



PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

2022 Audit Wrap Up Presentation and Discussion

NSHE Board of Regents – UNLV Medicine,
Inc.

March 9, 2023

This communication is intended solely for the information and use of management and those charged with governance of NSHE Board of Regents – UNLV Medicine, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

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Our Values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Our Responsibilities

We are responsible for:

- Performing an audit under US GAAS, Government Auditing Standards, of the financial statements, comprised of the financial statements, prepared by management, with your oversight
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP Communicating material fraud
- Reporting material noncompliance as well as significant deficiencies and/or material weaknesses in internal control over financial reporting Communicating specific matters to you on a timely basis; we do not design our audit for this purpose.

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our contract and/or our engagement letter.

Those Charged With Governance and Management Responsibilities

Those Charged with Governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the Agency's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
 - Agency strategies and related business risks that may result in heightened risks of material misstatement
 - Matters warranting particular audit attention
 - Significant communications with regulators
 - Matters related to the effectiveness of internal control and your oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

Management is responsible for:

- Preparing and fairly presenting the financial statements including supplementary information and required supplementary information in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and compliance
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with written representations

Audit timeline & scope

March 2022	Client continuance	<ul style="list-style-type: none"> • Client continuance • Issue engagement letter • Conduct internal client service planning meeting, including coordination with audit support teams
June 2022	Planning	<ul style="list-style-type: none"> • Meet with management to confirm expectations and discuss business risks • Discuss scope of work and timetable as well as identify current year audit issues • Initial Audit Committee communications
June 2022	Preliminary risk assessment procedures	<ul style="list-style-type: none"> • Develop an audit plan that addresses risk areas • Update understanding of internal control environment • Coordinate planning with management and develop work calendar
June 2022	Interim fieldwork	<ul style="list-style-type: none"> • Perform walkthroughs of business processes and controls • Perform selective substantive testing on interim balances
August – November 2022, March 2023	Final fieldwork and reporting	<ul style="list-style-type: none"> • Perform final phase of audit and year-end fieldwork procedures • Meet with management to discuss results, including review of draft financial statements, misstatements (if any) and completeness/accuracy of disclosures • Present results to Those Charged with Governance • Single Audit results in March, 2023

Materiality

Materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is ordinarily evaluated against relevant financial statement benchmark(s).

- We believe that **total revenues** is the appropriate benchmark for the audit of the financial statements.

Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships or significant unusual transactions).

Significant risks and other significant cycles and areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Area of focus	Procedures
Management override of controls	<p>Performed control and process walkthroughs to obtain an understanding of operating and design effectiveness.</p> <p>Tested completeness of the journal entry population.</p> <p>Performed substantive testing through extractions based on the criteria determined through assessing the risks of the Organization.</p>
<p>Net patient service revenue</p> <ul style="list-style-type: none"> • Revenue recognition • Patient service receivable • Accrued patient service receivable and revenue • Allowance for contractual adjustments • Allowance for doubtful accounts • Contractual expenses • Bad debt expense recognition • Patient refunds 	<p>Performed control and process walkthroughs to obtain an understanding of design effectiveness.</p> <p>Analytically reviewed patient service by average invoice, department, and other relevant ratios.</p> <p>Performed detail testing on patient service revenue and receivable through statistical sampling to determine proper recognition based on service performed and evidencing subsequent collection of cash receipt.</p> <p>Performed detail testing on patient service accrued revenue and receivable to determine proper recognition.</p> <p>Assessed the adequacy of management's calculation of allowance for contractual adjustments and bad debt reserve estimates by utilizing current year actual collections.</p>

