OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Financial Statements and Supplementary Data

Years Ended December 31, 2022 and 2021

(Together With Independent Auditor's Report)

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Table of Contents

Years Ended December 31, 2022 and 2021


| | Page Number |
|---|---|
| Independent Auditor's Report | 1-3 |
| Financial Statements: | |
| Statements of Financial Position | 4 |
| Statements of Revenues, Expenses and Changes in Net Position | 5 |
| Statements of Cash Flows | 6-7 |
| Notes to Financial Statements | 8-22 |
| Supplementary Information, Schedule of Expenditures of Federal Awards | 23-25 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* | 26-28 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance | 29-32 |
| Schedule of Findings and Questioned Costs | 33-42 |
| Corrective Action Plan | 43-46 |
| Summary Schedule of Prior Audit Findings | 47 |

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# INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Osborne County Memorial Hospital
Osborne, Kansas:

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Osborne County Memorial Hospital, a component unit of Osborne County, Kansas, as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements which collectively comprise Osborne County Memorial Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Osborne County Memorial Hospital as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide,* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Osborne County Memorial Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Osborne County Memorial Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that raise substantial doubt shortly thereafter.

***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the *Kansas Municipal Audit and Accounting Guide* and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, the *Kansas Municipal Audit and Accounting Guide* and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Osborne County Memorial Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Osborne County Memorial Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

***Required Supplementary Information***

Osborne County Memorial Hospital has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Osborne County Memorial Hospital's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023 on our consideration of Osborne County Memorial Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Osborne County Memorial Hospital's internal control over financial reporting and compliance.

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
September 20, 2023

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Financial Position

December 31, 2022 and 2021

| Assets | 2022 | 2021 |
|---|---|---|
| Current assets: | | |
| Cash | $ 5,810,071 | 4,845,238 |
| Restricted cash - COVID-19 funds | 268,000 | 848,981 |
| Patient accounts receivable, net of contractual adjustments and estimated uncollectibles of $563,949 in 2022 and $694,237 in 2021 | 1,324,137 | 1,592,181 |
| Other receivables | 43,739 | 303,439 |
| Taxes receivable | 99,100 | 103,264 |
| Supplies inventory | 103,330 | 130,316 |
| Prepaid expenses | 216,175 | 173,359 |
| Estimated third-party payor settlements | 395,000 | - |
| Total current assets | 8,259,552 | 7,996,778 |
| Assets whose use is limited or restricted: | | |
| Restricted by donors or grantors | 256,988 | 290,429 |
| Interest in assets at Greater Salina Community Foundation | 14,150 | 16,518 |
| Total assets whose use is limited or restricted | 271,138 | 306,947 |
| Capital assets | 18,997,776 | 18,689,212 |
| Less accumulated depreciation | 3,770,876 | 2,631,367 |
| Net capital assets | 15,226,900 | 16,057,845 |
| | $ 23,757,590 | 24,361,570 |

See accompanying notes to financial statements.

| Liabilities and Net Position | 2022 | 2021 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable and payroll withholding | $ 157,987 | 162,039 |
| Accrued expenses - salaries, wages and benefits | 657,264 | 544,513 |
| Advanced grants - COVID-19 funds | 268,000 | 848,981 |
| Estimated third-party payor settlements | 10,000 | 65,000 |
| Total current liabilities | 1,093,251 | 1,620,533 |
| Net position: | | |
| Net investment in capital assets | 15,226,900 | 16,057,845 |
| Restricted expendable for: | | |
| Capital assets | 104,549 | 102,546 |
| Operating activities | 152,439 | 187,883 |
| Unrestricted | 7,180,451 | 6,392,763 |
| Total net position | 22,664,339 | 22,741,037 |
| | $ 23,757,590 | 24,361,570 |

