

Funding Updates & Opportunities



May 4, 2021



Introduction to Our Panelists



Michael Kessler, CPA, CGMA
Partner
mike.kessler@actcpas.com



Brandon Harlan, CPA
Partner
brandon.harlan@actcpas.com



Jennifer Cidila, CPA
Partner
jennifer.cidila@actcpas.com

Questions & Answers • Q&A function in Webex ►►
• Or email questions to our panelists



Session Overview

- Funding Update (Provider Relief Funds (PRF) & Act 24 Funds (Act 24))
- Employee Retention Credit (ERC)
- Payroll Protection Program 2.0 (PPP2)
- Uniform Guidance Audit Update (UG)
- Questions



Disclaimers

- The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting or tax advice, or opinion provided by Arnett Carbis Toothman LLP to the user.
- The user should contact his or her Arnett Carbis Toothman LLP representative prior to taking any action based upon the information provided in this presentation.
- Arnett Carbis Toothman LLP assumes no obligation to inform the user of any changes or other factors that could affect the information contained herein.



**Funding Update
Provider Relief Funds & Act 24 Funds**



Funding Update Overview

- Provider Relief Funds (PRF)
 - Where we started
 - Frequently Asked Questions
 - Reporting Requirements and Auditing
 - Portal Status
- Act 24 Funds
- Potential Additional Funding Opportunities
 - American Rescue Plan Act
 - American Jobs Plan Act



Where We Started

“And so this week, we will be putting out another \$30 billion, which are grants. This is going to be based on Medicare revenue. There are no strings attached. So the healthcare providers that are receiving these dollars can essentially spend that in any way that they see fit.”

- Seema Verma, April 7, 2020



Where We Started

DISTRIBUTION	AMOUNT	METHODOLOGY	DATE
Phase 1	\$30 Billion	Medicare Revenues	April 10, 2020
Phase 1	\$20 Billion	Total Revenues	April 24, 2020
Rural Distribution*	\$10 Billion	Location/Operating Expenses	May 6, 2020
High Impact Distribution*	\$12 Billion	COVID-19 Admissions	May 7, 2020
Allocation for SNFs*	\$4.9 Billion	Bed Count	May 22, 2020
Allocation for Tribal Facilities*	\$500 Million	Operating Expenses	May 29, 2020
Phase 2	\$15 Billion	Total Revenues	June 9, 2020
Safety Net Distribution*	\$10 Billion	DSH%, UCC/Bed Profit Margin	June 9, 2020
Second High Impact Distribution*	\$10 Billion	COVID-19 Admissions	July 17, 2020
Children's Hospitals*	\$1.4 Billion	Beds & DSG% or Net Revenue	August 14, 2020
Allocation for SNFs*	\$2.5 Billion	Bed Count	August 27, 2020
Phase 3	\$20 Billion	Based on Need	Various
Allocation for SNFs / IC*	\$2.0 Billion	Incentive Based	Various (Oct 2020 – Dec 2020)

*Targeted Distribution



Frequently Asked Questions

Frequently Asked Questions (FAQ's)

- Populating began shortly after Phase 1 was distributed
- Updated sporadically
- Currently at 60 pages
- FAQs consist of the following topics:
 - PRF General Information
 - General Distribution
 - Targeted Distributions



Reporting Requirements & Auditing

Three Major Releases

- September 19, 2020
- October 22, 2020
- January 15, 2021

September 19, 2020

- Defined lost revenues “as a negative change in year-over-year net operating income from patient care related sources”
- Defined expenses as “the actual healthcare related expenses incurred over and above what has been reimbursed by other sources”
- Established June 30, 2021, as the end point for using funds
- Largely threw the industry into a tail-spin



The screenshot shows the HHS.gov website with a search bar at the top. Below the search bar, there are navigation links for "About HHS", "Programs & Services", "Grants & Contracts", and "Laws & Regulations". The main content area features a large banner for "CORONAVIRUS STOPS WITH ME" with the text "Take steps to care for yourself and help protect others in your home and community." and a "Learn More" button. To the right of the banner is a graphic with three icons: two people with a double-headed arrow and "6 ft" between them, a yellow face mask, and hands being washed with water droplets. Below the icons is the hashtag "#COVIDStopsWithMe". Below the banner, there is a section titled "Coronavirus (COVID-19)" with four sub-sections: "Volunteer for a COVID-19 Clinical Study", "HHS Coronavirus Response", "Explaining Operation Warp Speed", and "COVID-19 Community-Based Testing Sites".



Reporting Requirements & Auditing

October 22, 2020

- Defined lost revenues as a negative change in year-over-year revenue from patient care related sources”
- Defined expenses as “the actual healthcare related expenses incurred over and above what has been reimbursed by other sources”
- Retained the “Expenses First” methodology from prior release
- Supplemented by Policy Decision Memo <https://www.hhs.gov/sites/default/files/post-payment-notice-of-reporting-requirements-october-2020.pdf?language=en>

The screenshot shows the HHS.gov website. At the top, there is a search bar with the text "I'm looking for..." and a magnifying glass icon. To the right of the search bar is the text "U.S. Department of Health & Human Services" and "A-Z Index". Below the search bar is a navigation menu with links for "About HHS", "Programs & Services", "Grants & Contracts", and "Laws & Regulations". The main content area features a large banner for "CORONAVIRUS STOPS WITH ME". The banner includes the text "Take steps to care for yourself and help protect others in your home and community." and a "Learn More" button. To the right of the banner are three circular icons: one showing two people with a double-headed arrow and "6 ft" below it, one showing a yellow face mask, and one showing hands being washed with water droplets. Below the icons is the hashtag "#COVIDStopsWithMe". Below the banner is a section titled "Coronavirus (COVID-19)" with a grid of four content cards: "Volunteer for a COVID-19 Clinical Study" (with an image of a person using a smartphone), "HHS Coronavirus Response" (with an image of a red coronavirus particle), "Explaining Operation Warp Speed" (with an image of laboratory equipment), and "COVID-19 Community-Based Testing Sites" (with an image of a person in a car being tested).



