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Figuring Out FNHURS – The Auditors are Coming to Town!

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Today's Agenda

- What is FNHURS?
 - Who is impacted?
 - What is required?
 - When is the reporting due?
 - Where are reports filed?
- Differences between FNHURS reporting and cost reports
- What a financial statement audit involves
- What steps providers should be taking now
- What to expect as a first-time auditee



"Remember, 'accounting' and 'accountability': nothing in common."

What is FNHURS?

- In 2022 the Florida legislature amended Chapter 408.061, Florida Statutes, to create **new** financial reporting requirements for skilled nursing facilities based on **audited financial statements**
 - *These requirements mirror those in place for hospitals*
 - *The new requirements are in addition to Medicare and Medicaid cost reporting requirements*
 - *Audit reports must be prepared by an independent certified public accountant and must contain an opinion on the audited financial statements*
- The Agency for Health Care Administration (AHCA) was tasked with creating the rules, resulting in the system now known as the **Florida Nursing Home Uniform Reporting System**, or “**FNHURS**”

FNHURS – Who is impacted?

- The new reporting requirements cover all nursing homes as defined in Chapter 408.07 Florida Statutes
 - Requirement is not just limited to Medicaid participants
 - Continuing Care Retirement Communities (CCRC's) licensed under Chapter 651 Florida Statutes are exempt
- Home offices are included as well



“Here are today’s changes in the guidelines.”

FNHURS – What is required?

- Each licensed provider (and their home offices) must submit, on an annual basis, financial reporting via an electronic portal
- Reporting must be based on the provider's **audited** financial statements or a reconciliation must be provided
Note: The audited financial statements and required attachments must be submitted at the time of reporting
- Reporting must be signed by the provider's **Administrator/CEO** and **CFO**, and the **audit reports must be signed as well**

FNHURS – When is reporting due?

- Reporting for the prior year must be submitted within **120 days** after the end of the provider's fiscal year
 - A **30-day** extension can be requested if received at least one-week prior to the due date
 - Extensions may also be granted due to natural disasters, cyber attacks, or to match the provider's cost reporting deadline

Note: Most provider's cost reports are due within 150 days of the end of the fiscal year, so this is unlikely to provide any deadline relief

 - The provider's fiscal year end and the fiscal year end of its home office **must match**
- FNHURS rule became effective on November 1st and affects providers with fiscal years ending 30 days after the effective date – so **fiscal years ending December 31, 2023, will be impacted**

Grace Period for first-year audits

- If a provider and/or their home office is unable to obtain an audit for the first year of submission within the required timeframe, the provider is still required to report within the required timeline, but can base that reporting on and submit its **unaudited** financial statements
- Providers will be required to submit audited financial statements for its first-year submission with their **next fiscal year submission**, and the prior year submission must be updated if there were any changes

Note: No matter what, an audit will be required for the first fiscal year impacted by this rule

FNHURS – Where are reports filed?

- Reporting will take place electronically in the new “FNHURS Online System”
- The system will be available through AHCA’s Single Sign On Portal, located at:

<https://apps.ahca.myflorida.com/crs>



“If there’s anything more we can do for you, don’t hesitate to fill out the proper forms.”

What happens after filing?

- Reports will be considered submitted when they contain:
 - All the required data, schedules, reports, and attachments;
 - Signatures of the Administrator/CEO and the CFO; and
 - Signed copies of the audited financial statements
- Submitted reports will be deemed “Accepted” or “Not Accepted” – “Accepted” reports will be those:
 - Where the data submitted is mathematically accurate, reasonable, and verifiable; and
 - Where the report timely meets the minimum requirements set for in the statute and rules
- Providers submitting reports deemed “Not Accepted” will receive a Notice of Violation
 - Providers will have a minimum of ten (10) days to respond

What about cost reports?