Significant risks and other significant cycles and areas of focus- continued

Area of focus	Procedures
Pharmacy Revenue <ul style="list-style-type: none"> Revenue recognition 	<p>Performed control and process walkthroughs to obtain an understanding of operating and design effectiveness.</p> <p>Performed detail testing on pharmacy revenue through sampling to determine proper recognition based on prescription ordered and filled and evidencing subsequent collection of cash receipt.</p>
Contract Revenue <ul style="list-style-type: none"> Revenue recognition Contract receivables 	<p>Performed detail testing on contract revenue through sampling to determine proper recognition based on service and contract rates and subsequent cash collection.</p> <p>Confirmed outstanding contracts receivables selected for testing.</p> <p>Assessed for appropriate cut-off.</p>
Other revenues – Medicaid incentive payments and grant revenue <ul style="list-style-type: none"> Revenue recognition Accounts receivable (other receivables) 	<p>Performed substantive analytical procedures to determine if recognition is in line with expectations.</p>

Significant risks and other significant cycles and areas of focus- continued

Area of focus	Procedures
Financial Statement completeness and accuracy	<p>Our procedures also included an assessment as to the adequacy of the financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by GAAP.</p> <p><i>Management's preparation of and post-closing adjustments to the financial statements were delayed.</i></p>
Schedule of Expenditures of Federal Awards (SEFA) completeness and accuracy	<p>Compared and reconciled the information on the SEFA to the underlying accounting and other records used to prepare the financial statements</p> <p>Reviewed other grants and contracts for proper inclusion in, or exclusion from, the SEFA.</p>

Summary of misstatements

Description	Increase (Decrease) to:			
	Assets	Liabilities	Equity	Net Income
<u>Uncorrected misstatements</u>				
Mojave Client Trust - Cash	(407,866)			
Mojave Client Trust - Receivable	(276,299)			
Mojave Client Trust - Payable		(684,165)		
To remove the fiduciary activity from UNLV Med's books and create a new fiduciary fund				
Net impact	\$ (684,165)	\$ (684,165)	\$ -	\$ -

Management believes the uncorrected misstatements are immaterial to the financial statements.

Other required communications

Professional standards require that we communicate the following matters to you, as applicable.

Going concern matters

Fraud and noncompliance with laws and regulations

Significant deficiencies and material weaknesses in internal control over financial reporting

Use of other auditors

Use of internal audit

Related parties and related party transactions

Significant unusual transactions

Disagreements with management

Management's consultations with other accountants

Significant issues discussed with management

Significant difficulties encountered during the audit

Other significant findings or issues that are relevant to you and your oversight responsibilities

Modifications to the auditor's report

Other information in documents containing audited financial statements



Quality of accounting practices

Accounting policies	<p>We are not aware of any significant/unusual transactions recorded by the Organization or of any significant accounting policies used by the Organization related to controversial or emerging areas for which there is a lack of authoritative guidance.</p> <p>The accounting policies are disclosed in Note B of the financial statements and appear consistent and appropriate.</p>
Accounting estimates	<p>We believe the following represent particularly sensitive accounting estimates*:</p> <ul style="list-style-type: none">• Lookback patient service revenue (e.g. accrued revenue)• Allowance for doubtful accounts on patient service revenue• Allowance for contractual adjustments on patient service revenue <p>*Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgment</p>
Disclosures	<p>The disclosures appear to be complete, consistent with prior year and US GAAP. Further, the disclosures provide clarity and accurately represent the transactions recorded and balances reflected at year end.</p>



Areas of focus for Single Audit

The following provides an overview of the major programs tested in the last several years.

Major program(s)	2022	2021	2020
HHS (HRSA) COVID-19 Provider Relief Fund (93.498)	X		
HHS (HRSA) COVID 19 Uninsured Program (93.461)		X	
None			X

Areas of focus for Single Audit

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Area of focus	Results
Compliance with Uniform Guidance	<p>Performed compliance and controls procedures in accordance with the Uniform Guidance Requirements, including:</p> <ul style="list-style-type: none">• Planning, identification of major federal program(s) and risk assessment.• Review the respective federal compliance supplements and, as applicable, the specific grant/award agreements and assess and document the applicable compliance requirements.• Document/update internal controls over compliance for each of the respective major federal program(s) or cluster(s).• Test compliance and internal controls over compliance for each direct and material compliance requirement over each major federal program.<ul style="list-style-type: none">• There are 12 compliance requirements for each major program. Of these, typically 6-8 have been direct and material to each major program or cluster.• Test the reconciliation of the schedule of expenditures of federal awards to the respective amounts included within the financial statements.