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| Operating revenues: | | |
| Net patient service revenue | $ 8,055,843 | 7,690,030 |
| Provision for uncollectible accounts | (360,067) | (146,555) |
| Net patient service revenue, less provision for uncollectible accounts | 7,695,776 | 7,543,475 |
| Other operating revenue | 967,193 | 943,702 |
| Total operating revenues | 8,662,969 | 8,487,177 |
| Operating expenses: | | |
| Salaries and wages | 4,535,777 | 4,162,877 |
| Employee benefits | 781,263 | 725,730 |
| Supplies and other | 3,537,213 | 3,188,081 |
| Depreciation | 1,139,509 | 1,093,432 |
| Total operating expenses | 9,993,762 | 9,170,120 |
| Operating loss | (1,330,793) | (682,943) |
| Nonoperating revenues and expenses: | | |
| Noncapital appropriations - Osborne County | 1,005,807 | 985,904 |
| Investment income | 19,399 | 7,084 |
| Interest expense | (14,785) | (10,924) |
| Grants - COVID-19 funds | 531,519 | 1,466,740 |
| Noncapital grants and contributions | 56,441 | 74,661 |
| Total nonoperating revenues and expenses | 1,598,381 | 2,523,465 |
| Revenues in excess of expenses | 267,588 | 1,840,522 |
| Transfer to County | (448,835) | (448,835) |
| Capital grants and contributions | 104,549 | 131,655 |
| Increase (decrease) in net assets | (76,698) | 1,523,342 |
| Net position, beginning of year | 22,741,037 | 21,217,695 |
| Net position, end of year | $ 22,664,339 | 22,741,037 |

See accompanying notes to financial statements.

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

| Increase in Cash | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received: | | |
| Patients and third-party payors | $ 7,513,820 | 8,475,034 |
| Other receipts, net | 967,193 | 943,702 |
| Cash paid to employees | (5,204,289) | (4,887,428) |
| Cash paid to suppliers and contractors | (3,297,395) | (3,461,068) |
| Net cash provided (used) by operating activities | (20,671) | 1,070,240 |
| Cash flows from noncapital financing activities: | | |
| Noncapital appropriations - Osborne County | 1,009,971 | 974,708 |
| Noncapital grants and contributions received | 56,441 | 74,661 |
| Grants - COVID-19 funds | - | 1,120,562 |
| Grants - COVID-19 funds repaid | (49,462) | (1,541,451) |
| Interest payments on trade payables | (14,785) | (10,886) |
| Net cash provided by noncapital financing activities | 1,002,165 | 617,594 |
| Cash flows from capital and related financing activities: | | |
| Capital grants and gifts | 104,549 | 131,655 |
| Capital expenditures | (308,564) | (485,234) |
| Transfer to Osborne County | (448,835) | (448,835) |
| Principal payments on lease obligation | - | (3,167) |
| Interest paid on lease obligation | - | (38) |
| Net cash used by capital and related financing activities | (652,850) | (805,619) |
| Cash flows from investing activities, interest income received | 21,767 | 5,573 |
| Net increase in cash and cash equivalents | 350,411 | 887,788 |
| Cash, beginning of year | 5,984,648 | 5,096,860 |
| Cash, end of year | $ 6,335,059 | 5,984,648 |
| Reconciliation of cash to the statements of financial position: | | |
| Cash | $ 5,810,071 | 4,845,238 |
| Restricted cash - COVID-19 funds | 268,000 | 848,981 |
| Cash in noncurrent assets | 256,988 | 290,429 |
| Total cash | $ 6,335,059 | 5,984,648 |

(Continued)

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Cash Flows
(Continued)
Years Ended December 31, 2022 and 2021

| Reconciliation of Operating Loss to Net Cash Provided or Used by Operating Activities | 2022 | 2021 |
|---|---|---|
| Operating loss | $ (1,330,793) | (682,943) |
| Adjustment to reconcile operating loss to net cash provided (used) by operating activities: | | |
| Depreciation | 1,139,509 | 1,093,432 |
| Provision for uncollectible accounts | 360,067 | 146,555 |
| Decrease (increase) in: | | |
| Patient accounts receivable | (92,023) | (184,922) |
| Other receivables | 259,700 | (231,131) |
| Supplies inventories | 26,986 | 46,416 |
| Prepaid expenses | (42,816) | (126,616) |
| Estimated third-party payor settlements | (450,000) | 969,926 |
| Increase (decrease) in: | | |
| Accounts payable and payroll withholding | (4,052) | 38,344 |
| Accrued expenses - salaries, wages and benefits | 112,751 | 1,179 |
| Net cash provided (used) by operating activities | $ (20,671) | 1,070,240 |

Supplemental Disclosure of Cash Flows Information

| | | |
|---|---|---|
| Noncash change in assets at Greater Salina Community Foundation | $ 2,368 | (1,511) |

See accompanying notes to financial statements.