- FNHURS reporting **is in addition to, and does not replace,** Medicare and Medicaid cost reporting
 - Cost reports are utilized by AHCA for rate-setting
 - FNHURS reporting will be used for financial oversight and accountability
- Fiscal year ends for FNHURS reports **do not** have to match fiscal year ends for Medicaid cost reports
- Similar chart of accounts
- Home office means an affiliated entity or group of entities allocating costs to providers in the Florida Medicaid program as defined in the Provider Reimbursement Manual

Changes in Ownership

- Reports will be due for the period from the **effective date** of the CHOW through the end of the **new owner's** fiscal year
- AHCA may waive reporting based on the CHOW date where:
 - New owner does not change the fiscal year and is able to provide a prior year report for the entire fiscal year
 - Where the prior year report would cover a period of **less than nine months**

External Financial Statement Audits: What Are the Auditors Doing?

- Expressing an opinion on the financial statements
- Evaluating adherence to Generally Accepted Accounting Principles (GAAP)
- Assessing internal controls
- Identifying opportunities for improvement
- Facilitating access to capital
- Promoting accountability and transparency



“Could you explain this, frankly, implausible spike in travel expenses in late December?”

External Financial Statement Audits: Audit Process Overview



"You gave away 60 billion toys and didn't get one receipt?!"

- Planning & risk assessment
- Internal controls evaluation
- Testing balances & transactions
- Going concern evaluation
- Subsequent events review
- Final review & opinion
- Follow up & remediation

What to Expect: Sample Audit Timeline

Timeframe for FYE December 31, 2023	Timeframe for FYE June 30, 2024	Activities
Jul 2023	Jan 2024	audit committee engages auditors; provider assigns internal liaison as audit point person
Oct 2023	Apr 2024	initial planning, risk assessment, internal control evaluation, and interim testing of transactions
Jan-Feb 2024	Jul-Aug 2024	testing of year-end balances and transactions
Mar 2024	Sept 2024	internal workpaper review, going concern evaluation, and report preparation
Apr 2024	Oct 2024	subsequent events procedures, final report issued
May-Jun 2024	Nov-Dec 2024	follow-up on actions taken by provider to address audit findings and recommendations

Next Steps: Providers with an audit

For providers who currently have an audit scheduled for the next FYE:

- Ensure home office included
- Consider consolidated vs. standalone financial statements
- Update documentation of all major processes and controls
- Adjust for deadline 120 days after YE, with available 30-day extension
- Confirm who will be responsible for FNHURS reporting



Next Steps: Providers without an audit

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"I'd like a client with adequate documentation please."

For providers who currently **do not** have a financial statement audit scheduled for FYE 2023:

- Establish an audit committee & assign an internal liaison
- Engage a qualified auditor
- Determine other services needed
- Identify GAAP adjustments needed
- Balance sheet focus
- Document, document, document

Initiating the Audit Engagement

- Establishing an audit committee:
 - What is the audit committee's purpose?
 - Who should be on it?
- How to identify a qualified audit firm?
 - What qualifications should they have?
 - What kind of experience should you look for?
 - What questions should you ask about capacity and staffing?
- What other services should be considered?
 - Actuarial - litigation exposure and insurance related liabilities
 - Consulting - audit readiness

Preparing for the Auditors

- How to identify the necessary GAAP adjustments
- Review the balance sheet
 - Documenting and supporting beginning balances will be critical
- Building your documentation file
 - Keeping proper documentation will make the audit process easier

Important: Documenting balances and processes may mean looking back at supporting documentation that is a year or more old – it is crucial to start now

Questions?



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Resources

- Florida Statutes, Chapter 408:
http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0400-0499/0408/Sections/0408.061.html
- Florida Administrative Code – Rule Chapter 59E-4:
<https://www.flrules.org/gateway/ChapterHome.asp?Chapter=59E-4>
- Florida Nursing Home Uniform Reporting System Manual:
https://ahca.myflorida.com/content/download/22726/file/FNHURS%20-%20External%20Provider%20User%20Guide_PROPOSED.pdf
- Florida Provider Data User Portal: <https://apps.ahca.myflorida.com/crs>.

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