Reporting Requirements & Auditing

- **January 15, 2021**
- Defined lost revenues as one of the following:
 - The difference between 2019 and 2020 actual patient care revenue
 - The difference between 2020 budgeted and 2020 actual patient care revenue
 - Calculated by any reasonable method of estimating revenue
- Retained the “Expenses First” methodology
- Budget must have been established and approved prior to March 27, 2020
- If other reasonable methodology is to be used, certain hurdles exist:
 - Documentation and explanation
 - Approval from HRSA
 - Increased likelihood of HRSA audit

The screenshot shows the HHS.gov website. At the top, there is a search bar with the text "I'm looking for..." and a magnifying glass icon. To the right of the search bar is the text "U.S. Department of Health & Human Services" and "A-Z Index". Below the search bar is a navigation menu with links for "About HHS", "Programs & Services", "Grants & Contracts", and "Laws & Regulations". The main content area features a large banner for "CORONAVIRUS STOPS WITH ME". The banner includes the text "Take steps to care for yourself and help protect others in your home and community." and a "Learn More" button. To the right of the banner are three circular icons: one showing two people with a double-headed arrow and "6 ft" below it, one showing a yellow face mask, and one showing hands being washed with water droplets. Below the icons is the hashtag "#COVIDStopsWithMe". Below the banner is a section titled "Coronavirus (COVID-19)" with a grid of four article thumbnails: "Volunteer for a COVID-19 Clinical Study", "HHS Coronavirus Response", "Explaining Operation Warp Speed", and "COVID-19 Community-Based Testing Sites".



Reporting Requirements & Auditing

January 15th release listed the following additional data elements that will be collected (quarterly basis):

- Personnel Metrics - by category (FT, PT, contract, other) hires, rehires, separation
- Patient Metrics - visits, admits, residents
- Facility Metrics - available staffed beds for M/S, CC and other
- Change in Ownership
- Other Assistance received
- Demographic data: TIN, NPI, fiscal year end, federal tax classification reporting entity type
- Interest earned on PRF funds



Portal Status

- HHS Portal was set to open on January 15, 2021
- Reporting through December 31, 2020, was to be completed by February 15, 2021
- Current Status
 - HHS Portal did open on January 15, 2021
- Only open to register and complete credentials
- Reporting requirement due date of February 15, 2021, has been delayed
- Uncertainty surrounding a number of reporting requirements
- Infection control will have separate reporting requirements



Act 24 Funds

- Cost reporting forms were to be completed and filed by December 31, 2020
- Separate cost reporting forms were to be completed and submitted by each provider type receiving a funding payment from the state
- The Consolidated Appropriations Act (CAA) was signed into law on December 27, 2020, extended the spend deadline for states utilization of funds
- Will these cost reporting forms be audited?
- Current status



Employee Retention Credit



Links: Important Resources

- ACT COVID-19 Resource Center
<https://www.actcpas.com/knowledge/covid-19-resource-center>
- Other Resources
<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
<https://www.irs.gov/coronavirus/employee-retention-credit>
<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>



ACT Approach

- **ERC provides an incredible opportunity for clients in need**
- Payroll Tax Credit
- Easy to Claim Credit - Form 941
- Calculating can be complicated
 - Determining qualification
 - Determining qualified wages
- Verification is on the back end
- Document, Document, Document!



Examples of the Opportunity

Example of Assistance Available

	2020		2021	
Employees	<100	>100	<500	>500
10	\$50k		\$280k	
50	\$250k		\$1,400k	
90	\$450k		\$2,520k	
200		0	\$5,600k	
400		0	\$11,200k	
600		0		0



Employee Retention Credit

- Credit available for 2020 and 2021
 - March 12, 2020, through December 31, 2021
 - Credit qualification and calculations differences between the years
- Can be used if you received PPP/PPP2 funds
- Not available if claim the 45S Credit
- Available for non-profits



ERC Qualification

Foundation

- Fully or Partially Shutdown or
 - Government ordered
 - Partial shutdown includes direct limits on ability to operate
 - Does not include indirect impact on business operations
- Reduction in Gross Receipts - Quarter over 2019 same Quarter
 - 2020 - Gross Receipts > 50% decline
 - 2021 - Gross Receipts > 20% decline
 - Gross Receipts measured by normal accounting method



ERC Qualification

Fully or Partially Shutdown or

- Government ordered
 - Not for voluntary actions or for safety only
- Partial shutdown includes direct limits on ability to operate
 - Restaurant with capacity limits - partial shutdown
 - Gas Station with no limits - not shutdown
- Even though no one can drive because of a stay-at-home order