## (1) Nature of Operations and Summary of Significant Accounting Policies

### Nature of operations and reporting entity

Osborne County Memorial Hospital (the Hospital) is located in Osborne, Kansas. The Hospital is a component unit of Osborne County, Kansas (the County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Osborne County area.

### Basis of accounting and presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and County appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as County appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses.

### Income taxes

As an essential government entity, the Hospital is generally exempt from federal and state taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Hospital has also been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code.

### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

Cash and cash equivalents and statements of cash flows

For purposes of the statements of cash flows, the Hospital considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2022 and 2021.

Patient accounts receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with uninsured/self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Supplies inventory

Supply inventories are stated at the lower of cost determined using the first-in, first-out method, or market.

Assets whose use is limited or restricted:

Assets whose use is limited or restricted include assets restricted by donors for capital acquisitions and specific operating activities, and interest in assets at Greater Salina Community Foundation (note 6). Assets whose use is limited or restricted consist primarily of money market accounts.

(Continued)

Capital assets

Capital assets in excess of $5,000 are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the useful life of the respective assets are charged to expense as incurred. All capital assets other than land are depreciated or amortized over the estimated useful lives of the respective assets on the straight-line method. Capital assets under lease or subscription obligations are amortized on the straight-line method over the shorter period of the contract term or the estimated useful life of the capital asset. Amortization is included in depreciation and amortization in the financial statements. Useful lives are determined using the general guidelines set forth in the American Hospital Association Guide for Estimated Useful lives of Depreciable Hospital Assets. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recognized. The following estimated useful lives are being used by the Hospital:

| | Life in Years |
|---|---|
| Land improvements | 10-25 |
| Buildings | 20-40 |
| Fixed equipment | 5-20 |
| Moveable equipment | 5-20 |

Compensated absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date.

Net position

Net position of the Hospital is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. The *restricted expendable* component consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. The *unrestricted* net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable.

(Continued)

Restricted resources

When the Hospital has both restricted and unrestricted resources available to finance a particular activity or program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital estimates the cost associated with providing services under its charity care policy were $10,699 and $1,816 for the years ended December 31, 2022 and 2021, respectively. The Hospital computes its estimated charity care costs by applying its overall cost to charge ratio (total operating costs plus interest expense divided by gross operating revenue) to the gross charges forgone under its charity care policy.

Noncapital appropriations - Osborne County

The Hospital received approximately 9% of its financial support in both 2022 and 2021 from noncapital appropriations from the County's property tax levy and 1% sales tax revenue.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from property taxes and 1% sales taxes is recognized in the year for which the taxes are levied.

Investment income

Investment income is reported as nonoperating income. Investment income on donor-restricted assets which is not donor-restricted is recorded as nonoperating income. Investment income on donor-restricted assets which is donor-restricted is added to restricted net position balances.

(Continued)

Risk management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health and dental claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

New accounting and reporting standard

On January 1, 2022, the Hospital adopted GASB Statement No. 87 – *Leases*. This new statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset at the commencement of the lease term, unless the lease is a short-term lease or if it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term while the right-to use asset is measured at the amount of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs. The new standard is to be applied to all applicable leases as of the beginning of the earliest period presented. The implementation of GASB No. 87 did not have any impact on the Hospital's financial statements.

(2) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- **Medicare:** The Hospital is recognized as a Critical Access Hospital (CAH). Under CAH rules, inpatient acute care and skilled swing-bed and most outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of actual cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules. The Hospital is reimbursed for most services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through December 31, 2019.

(Continued)

The "Budget Control Act of 2011" requires, among other things, mandatory across the board reductions in federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013 incur a 2% reduction in Medicare payments. On March 27, 2020, the CARES Act temporarily exempted Medicare from the effects of sequestration. This exemption was in effect from May 1, 2020 through March 31, 2022. From April 1, 2022 to June 30, 2022, the exemption was revised and imposed a 1% sequestration reduction rate. After June 30, 2022, the exemption is fully expired.

