

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO  
AUDIT & ADVISORY SERVICES**

**CARES Act - Provider Relief Fund Compliance  
Project #22-029**

**October 2021**



University of California  
San Francisco

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October 29, 2021

**RAJU IYER**

Chief Financial Officer and Senior Vice President, Finance  
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**SUBJECT: CARES Act- Provider Relief Fund Compliance Review**

As a planned internal audit for Fiscal Year 2022, Audit and Advisory Services (“A&AS”) reviewed provider relief funding data collection and reporting processes to validate audit readiness and advise on data reporting in alignment with Human & Health Services (HHS) reporting requirements. The purpose of this review was to validate that provider relief funding data is appropriately supported and in alignment with HHS reporting requirements.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the “IIA Standards”).

Our review was completed and the preliminary draft report was provided to department management in September 2021. Management provided their final comments and responses to our observations in October 2021. The observations and corrective actions have been discussed and agreed upon with department management and it is management’s responsibility to implement the corrective actions stated in the report. A&AS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Board, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn  
Chief Audit Officer  
UCSF Audit and Advisory Services



## EXECUTIVE SUMMARY

### I. BACKGROUND

As a planned audit for Fiscal Year 2022, Audit & Advisory Services reviewed provider relief funding data collection and reporting processes to validate audit readiness and advise on data reporting in alignment with Health & Human Services (HHS) reporting requirements. The Coronavirus Aid Relief Economic Security (CARES) Act<sup>1</sup> includes the Provider Relief Fund (PRF) program, which was newly established to respond to the COVID-19 pandemic. Limited guidance was available and was subject to change, which occurred multiple times during the review, resulting in the need to adjust reporting methodologies. Due to this fluidity and the required reporting timeframe, this review was conducted concurrently with the reporting rather than retrospectively.

During calendar year 2020, UCSF Health (including UCSF Health affiliated entities) and BCH-Oakland received a combined total of approximately \$425.7 million from the CARES Act that was distributed by the Health Resources and Services Administration (HRSA) through the PRF program. The CARES Act has provided funding to help make up lost revenue and additional expenses healthcare providers have incurred to prevent, prepare for, and respond to the COVID-19 pandemic that would not be reimbursed from other sources. This funding has played an essential role in allowing health care providers to continue to provide high quality care to patients during the COVID-19 pandemic.

### II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to validate that PRF data is appropriately supported and in alignment with HHS reporting requirements. Procedures performed as part of the review include: (1) reviewing HHS requirements for reporting use of funds received and applicable University interpretations of the PRF requirements; (2) attending briefings to understand processes in place and methodology for gathering reporting data; (3) assessing the process to derive the financial reporting recognition of funds due to COVID-19 expenses; (4) performing limited validation testing of the major categories and evaluate supporting documentation; (5) evaluating methodology for determining other sources of funds received and subsidiaries to include in reporting. As of September 15, 2021, Audit & Advisory Services has not received nor reviewed any narrative of lost revenue calculation to evaluate methodology alignment with HHS requirements and validate supporting documentation.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed September 15, 2021.

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<sup>1</sup> During March of 2020, the US Congress passed an economic stimulus bill known as the CARES Act in response to the economic fallout of the COVID-19 pandemic.

**III. SUMMARY**

Based on the work performed, there are controls and processes in place for reporting COVID-19 expenses. UCSF Health and BCH-Oakland are keeping a running task list with questions to be answered and due dates, regularly meeting to discuss progress and challenges, coordinating with each other to ensure an aligned understanding and approach where appropriate, and organizing with other units as needed to obtain information for accurate reporting. During the course of this review, UCSF Health and BCH-Oakland investigated and corrected issues as they were identified.

The specific observations from this review are listed below.

**West Bay and East Bay:**

1. Guidance from HHS has been fluid, and UCSF Health has needed to adjust its strategy and response to be compliant with HHS guidance updates; therefore, the methods for reporting and of supporting documentation will continue to need refinement in order to meet regulatory needs.
2. Roles and responsibilities were not fully defined for all tasks associated with reporting and on-going audit readiness at the beginning of this concurrent review, and remaining tasks should be finalized prior to each Reporting Period submission.