ERC Qualification

- **Alternate Gross Receipts Calculation**

- For 2021, can use prior quarter over 2019 quarter
- Allows you to use 2020Q4 over 2019Q4 to determine 2021Q1 qualification for credit
- Provides opportunity for benefit to be received sooner



ERC Qualification

Employee Size

- Under threshold - applies to all employees
 - Employees paid to work
 - Employees paid but not providing services
- Over threshold - applies only to employees not performing services
 - 2020 - Threshold is 100
 - 2021 - Threshold is 500
- Based on Average Full-Time employees in each pay period during 2019



ERC Qualification

- **Qualified Wages**
- Period after 3/12/20 Fully or Partially Shutdown, and/or
- Period starting with
 - **2020**
 - Quarter Gross Receipts down 50%
 - Continuing through end of quarter Gross Receipts down < 20%
 - **2021**
 - Q1 and/or Q2 if Gross Receipts are down 20%
 - 2020 \$10,000 maximum wages for the year
 - 2021 \$10,000 maximum wages per quarter

Qualified wages cannot count wages used for PPP/PPP2 or COVID-19 Sick and Family and Medical Leave Act (FMLA) wages

Includes employer provided health care costs



ERC Qualification

Credit Amount

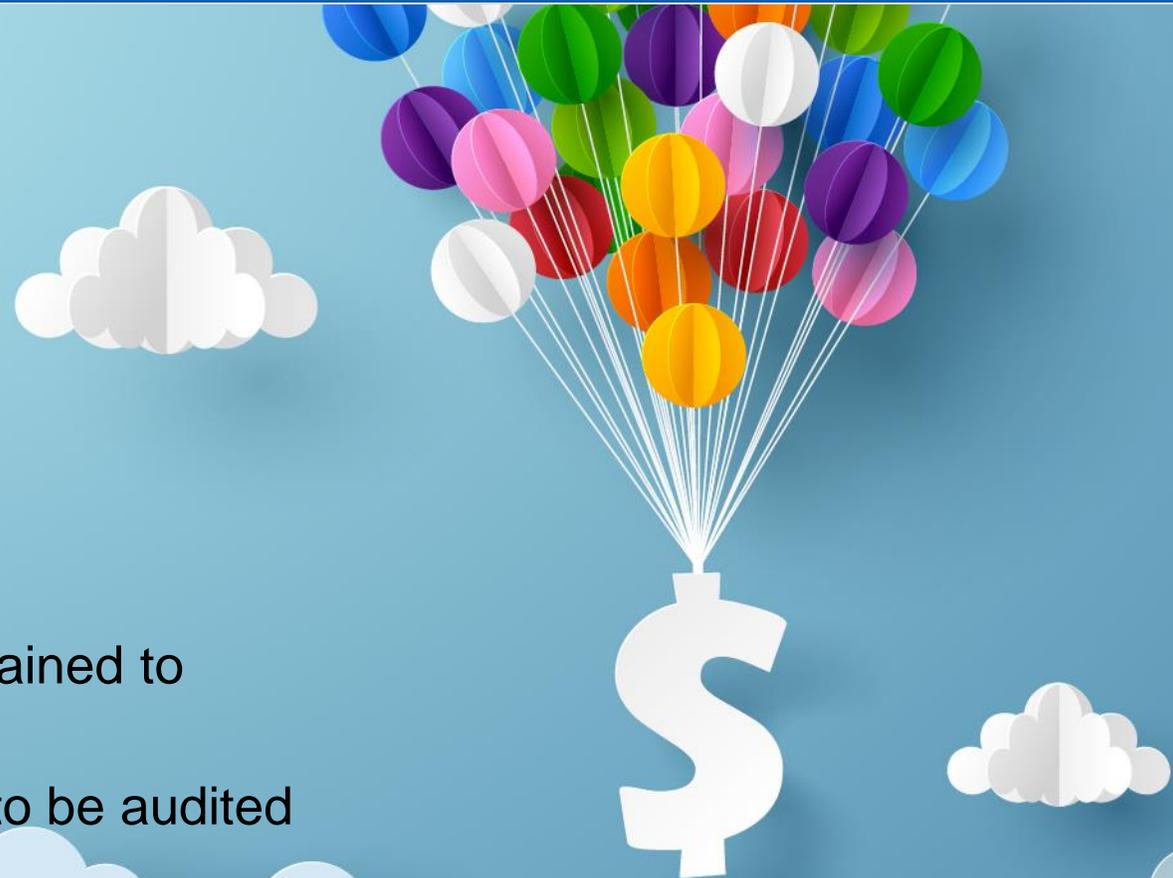
- **2020**
 - \$10,000 maximum Wages for the year
 - 50% of qualified Wages
 - \$5,000 maximum Credit per employee for year
- **2021**
 - \$10,000 maximum Wages per quarter
 - 70% of qualified Wages
 - \$7,000 maximum Credit per employee per quarter



Claiming the ERC

Claiming the Credit

- Payroll Tax Credit
- Refundable
- Claim on 941/Amended 941
 - Reduce tax deposits in anticipation
 - Advance refund using form 7200
 - Refund on 941
- Documentation should be prepared and maintained to support the credit claimed
- Potential for fraud is significant - be prepared to be audited