Areas of focus for Single Audit (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Area of focus	Results
Compliance with Uniform Guidance (continued)	<ul style="list-style-type: none">• Communicate compliance/control findings, if any, to management and TCWG. A material weakness and material non-compliance was reported with respect to the Reporting and Cost Allowability requirements for the Provider Relief Program.• Address resolution of communicated compliance/control findings and understand management's response to be included in the corrective action plan.• Assess completeness of disclosures related to the Schedule of Expenditures of Federal Awards• Rendered an Adverse independent auditor report on the Provider Relief Fund major program.• Prepare the appropriate sections of the federal Data Collection Form submitted to the Federal Audit Clearinghouse.



Appendix



Internal control matters

Responsibility

We are responsible for obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion. Control deficiencies that are of a lesser magnitude than a significant deficiency will be communicated to management.



Internal control matters (continued)

Definitions

The objective of the audit was to report on the financial statements as a whole and not to provide assurance on internal control over financial reporting.]



Control deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis



Significant deficiency

A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the entity's financial reporting.



Material weakness

A deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Entity's annual or interim financial statements will not be prevented or detected on a timely basis.

Internal control matters (continued)

Significant deficiency

Our consideration of internal control was not designed to identify all deficiencies in internal control that, individually or in combination, might be significant deficiencies. Therefore, significant deficiencies may exist that were not identified. We consider the following identified control deficiencies to be significant deficiencies.

Description of significant deficiency(ies)

Recommendations

During the audit of the SEFA, it was noted that within the SEFA, some federal awards used cash received figures rather than being prepared on the same basis of accounting as the financial statements, the accrual basis of accounting.

We recommend the Organization closely monitor the SEFA and drafted financial statements and exercise due diligence in quality reviews of such.

Related parties and related party transactions

Nature of related party relationships

The Organization has various transactions with the University of Nevada, Kirk Kerkorian School of Medicine (KSOM):

- UNLV Medicine reimburses KKSOM for physician salaries and records related expenses
- KSOM grants UNLV Medicine access to facilities and provides support to pay facility rents.
- KSOM pays for Resolute (EPIC) annual maintenance and UNLV is invoice on a monthly basis from KSOM.
- KSOM has contracts with UNLV Medicine for sports clinic, student health and wellness, and obstetrics and gynecology
- UNLV is a pass through entity for federal grants including Ryan White, NTS, RESEP.

Significant findings or issues related to related parties

None noted.

Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link can be accessed from our external website or through this link:

https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191



Disclaimer: EthicsPoint is not intended to act as a substitute for a company's "whistleblower" obligations.



Technical updates - GASB

Selected pronouncements effective for the year ending June 30, 2022, or subsequent periods - GASB

Title	Effective date
GASB 91 – Conduit Debt Obligations	Periods beginning after December 15, 2021**
GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements	Periods beginning after June 15, 2022
GASB 96 – Subscription-Based Information Technology Arrangements	Periods beginning after June 15, 2022
GASB 98 – The Annual Comprehensive Financial Report	Periods ending after December 15, 2021

** Reflective of effective date deferral under GASB 95.

GASB Statement 91, *Conduit Debt Obligations*

Summary

- Eliminates the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice.
- Defines conduit debt obligations as a debt instrument issued in the name of a state or local government (the issuer) that is for the benefit of a third party primarily liable for the repayment of the debt instrument (the third-party obligor), that includes specific characteristics.
- An issuer should not recognize a conduit debt obligation as a liability.
- To the extent the issuer has made a limited commitment with respect to the conduit debt obligation, the issuer should recognize a liability associate with the additional commitment if qualitative factors indicate it is more likely than not that the issuer will support one or more debt service payments.
- The issuer of conduit debt obligations should not report arrangements as leases, regardless of whether the arrangement is labeled or otherwise referred to as a lease. If the arrangement meets the definition of a Service Concession Arrangement, however, the SCA should be reported in accordance with the relevant guidance.
- Effective for periods beginning after December 15, 2021, with early adoption encouraged. Changes to adopt this standard should be applied retroactively.