**West Bay:**

1. Treatment of expenses for different facilities need to be adjusted to enable accurate reporting.
2. The limited validation testing performed identified specific items for correction; however, additional review needs to be done to ensure that any similar items in the total population are corrected as needed.

**East Bay:**

1. BCH-Oakland write-off/reclasses of Paid Administrative Leave (PAL) were not always based on the regular rate.

**IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (“MCAs”)**

**A. West-Bay and East Bay**

No.	Observation	Risk/Effect	Recommendation	MCA									
1.	<p><b><i>Guidance from HHS has been fluid, and UCSF Health has needed to adjust its strategy and response to be compliant with HHS guidance updates; therefore, the methods for reporting and of supporting documentation will continue to need refinement in order to meet regulatory needs.</i></b></p>	<p>a) The different reporting timeframe for funds received under HHS and external financial reporting can lead to potential confusion.</p>	<p>a) During the review, the external financial auditors were provided with sufficient information to support revenue recognition on the financial statement covering 7/1/2020 to 6/30/2021. HHS reporting will cover funds received prior to 6/30/2020.</p>	<p><b>a) Action:</b> A clear boundary was set for HHS reporting and external financial reporting.</p> <p><b>Responsible Party:</b> UCSF Health Controller / Executive Director of Reimbursement / BCH Oakland Accounting Manager</p> <p><b>Target Date:</b> Addressed as of 9/15/2021</p>									
a)	<p>The following areas were identified during the review as challenges needing to be addressed.</p> <p><u>Reporting Timeframe:</u> There are different reporting requirements for HHS and for external financial auditors as well as different timeframes being covered for those reports. UCSF Health received funds in two different periods, with different reporting times required. Early reporting (e.g., reporting on funds received in December 2020 in the September 30, 2021 filing) is not allowed for Provider Relief Funds. Below is a table of the HHS reporting periods for the funds received.</p> <table border="1" data-bbox="111 865 1150 1141"> <thead> <tr> <th>Reporting Period</th> <th>Payment Received Period (Payments Exceeding \$10,000 in Aggregate Received)</th> <th>Period of Availability</th> <th>Reporting Time Period</th> </tr> </thead> <tbody> <tr> <td>Period 1</td> <td>April 10, 2020 to June 30, 2020</td> <td>January 1, 2020 to June 30, 2021</td> <td>July 1, 2021 to September 30, 2021</td> </tr> <tr> <td>Period 2</td> <td>July 1, 2020 to December 31, 2020</td> <td>January 1, 2020 to December 31, 2021</td> <td>January 1, 2022 to March 31, 2022</td> </tr> </tbody> </table> <p>Separately from the HHS reporting requirements and timeframes, the provider relief funds received need to be reported in the financial statements for fiscal year 2020 and 2021; however, the financial statement reporting periods do not align with the HHS reporting periods. Additionally, the external financial statement audit takes place immediately after the fiscal year end close, whereas an audit from HHS or other governmental agency for Provider Relief Funds may take place up to three years after reporting on use of funds is completed. Therefore, in order to recognize the Provider Relief Funds received for financial statement purposes,</p>				Reporting Period	Payment Received Period (Payments Exceeding \$10,000 in Aggregate Received)	Period of Availability	Reporting Time Period	Period 1	April 10, 2020 to June 30, 2020	January 1, 2020 to June 30, 2021	July 1, 2021 to September 30, 2021	Period 2
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b)	<p>different calculations are required compared to HHS reporting on Provider Relief Funds used. As the same personnel are performing calculations to support both reporting efforts using the same data, consistent focus must be kept on the appropriate timeframes required for reporting to avoid inaccurate reporting.</p> <p>HHS has also been updating reporting guidance regularly, which can change what is reported and how expenses and lost revenues are calculated or treated; however, the first reporting deadline has not been shifted to accommodate the need for revision based on new guidance. UCSF Health has not identified the date at which point no further changes in guidance can be incorporated in its initial PRF reporting. Future reporting periods would require different dates, and these dates should be documented in the methodology to reference as of what date the guidance used was issued.</p>	<p>b) Without a specific date for when no further guidance can be incorporated in its PRF reporting, UCSF Health will not be able to substantiate its adherence to HHS guidance at a given point in time.</p>	<p>b) UCSF Health should determine a date at which no further guidance can be incorporated in the initial filing and document that date in its methodology. For future filing, a date should be similarly determined.</p>	<p>b) <b>Action:</b> UCSF Health will review the available guidance through each respective filing date and determine if such guidance has a significant impact on the reported amounts in the open period. Appropriate disclosures will be included in the filings to the extent necessary.</p> <p><b>Responsible Party:</b> UCSF Health Controller / Executive Director of Reimbursement / BCH Oakland Accounting Manager</p> <p><b>Target Date:</b> Initial Period 1 filing date (November 21)</p>
c)	<p><u>Methodology Documentation</u> As an initial response to the pandemic, UCSF Health created COVID-19 cost centers to record and report COVID-19 related expenses. There were instructions provided as to what should be included and excluded from the COVID-19 cost</p>	<p>c) Without documentation of a methodology</p>	<p>c) All of the COVID-19 decisions and rationale need to be documented for</p>	<p>c) <b>Action:</b> UCSF provided sufficient documentation to PwC</p>