Paycheck Protection Program 2.0



PPP2 Overview

- Application period under way
- \$232.8 billion lent through 4/11/2021 (4,412,201 loans)
- \$284 billion total allocated to PPP2 borrowers
- Must have been in business on February 15, 2020
- First loan - follow original loan eligibility rules
- Second loan - more stringent eligibility requirements
 - Be an eligible business type
 - Have no more than 300 employees
 - Have used or will use the full amount of first loan
 - Have a decrease in gross receipts (revenue) of at least 25% in comparable quarter in 2020 vs 2019



PPP2 Overview

- Covered period - no less than 8 weeks and no more than 24 weeks
 - Can use anywhere between 8 and 24 weeks
 - **This could be big for businesses qualifying for both ERC and PPP2**
- Expansion of allowable forgivable expenses
 - 4 additional categories of allowable costs
 - **This could be big for businesses qualifying for both ERC and PPP2**



PPP2 Data Through 04/11/2021

Loan Breakdown for 2021 PPP

First Draw Loans	Loans Approved	Net Dollars	Average Loan Size	Lender Count
Total First Draw Loans	2,203,120	\$42,208,883,593	\$19,159	5,149
First Draw Loans with 10 or fewer employees	2,165,971	\$32,423,271,766	\$14,969	5,136
First Draw Loans LMI & Less than \$250k	696,309	\$11,626,780,278	\$16,698	4,548

Second Draw Loans	Loans Approved	Net Dollars	Average Loan Size	Lender Count
Total Second Draw Loans	2,209,081	\$190,588,589,050	\$86,275	5,215
Second Draw Loans with 10 or fewer employees	1,715,229	\$52,355,686,209	\$30,524	5,198
Second Draw Loans LMI & Less than \$250k	480,707	\$22,193,757,456	\$46,169	4,668

First & Second Draw Loans	Loans Approved	Net Dollars	Average Loan Size	Lender Count
Total First & Second Draw Loans	4,412,201	\$232,797,472,642	\$52,762	5,241
PPP Loans by Community Financial Institutions	548,897	\$15,855,634,818	\$28,886	453
PPP Loans by Insured Depository Institutions <\$10B in Assets	1,503,082	\$93,546,387,668	\$62,236	4,115
PPP Loans by Credit Unions <\$10B in Assets	124,946	\$4,549,803,438	\$36,414	840
PPP Loans by Farm Credit System Institutions <\$10B in Assets	17,470	\$365,336,378	\$20,912	41

Approvals through 04/11/2021

3



PPP2 Data Through 04/11/2021

Loan Size for 2021 PPP

Loan Size	Loan Count	Net Dollars	% of Count	% of Amount
\$50K and Under	3,601,719	\$57,623,392,939	81.6%	24.8%
>\$50K - \$100K	348,739	\$24,880,784,151	7.9%	10.7%
>\$100K - \$150K	170,880	\$21,219,370,546	3.9%	9.1%
>\$150K - \$350K	177,660	\$40,208,026,029	4.0%	17.3%
>\$350K - \$1M	88,383	\$49,322,760,524	2.0%	21.2%
>\$1M - \$2M	24,286	\$36,841,634,176	0.6%	15.8%
>\$2M - \$5M	326	\$1,035,413,863	0.0%	0.4%
>\$5M	208	\$1,666,090,415	0.0%	0.7%

* Overall average loan size is: \$53K.



PPP2 Application Process

- Can apply for PPP2 loan until May 31, 2021, using Form 2483-SD
- Can use 2019 or 2020 payroll information (whichever one is more beneficial)
- If using same lender and same payroll information – should not need to resubmit the information to the lender (but many lenders are asking companies to do so)
- Must make a good faith certification that the loan is necessary due to economic uncertainty

Paycheck Protection Program Second Draw Borrower Application Form				OMB Control No.: 3245-0417 Expiration Date: 7/31/2021	
Check One:		<input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent Contractor <input type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(6) organization <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Tribal Business <input type="checkbox"/> Other		DBA or Tradename (if applicable)	Year of Establishment (if applicable)
Business Legal Name				NAICS Code	
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)			Business TIN (EIN, SSN)	Business Phone	
				Primary Contact	Email Address
Average Monthly Payroll:	\$	x 2.5 (or x 3.5 for NAICS 72 applicants) equals Loan Request Amount (may not exceed \$2,000,000):	\$	Number of Employees (including affiliates, if applicable; may not exceed 300):	
Purpose of the loan (select all that apply):	<input type="checkbox"/> Payroll Costs	<input type="checkbox"/> Rent / Mortgage Interest	<input type="checkbox"/> Utilities	<input type="checkbox"/> Covered Operations Expenditures	
	<input type="checkbox"/> Covered Property Damage	<input type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures	<input type="checkbox"/> Other (explain):	
PPP First Draw SBA Loan Number:					
Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):	Gross Receipts:	\$	Reference Quarter (e.g., 2Q 2019):	Gross Receipts: \$
Applicant Ownership List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.					
Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address	
<i>If questions (1), (2), (4), or (5) are answered "Yes," the loan will not be approved.</i>					
Question				Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?					
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is (a) currently delinquent, or (b) has defaulted in the last 7 years and caused a loss to the government?					
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management (including a management agreement) with any other business? If yes, list all such businesses (including their TINs if available) and describe the relationship on a separate sheet identified as addendum A.					
4. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant presently incarcerated or, for any felony, presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction? Initial here to confirm your response to question 4 →					
5. Within the last 5 years, for any felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance, or within the last year, for any other felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; or 4) commenced any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 5 →					
6. Is the United States the principal place of residence for all employees included in the Applicant's payroll calculation above?					
7. Is the Applicant a franchise?					
8. Is the franchise listed in SBA's Franchise Directory? If yes, enter SBA Franchise Identifier Code here: _____					