- **Medicaid:** Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. That add-on percentage may be rebased at some time in the future.

Approximately 73% and 75% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021, respectively. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined case rates and discounts from established charges.

(Continued)

Net patient service revenue consists of the following for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Net patient service revenue: | | |
| Gross patient service revenue: | | |
| Medicare | $ 5,169,565 | 5,207,767 |
| Medicaid | 483,236 | 437,474 |
| Commercial insurance and other | 2,800,318 | 2,595,516 |
| Uninsured/self-pay | 237,281 | 208,614 |
| Charity care deductions | (10,324) | (1,858) |
| Gross patient service revenue (after charity care) | 8,680,076 | 8,447,513 |
| Contractual adjustments: | | |
| Medicare | 486,481 | 378,990 |
| Medicaid | (297,740) | (230,547) |
| Commercial insurance and other | (812,974) | (905,926) |
| Total contractual adjustments | (624,233) | (757,483) |
| Net patient service revenue | 8,055,843 | 7,690,030 |
| Provision for bad debts | (360,067) | (146,555) |
| Net patient service revenue, less provision for bad debts | $ 7,695,776 | 7,543,475 |

(3) COVID-19 Funds

In December 2019, a novel strain of the coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the United States of America (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic and on March 13, 2020 the President of the United States of America declared an emergency under sections 201 and 301 of the National Emergencies Act. Since this declaration, the Hospital has operated within the guidelines provided by both state and federal regulatory agencies. Additionally, many state and local governments instituted emergency restrictions that have substantially limited the operation of non-essential businesses and the activities of individuals. These restrictions have resulted in a decrease in overall hospital service volumes as both hospital and physician elective procedures have been impacted. The U.S. Congress passed both the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide various relief programs and direct funds to both health care providers, such as the Hospital, and the general public to assist during the duration of the pandemic.

(Continued)

Under the authority of the CARES Act, the U.S. Department of Health and Human Services (HHS) has established various Provider Relief Funds (PRF) to distribute funds to health care providers. The Hospital received Provider Relief Fund distributions of $799,519 and $2,736,611 during the years ended December 31, 2021 and 2020, respectively. The terms and conditions associated with accepting the funds specifically state they can only be used to prevent, prepare for, and respond to coronavirus healthcare-related expenses or lost revenues that are attributable to the coronavirus. Recipients are required to file reports with HHS regarding the use of these funds for eligible purposes. Any unused funds are required to be returned to HHS.

The Hospital considers the receipt of the funds a voluntary nonexchange transaction and the incurrence of eligible coronavirus healthcare-related expenses or lost revenues attributable to the coronavirus to be eligibility requirements for accounting and financial reporting purposes. The PRF amounts received were recorded as Advanced grants (liability). The liability is being derecognized and nonoperating revenues recognized, as the eligible requirements are determined to be met by the Hospital. The Hospital believes it has met certain terms and conditions during the applicable reporting periods and therefore recognized $531,519 and $1,145,697 as Grants – COVID-19 funds for the years ended December 31, 2022 and 2021, respectively. The Hospital repaid PRF amounts to HHS of $49,462 and $1,541,451 during the years ended December 31, 2022 and 2021, respectively.

The Hospital also received grant funds from the State of Kansas and other sources totaling $321,043 related to COVID-19 during 2021. The Hospital recognized this amount as Grants – COVID-19 funds for the year ended December 31, 2021.

The laws and regulations associated with the CARES Act funds are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

## (4) Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Kansas; bonds of any city, county, school district or special road district of the State of Kansas; bonds of any state, or a surety bond having an aggregate value at least equal to the amount of the deposits.

(Continued)

At December 31, 2022 and 2021, $5,606,349 and $5,341,039 of the Hospital's bank balances of $6,370,498 and $6,107,991, respectively, were exposed to custodial credit risk as follows:

| | 2022 | 2021 |
|---|---|---|
| Uninsured and uncollateralized | $ - | - |
| Uninsured but collateralized with securities held by pledging financial institution's trust department or agent in the Hospital's name | 5,606,349 | 5,341,039 |
| | $ 5,606,349 | 5,341,039 |

The carrying amounts of deposits shown above are included in the balance sheet as follows:

| | 2022 | 2021 |
|---|---|---|
| Carrying value, deposits | $ 6,335,059 | 5,984,648 |
| Included in the following balance sheet captions: | | |
| Cash in current assets | $ 5,810,071 | 4,845,238 |
| Restricted cash in current assets | 268,000 | 848,981 |
| Restricted by donors -- noncurrent assets | 256,988 | 290,429 |
| | $ 6,335,059 | 5,984,648 |

(Continued)

(5) Patient Accounts Receivable and Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, many of whom are area residents and insured under third-party payor agreements.