Potential Impact

- Universities should inventory outstanding conduit debt obligations, including related commitments and arrangements, and compare the associated terms against the new definitions within this Standard.

GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Summary

- Defines a PPP as an arrangement in which a government (the transferor)
 - contracts with an operator (a governmental or nongovernmental entity) to provide public services
 - by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time
 - in an exchange or exchange-like transaction.
- Transferor records the underlying PPP asset and/or a receivable for installment payments to be received from operator, with a related deferred inflow of resources.
- Defines an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period in an exchange or exchange-like transaction.
 - In an APA with multiple components, each component shall be recognized as a separate arrangement.
- Effective for fiscal years beginning after June 15, 2022, with early adoption encouraged.

Potential Impact

- Universities often engage in these type of arrangements to expand student housing, parking, retail space, or some combination of these types of revenue-generating spaces. This new guidance clarifies the accounting for these types of arrangements, as compared to service concession arrangements, lease agreements or other types of transfers. Management should identify which agreements are currently in place for which accounting may need to be restated. Management should also consider these updated definitions for any new transactions that may be in process, to ensure those arrangements are structured and reported in accordance with these new provisions.

GASB Statement 96, *Subscription-Based Information Technology Arrangements*

Summary

- Defines subscription-based information technology arrangements (SBITA) as a contract that conveys control of the right to use another party's IT software,
 - alone or with underlying tangible IT assets,
 - For a period of time (noncancelable period, plus options to extend),
 - In an exchange or exchange-like transaction.
- Government should recognize a right-to-use subscription asset and a corresponding subscription liability
 - Measured as the present value of expected subscription payments
 - Discounted using the rate the SBITA vendor charges, or the incremental borrowing rate
- Subscription asset to be amortized over the subscription term
- Activities associated with a SBITA, other than subscription payments, should be grouped into the following three stages and costs accounted for accordingly:
 - Preliminary project stage – expensed as incurred
 - Initial implementation stage – capitalized as an addition to the subscription asset
 - Operation and additional implementation stage – expensed as incurred, unless they meet specific capitalization criteria
- Effective for fiscal years beginning after June 15, 2022, with early adoption encouraged.

Potential Impact

- For those universities using subscription-based IT arrangements, this standard could have a significant impact on the financial statements of the university upon adoption. As with the new lease standard, management should consider the impact on financial covenants, as well as ensuring a complete inventory of existing agreements that will be subject to the new accounting and disclosures.

GASB Statement 98, The Annual Comprehensive Financial Report

Summary

- This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.
- This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.
- Effective for fiscal years ending after December 15, 2021, with early application encouraged.

Potential Impact

- Universities that prepare an annual report or make reference to being a component unit of another governmental entity that prepares such an annual report, should update language to include the new term and, if applicable, the related acronym.

GASB projects

Project	Timing
Compensated absences – reexamination of Statement 16	Final Statement expected June 2022
Financial Reporting Model - Reexamination of Statements 34, 35, 37, 41 and 46, and Interpretation 6	Final Statement expected 2023
Recognition (conceptual framework)	Final Concepts Statement expected 2023
Prior-period adjustments, accounting changes, and error corrections – a reexamination of Statement 62	Final Statement expected June 2022
Disclosure framework (conceptual framework)	Final Concepts Statement expected June 2022
Omnibus	Final Statement expected April 2022
Risks and Uncertainties Disclosures	Exposure Draft expected June 2022
Revenue and Expense Recognition	Currently in redeliberation. Exposure Draft expected 2025
Going concern uncertainties and severe financial stress	Preliminary Views expected December 2023
Classification of nonfinancial assets	Exposure Draft expected May 2023