PPP2 Revenue Reduction Calculation

How the 25% reduction in revenue is calculated:

- The Act does not include a general definition of gross receipts for purposes of calculating the revenue reduction
- Makes reference to definition of receipts in 13 C.F.R. 121.104 of SBA's size regulations
- Excludes amount forgiven on first draw PPP loans



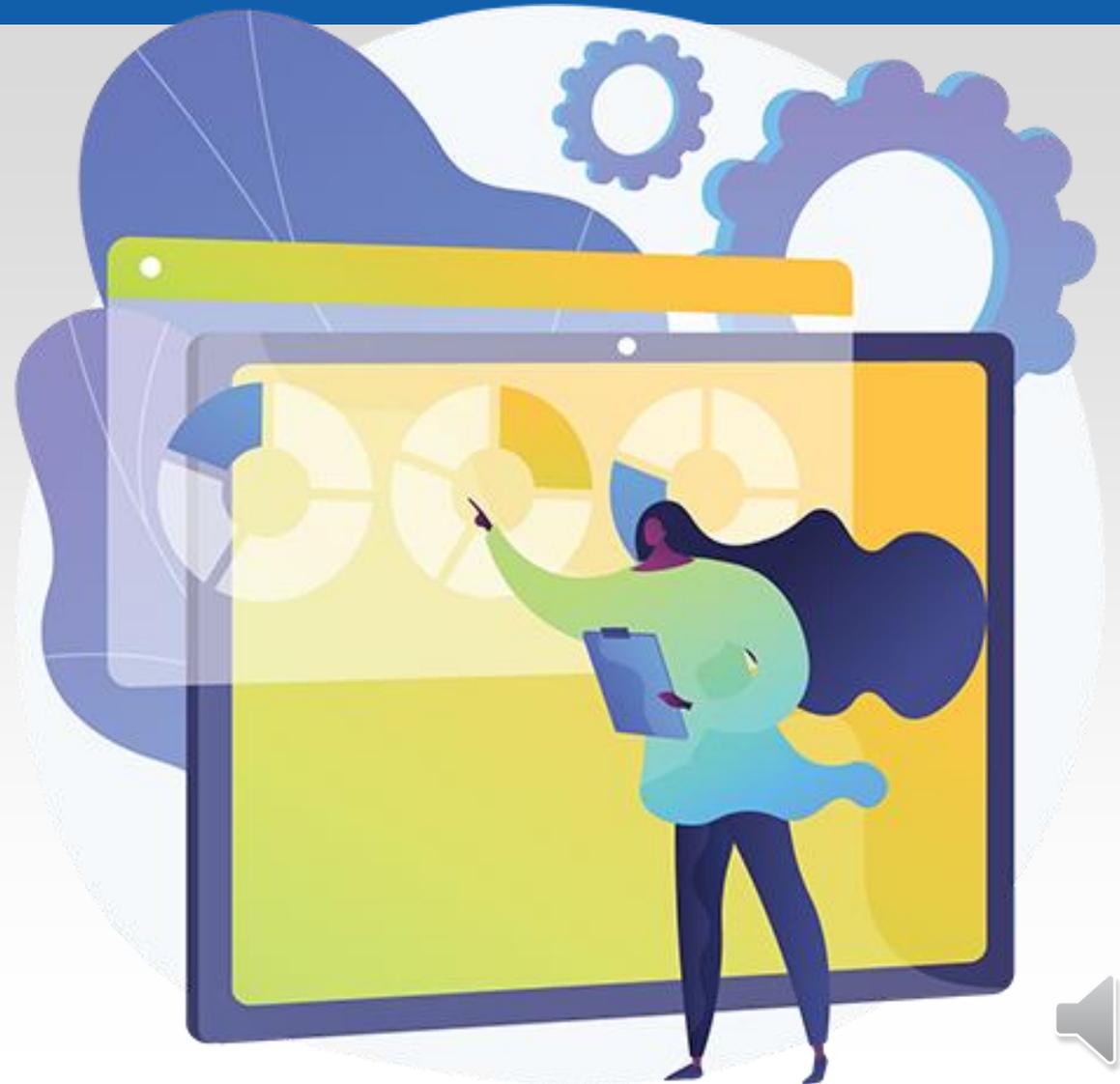
PPP2 Revenue Reduction Calculation

- **For loans under \$150,000**
 - Only need to submit support of 25% reduction prior to applying for loan forgiveness
- **For loans over \$150,000**
 - Need to provide support at time of loan application