No.	Observation	Risk/Effect	Recommendation	MCA
	<p>centers; however, due to the changing HHS guidance, additional COVID-19 expenses that were not recorded in COVID-19 cost centers were identified and are being reviewed for suitability. The methodology for calculations and treatment of expenses and other assistance/funds received outside of the Provider Relief Funds is being documented, along with decisions made that affected what is reported. Additionally, as of September 15, 2021, a narrative of lost revenue calculation had not been developed and a methodology had not been documented.</p>	<p>for treatment of expenses and funds received, and the decisions that affect what is reported, UCSF Health may not be able to defend its rationale for a potential external audit.</p>	<p>potential external audit of expenses and funds received.</p>	<p>for the FY 21 external audit supporting the methodology utilized for expenses and lost revenues associated with the PRF funds received. Appropriate documentation will be provided in connection with future external audits in support of our HHS PRF filings.</p>
d)	<p><u>Audit Preparedness</u> Currently, data and documentation supporting the expense and lost revenue calculations may come from a variety of sources (e.g., BOX, shared drives, emails, and personal drives), which may no longer be supported by UCSF in a few years when an external governmental agency begins an audit. Both UCSF Health West Bay and BCH-Oakland are storing the information and calculations supporting the PRF filing on a shared drive. However, only key personnel may be the owners to</p>	<p>d) Without a storage and management retention plan, documentation may not be stored appropriately to</p>	<p>d) UCSF Health West Bay and BCH-Oakland are using an existing shared drive to store the information.</p>	<p><b>Responsible Party:</b> UCSF Health Controller / Executive Director of Reimbursement / BCH Oakland Accounting Manager</p> <p><b>Target Date:</b> Addressed as of 10/15/21 for FY 21 financial statement audit (date of audit report).</p> <p>d) A centralized shared drive folder will be utilized to store all documents associated with the CARES Act PRF and the appropriate individuals</p>

