepare the full board for pandemic-related changes in the auditing processes?
- What additional or modified board oversight may be needed?
- What additional resources may be needed or redirected within the organization to ensure the integrity of the financials system and its reporting?
- What best practices should we consider to strengthen our financial compliance?
- Is the board continuing to provide oversight of grant funding received throughout the pandemic that will impact the process?
- What audit-related risks does the board need to discuss and/or consider?
- When will results from the audit be shared with the board and in what format? When will the auditor meet in Executive Session with the board?

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For additional resources from NACHC related to COVID-19, please visit <https://www.healthcenterinfo.org/priority-topics/covid-19/> and <http://www.nachc.org/coronavirus/>. Please contact Emily Heard, Director of Health Center Governance at NACHC, with questions (trainings@nachc.com).