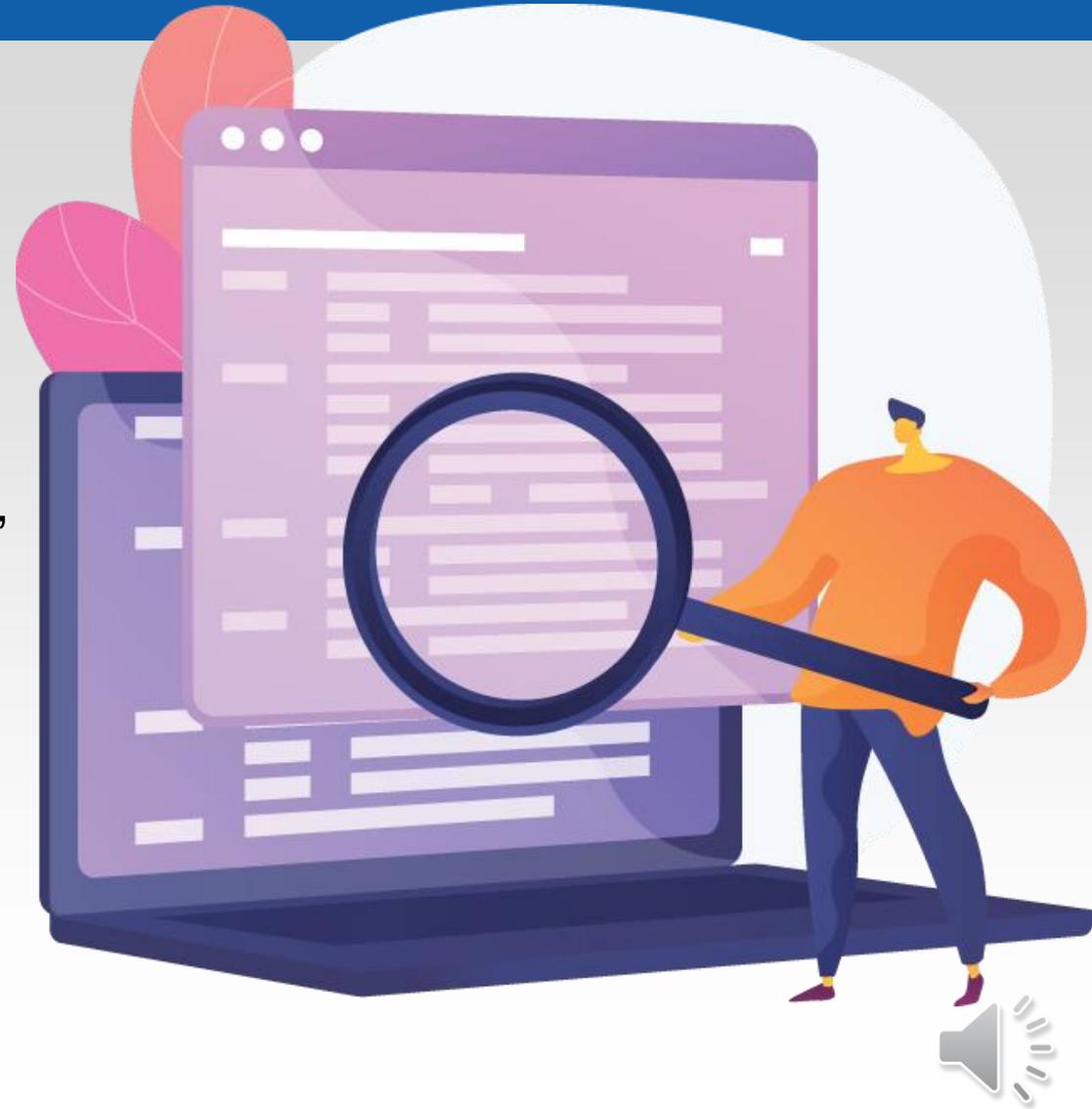
PPP2 Allowable Expenses

- Allowable expenses include same as initial PPP, but additional categories are added:
 - Covered Operations Expenditures
 - Covered Property Damage Costs
 - Covered Supplier Costs
 - Covered Worker Protection Expenditures
- If borrower has not submitted application for forgiveness under initial PPP loan - can use the additional expenses
- 60/40 rule still applies - at least 60% must be used for payroll costs



PPP2 Allowable Expenses

- **Covered Operations Expenditures:**
 - Payment for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records, and expenses.



PPP2 Allowable Expenses

Covered Property Damage Costs:

- Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.

Covered Supplier Costs:

- An expenditure made by an entity to a supplier of goods pursuant to a contract, order, or purchase order in effect before the date of disbursement of the covered loan for the supply of goods that are essential to the operations of the entity at the time which the expenditure was made.



PPP2 Allowable Expenses

Covered Worker Protection Expenditures:

- An operating or a capital expenditure that is required to facilitate the adaption of the business activities of an entity to comply with the requirements established or guidance issued by the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), or the Occupational Safety and Health Administration (OSHA) during the period beginning March 1, 2020, and ending on the date on which the national emergency declared by the President under the National Emergencies Act with respect to COVID-19 expires related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.



PPP2 Allowable Expenses

Covered Worker Protection Expenditures:

- Examples include:
 - A drive-through window facility
 - An indoor, outdoor, or combined air or air pressure ventilation or filtration system
 - A physical barrier such as a sneeze guard
 - An indoor, outdoor, or combined commercial real property
 - An onsite or offsite health screening capability
 - Other assets relating to the compliance with the requirements of HHS, CDC, OSHA



Maximizing PPP2 and ERC

If a Business Qualifies for Both PPP2 and ERC

- Focus on non-payroll costs (be cognizant of 60/40 rule)
- Take advantage of maximum amount in covered period
- Strategize on when to use wages for ERC purposes and when to use for PPP2 purposes



Uniform Guidance Update



Uniform Guidance Discussion Points

- Uniform Guidance Audit Requirements
- COVID-19 Programs
- Uniform Guidance Audit Submission and Due Date
- U.S. Department of Health and Human Services (HHS) Requirements for For-Profit Entities



Uniform Guidance Audit Requirements

What is a Uniform Guidance (UG) Audit?