No.	Observation	Risk/Effect	Recommendation	MCA
	<p>those data or documentation, and a plan for maintaining or transitioning access to data and documentation in the case of those key personnel leaving the organization has not been developed. A determination has not been made to address the above issues relating to storage and access to information.</p>	<p>be available for a potential audit of external auditors.</p>		<p>within the Accounting and Reimbursement teams will have access to such files.</p>
<p>e)</p>	<p>Additionally, the documentation collected and retained may not be sufficient for external governmental auditors. For example, invoices may not provide enough details for a reviewer to determine that the expenses were COVID-19 related. In a limited sample of invoices reviewed, one invoice from West Bay and one from East Bay required additional inquiries with personnel in the line of business to determine that it was COVID-19 related. The information supporting these invoices relied on individuals' recollection and email records, which may not be available or reliable at the time of an audit.</p> <p>In addition to invoices, payroll documentation may not be sufficient to show compliance to policy. For West Bay, according to Payroll Processing, Policy 4.04.01, it is the employee's responsibility to certify the accuracy of the timesheet by the established deadline by accessing their timesheet on-line in the HBS Timekeeping System, clicking the "Complete" icon and agreeing to the certification statement. Two out of six timesheets for COVID-19 paid administrative leave reviewed were not attested by the employees but were approved by the supervisor/manager. For BCH-Oakland, the Time and Attendance Policy states, "For attestation, all non-exempt employees must review, correct (if applicable), approve or reject their Kronos Time &amp; Attendance entries on daily basis." In the sample selected, two out of three timesheets did not have the employee attestation.</p>	<p>e) UCSF Health may not be able to validate that the expense is COVID-19 related if key personnel leave the organization.</p> <p>Without the employee's attestation on their timesheets, UCSF Health risks non-compliance with policies.</p>	<p>e) UCSF Health West Bay and BCH-Oakland should collect from business owners the rationale behind transactions to substantiate expenses.</p> <p>UCSF Health should assess whether there were more employees who did not attest to their timesheets and consider having the employees retroactively attest to their timesheets.</p>	<p><b>Responsible Party:</b> UCSF Health Controller / Executive Director of Reimbursement / BCH Oakland Accounting Manager</p> <p><b>Target Date:</b> 12/15/21</p> <p>e) <b>Action:</b> UCSF Health West Bay and BCH-Oakland have identified expenses that require additional review and due diligence and will not be reporting on them until sufficient support can be validated.</p> <p><b>Responsible Party:</b> UCSF Health Controller / Executive Director of Reimbursement / BCH Oakland Accounting Manager</p> <p><b>Target Date:</b></p>

No.	Observation	Risk/Effect	Recommendation	MCA
				Initial Period 1 filing date (November 21)
2.	<p><b><i>Roles and responsibilities were not fully defined for all tasks associated with reporting and on-going audit readiness at the beginning of this concurrent review, and remaining tasks should be finalized prior to each Reporting Period submission.</i></b></p> <p>There are tasks that are necessary for external reporting and audit preparedness purposes but have not been fully completed. Some examples identified during the course of the review are:</p> <ul style="list-style-type: none"> <li>• Writing whitepapers to support the HHS filing, including methodology and rationale behind how the numbers were reported and determined; and</li> <li>• Defining the custodian of the records and information in case of an audit as well as a back-up to ensure continuity.</li> </ul> <p>Several of the whitepaper writing tasks were assigned during this review; however, the custodian of records and information and responsibility for obtaining supporting documentation have not yet been assigned.</p>	<p>The tight deadlines require additional attention to ensure compliance and audit readiness.</p>	<p>During the review, documentation of methodology and rationale was assigned and in progress. UCSF Health should consider assigning the remaining tasks and having a work group to ensure action items are completed timely.</p>	<p><b>Action:</b> A working group has been determined and tasks related to the PRF filings are assigned and monitored by this working group. A consistent working group will be utilized for future audits and assignments of responsibilities associated with audit requests.</p> <p><b>Responsible Party:</b> UCSF Health Controller / Executive Director of Reimbursement/BCH Oakland Accounting Manager</p> <p><b>Target Date:</b> Addressed as of 10/15/21 for FY 21 financial statement audit (date of audit report).</p> <p>To be addressed for Initial Period 1 filing date (November 21).</p>