GASB major project – Financial Reporting Model

Summary

- GASB is revisiting its reporting model established in GASB 34 and 35, as well as other GASB standards, following the FASB project to revisit the reporting model of NFP entities.
 - Although there is general consensus that most of the components of the financial reporting model are effective, the Board determined that there is a need to update guidance related to several categories, focusing on the following:
 - MD&A
 - Government-wide financial statements
 - Major funds
 - Governmental fund financial statements
 - Proprietary fund and business-type activity financial statements
 - Fiduciary fund financial statements
 - Budgetary comparisons
 - Exposure Draft elements of note for colleges and universities (Preliminary Views was issued in June 2020):
 - Definition of non-operating activities includes i) subsidies received and provided, ii) revenues and expenses of financing, iii) resources from the disposal of capital assets and inventory and iv) investment income and expenses
 - A subtotal for "operating income/(loss) and noncapital subsidies"
-

GASB major project – Financial Reporting Model, continued

Potential impact

- Proposed guidance could have sweeping effects on the reporting and disclosures by public colleges and universities.
 - There could be an increase in comparability between the two types of entities that currently use very different reporting models.
 - Three of the business type activities issues that the GASB is considering that are particularly relevant to public universities are:
 - Guidance on the operating indicator
 - MD&A
 - Extraordinary and special items
 - Depending on the ultimate guidance, Colleges and Universities may want to think about how the reporting of these expenses will be captured to be accurately reported in the financial statements.
-

GASB major project – Revenue and Expense Recognition

Summary

- Three primary areas of focus of the project are as follows:
 1. Common exchange transactions not specifically addressed in existing GASB guidance
 - Project plans to develop guidance or improve existing guidance regarding
 1. Exchange and exchange-like transactions having single elements
 2. Exchange and exchange-like transactions having multiple elements
 3. The differentiation between exchange-like and non-exchange transactions
 2. Post-implementation review of GASB 33 and 36
 - Areas to be considered include:
 1. Distinguishing between eligibility requirements and purpose restrictions
 2. Determining when a transaction is an exchange or a non-exchange transaction
 3. Using the availability period concept consistently across governments
 4. Applying time and contingency requirements
 3. Development of GASB conceptual framework
 - GASB 33 and 36 were developed prior to key parts of the conceptual framework, such as defining deferred inflows and outflows
 - An evaluation of the recognition of non-exchange transactions against the conceptual framework is necessary
- Currently in public hearings and re-deliberations, with Exposure Draft expected in 2025.

Potential Impact

- As it relates to recognition of exchange and non-exchange transactions such as grants vs gifts vs contracts, there continues to be an element of judgment and interpretation of existing GASB and FASB guidance. This project could impact the current practices of higher education institutions as it relates to revenue recognition.



Technical updates – Uniform Guidance



2022 OMB Compliance Supplement

- U.S. Office of Management and Budget (OMB) released the 2022 OMB Compliance Supplement in May 2022.
- Effective for audits of fiscal years beginning after June 30, 2021.
- [The 2022 Supplement](#) is available on the OMB website and the GAQC has posted the 2022 Supplement on the GAQC Web site broken down by individual sections as well.
- No addendums to the 2022 Supplement are expected.
- Refer to Appendix V of the 2022 Supplement, *List of Changes for the 2022 Compliance Supplement* to get a high-level overview of the detailed changes, including specific programmatic changes by Assistance Listing number.

2022 OMB Compliance Supplement

- The provider of the Federal Audit Clearinghouse (FAC) will transition from Census to the General Services Administration (GSA).
- Transition was originally scheduled to take place on October 1, 2022, but has since been delayed by one year and is now scheduled to take place on October 1, 2023.
- Single audits with a fiscal period ending in 2022 (or earlier) should be submitted to Census FAC. Census will continue to receive and process single audits for a limited period after September 30, 2023, allowing auditees an opportunity to complete remaining in-process submissions.
- Census is currently working on the form for submission of fiscal 2022 audits, so auditees won't be able to submit 2022 audits until this form is ready. Audits that are not submitted within 30 calendar days after the receipt of the auditor's report due to the new form not being ready will not be considered late.
- Fiscal 2021 audits should continue to be filed under the current process with Census FAC.
- Single audits with a fiscal period ending in 2023 will be submitted to the new GSA FAC beginning October 1, 2023.