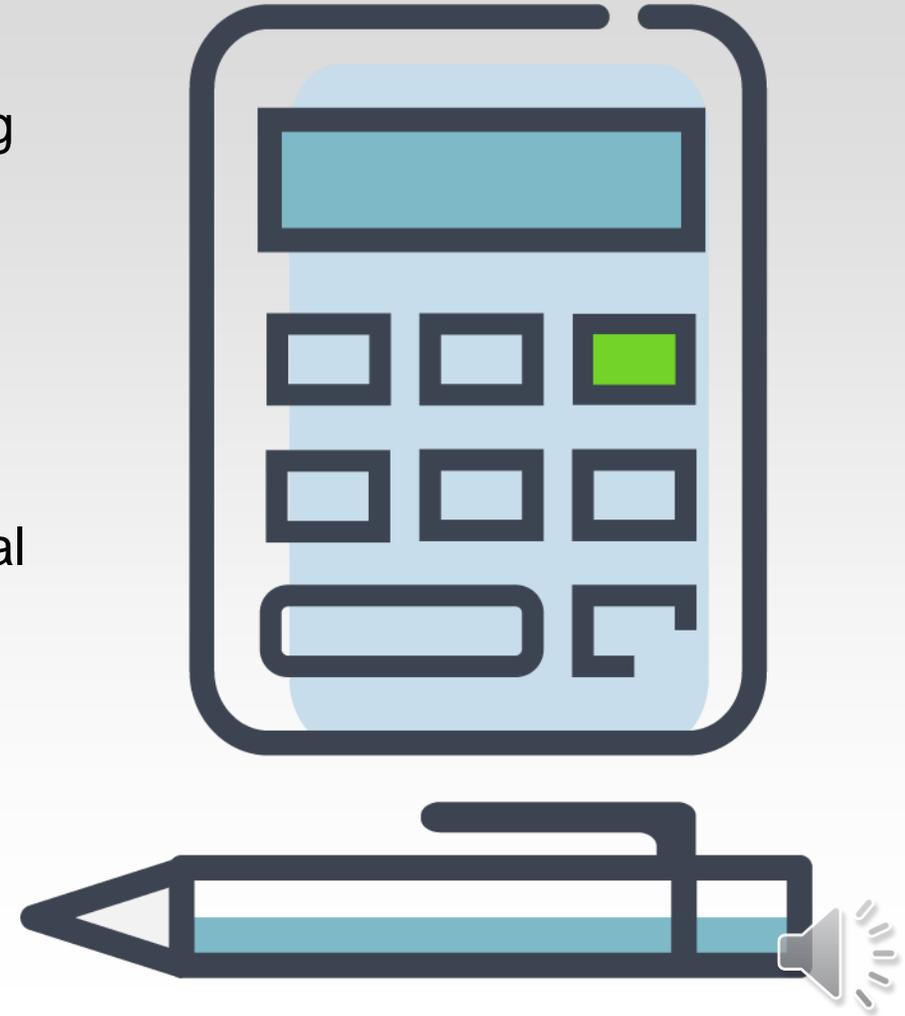
- Audit of federal awards expended by non-federal entities under the Single Audit Act (Act) of 1984, as amended in 1996
 - Non-federal entity is defined as a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization
 - Does not include for-profit entities