**B. West Bay**

No.	Observation	Risk/Effect	Recommendation	MCA
<p><b>1.</b></p> <p><b>a)</b></p> <p><b>b)</b></p>	<p><b><i>Treatment of expenses for different facilities/entities need to be adjusted to enable accurate reporting.</i></b></p> <p>A portion of the Provider Relief Funds from general distributions were passed through to a subsidiary, as they also are covered under a UCSF Tax Identification Number (TIN). As funds were passed through to them by UCSF, UCSF will need to report for the subsidiary on the use of those funds; however, expenses for this subsidiary have not been obtained or validated.</p> <p>As Provider Relief Funds were generally allocated according to TIN, and Langley Porter Psychiatric Hospital and Clinics (LPPHC) has both a separate TIN and license, LPPHC will need to report the Provider Relief Funds separately. However, an operational decision was made when setting up COVID-19 cost centers to take a centralized approach to collecting expense data, resulting in expenses from LPPHC being included in the preliminary calculations for UCSF Health West Bay's reporting. Identifiable LPPHC expenses have been removed from the UCSF Health West Bay calculation; however, an appropriate apportionment of expenses will need to be determined for the remaining areas. Additionally, this exercise may need to be performed for any group with UCSF Health that may be reporting independently.</p>	<p>a) By not having the expense data available for the subsidiary, no validation could be done to ensure it is accurate and complete.</p> <p>b) There will be duplicate expense filing if the UCSF Health West Bay reporting includes LPPHC expenses.</p>	<p>a) UCSF Health West Bay leadership should work with the subsidiary to obtain the necessary data.</p> <p>b) UCSF Health West Bay should go through its current expenses and determine how to appropriately apportion LPPHC expenses as well as those of any other group reporting independently.</p>	<p><b>a) Action:</b> The PRF distribution to the subsidiary will be supported by lost revenue and therefore expense data will not be collected.</p> <p><b>Target Date:</b> Completed.</p> <p><b>b) Action:</b> Identify and apply appropriate methodology to apportion expenses.</p> <p><b>Responsible Party:</b> UCSF Health Controller/ Executive Director of Reimbursement</p> <p><b>Target Date:</b> Initial Period 1 filing date (November 21)</p>
<p><b>2.</b></p>	<p><b><i>The limited validation testing performed identified specific items for correction; however, additional review needs to be done to ensure that any similar items in the total population are corrected as needed.</i></b></p>	<p>By not having expenses in the right classification, the West Bay will</p>	<p>UCSF Health West Bay should review all the expenses at the transactional</p>	<p><b>Action:</b> All discrepancies identified by Internal</p>

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	<p>Review of expenses at a high level for UCSF Health (SFHEA), and Faculty Practice Operations (FPO) showed the following classification discrepancies:</p> <ul style="list-style-type: none"> <li>• SFHEA classified \$960,437 in purchased services that should be reclassified to supplies</li> <li>• FPO classified \$66,681 in purchased services that should be reclassified to supplies.</li> <li>• SFHEA classified \$502,250 as temporary labor that should be reclassified as consulting/purchased services.</li> <li>• SFHEA classified \$15,029 in purchased services that should be reclassified to temporary labor.</li> <li>• FPO classified \$2,217 in purchased services that should be reclassified to temporary labor.</li> </ul> <p>Additionally, two pieces of equipment totaling \$743,500 were initially classified as other temporary salary that should have been capitalized for financial statement purposes.</p>	<p>have to take an additional step to re-review the expenses and classify them according to HHS reporting categories.</p> <p>Fixed assets are understated on the financial statement as a result of not capitalizing these two pieces of equipment.</p>	<p>level and ensure they are in the right classification for HHS reporting.</p> <p>UCSF Health West Bay should consider hand posting these two pieces of equipment in fiscal year 2021 or defer the correction to fiscal year 2022.</p>	<p>Audit will be corrected within the expense schedules to be submitted to HHS as part of the Period 1 filing. UCSF Health will perform a comprehensive review of all the expense items to be submitted to HHS as part of the Period 1 filing to ensure they have been classified in the appropriate categories.</p> <p>Corrections have been recorded in the General Ledger to capitalize the two pieces of equipment. Such corrections were made in FY 22 as they were not considered to be material to the FY 21 audited financial statements.</p> <p><b>Responsible Party:</b> UCSF Health Controller / Executive Director of Reimbursement</p> <p><b>Target Date:</b></p>

No.	Observation	Risk/Effect	Recommendation	MCA
				Initial Period 1 filing date (November 21)

**C. East Bay**

No.	Observation	Risk/Effect	Recommendation	MCA
1.	<p><b><i>BCH-Oakland write-off/reclasses of Paid Administrative Leave (PAL) were not always based on the regular rate.</i></b></p> <p>Prior to the review of PAL at BCH-Oakland, write-offs/reclasses were performed to correct the overage of PAL. Testing during this review noted that shift differential is included in the PAL rate calculation. Subsequently, Accounting identified a write-off/reclass that used a lower rate that only included the base rate rather than the rate with the shift differential and corrected the write-off/reclass to include shift differential.</p>	<p>By using the lower rate in the adjustment, BCH-Oakland risks overstating PAL usage when calculating the write-off/re-class.</p>	<p>BCH-Oakland reviewed and corrected any write-off/reclasses to include shift differential in the rate calculation.</p>	<p>BCH-Oakland made the necessary correction as of 9/1/2021.</p>