Uniform Guidance **Audit Requirements**

General Audit Requirements Under the UG

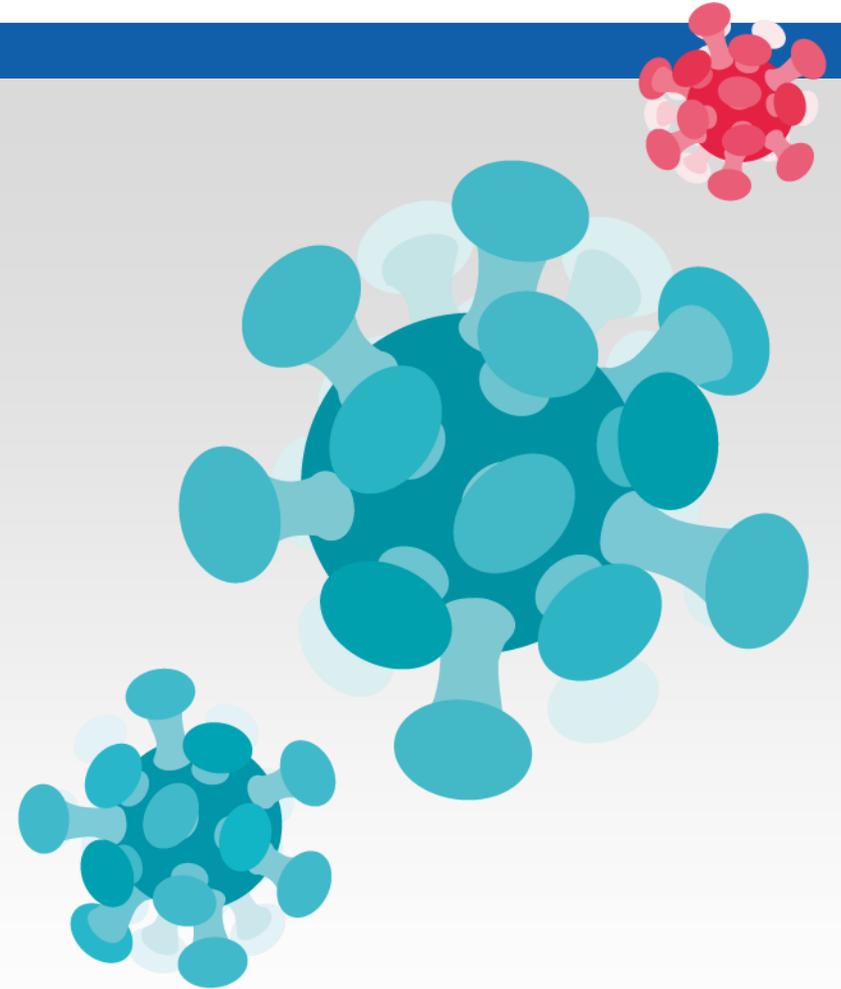
- Expenditures of \$750,000 or more of federal awards during an organization's fiscal year
- Definition of federal awards:
 - Federal Financial Assistance
 - Cost-reimbursement contract under the Federal Acquisition Regulations (FAR)
- Classified into program categories in the Catalog of Federal Domestic Assistance (CFDA)



COVID-19 Programs

Largest 4 New Programs:

- Paycheck Protection Program (PPP) - CFDA 59.073
 - **Not** subject to UG audit
- Provider Relief Fund (PRF) - CFDA 93.498
 - **Is** subject to UG audit
- Coronavirus Relief Fund (CRF) - CFDA 21.019
 - **Is** subject to UG audit
- Educational Stabilization Fund (ESF) - CFDA 84.425
 - **Is** subject to UG audit



UG Audit Submission & Due Date

Reporting package (financial and compliance report and data collection form (DCF)) required to be submitted to the Federal Audit Clearinghouse

- Due date is 30 days after report release, but in no event later than 9 months after year end
- Note 3 month extension previously discussed for original due dates between **October 1, 2020**, and **June 30, 2021**
- 6 month extension for **December 31, 2020**, year ends forward - due no later than **March 31st, 2022**



HHS Requirements For-Profit Entities

- **HHS For-Profit Audit Requirements**
- **Commercial organizations** that **receive** HHS awards of \$750,000 or more have two options:
 - Single or program-specific audit (UG audit) in accordance with 45 CFR 75, Subpart F
 - Financial-related audit of all HHS awards in accordance with Generally Accepted Government Auditing Standards (GAGAS)



HHS Requirements For-Profit Entities

- Per 45 CFR Section 75.2, a commercial organization is defined as:
- An organization, institution, corporation, or other legal entity, including, but not limited to, partnerships, sole proprietorships, and limited liability companies, that is organized or operated for the profit or benefit of its shareholders or other owners. The term includes small and large businesses and is used interchangeably with “for-profit organization.”



HHS Requirements For-Profit Entities

Should it be Receipts or Expenditures of \$750,000 or more?

- Still not answered
- Guidance says receipt
- History and intent points to expenditures
- AICPA has a formal request to HHS asking for clarification



HHS Requirements For-Profit Entities

What Assistance Listings are Subject to Audit?

- ALL direct HHS awards
- 93.498 - PRF, general and targeted distributions
- 93.461 - COVID-19 Testing for the Uninsured
- 93.697 - COVID-19 Testing for Rural Health Clinics
- Note: If additional awards are received as a direct award from HHS, remember that ALL HHS awards are subject to audit.

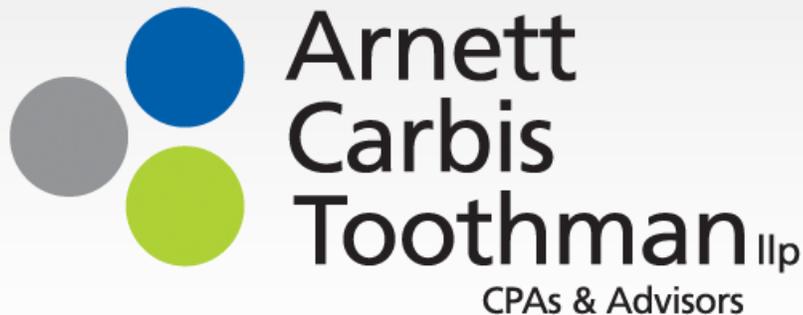


Questions?



Thank You for **Joining Us**

Name	Email Address	Phone Number
Michael Kessler	mike.kessler@actcpas.com	724.658.1565
Brandon Harlan	brandon.harlan@actcpas.com	724.658.1565
Jennifer Cidila	jennifer.cidila@actcpas.com	724.658.1565



For decks like this and many other COVID-19 resources go to our [COVID-19 Resource Center](#)

The information provided is not a substitute for professional advice or services. We strive for accuracy yet, keep in mind, information of this nature changes regularly. You should consult a qualified professional advisor before taking any action.