Patient accounts receivable at December 31 consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Receivable from: | | |
| Medicare | $ 891,692 | 1,150,244 |
| Medicaid | 78,694 | 116,054 |
| Self-pay | 377,418 | 361,557 |
| Blue Cross | 296,786 | 401,433 |
| Other third-party payers | 243,196 | 257,130 |
| Total patient accounts receivable | 1,887,786 | 2,286,418 |
| Allowances for: | | |
| Contractual adjustments | 208,649 | 373,237 |
| Uncollectible accounts | 355,000 | 321,000 |
| Total allowances | 563,649 | 694,237 |
| Net patient accounts receivable | $ 1,324,137 | 1,592,181 |

(6) Interest in Assets at Greater Salina Community Foundation

The Hospital entered into an Organization Fund Agreement in 2012 with the Greater Salina Community Foundation (the Foundation). Changes in the beneficial interest in those assets are included in nonoperating revenue as investment income. The account experienced a net decrease of $2,368 and a net increase $1,511 for the years ended December 31, 2022 and 2021, respectively.

(Continued)

(7) Capital Assets

Capital asset activity for the years ended December 31 was:

| | 2021 | Additions | Transfers/ Retirements | 2022 |
|---|---|---|---|---|
| Historical costs | | | | |
| Land improvements | $ 889,499 | - | - | 889,499 |
| Buildings | 11,567,334 | - | - | 11,567,334 |
| Fixed equipment | 3,273,310 | - | - | 3,273,310 |
| Moveable equipment | 2,959,069 | 298,564 | - | 3,257,633 |
| Construction in progress - not depreciated | - | 10,000 | - | 10,000 |
| Total historical costs | 18,689,212 | 308,564 | - | 18,997,776 |
| Less accumulated depreciation | | | | |
| Land improvements | (112,312) | (62,592) | - | (174,904) |
| Buildings | (820,826) | (457,901) | - | (1,278,727) |
| Fixed equipment | (391,601) | (218,221) | - | (609,822) |
| Moveable equipment | (1,306,628) | (400,795) | - | (1,707,423) |
| Total accumulated depreciation | (2,631,367) | (1,139,509) | - | (3,770,876) |
| Net capital assets | $ 16,057,845 | (830,945) | - | 15,226,900 |

(Continued)

| | 2020 | Additions | Transfers/ Retirements | 2021 |
|---|---|---|---|---|
| Historical costs | | | | |
| Land improvements | $ 889,499 | - | - | 889,499 |
| Buildings | 11,534,434 | - | 32,900 | 11,567,334 |
| Fixed equipment | 3,273,310 | - | - | 3,273,310 |
| Moveable equipment | 2,494,235 | 464,834 | - | 2,959,069 |
| Construction in progress - not depreciated | 32,900 | - | (32,900) | - |
| Total historical costs | 18,224,378 | 464,834 | - | 18,689,212 |
| Less accumulated depreciation | | | | |
| Land improvements | (49,720) | (62,592) | - | (112,312) |
| Buildings | (362,434) | (458,392) | - | (820,826) |
| Fixed equipment | (173,380) | (218,221) | - | (391,601) |
| Moveable equipment | (952,401) | (354,227) | - | (1,306,628) |
| Total accumulated depreciation | (1,537,935) | (1,093,432) | - | (2,631,367) |
| Net capital assets | $ 16,686,443 | (628,598) | - | 16,057,845 |

(8) Replacement Facility

A new hospital and physicians' clinic building (the Replacement Facility) was completed during 2020 and all Hospital operations were moved from the existing building to it during March of 2020. During 2017, the voters of the County approved a tax levy (general obligation of the County) to support and fund the repayment of a United States Department of Agriculture (USDA) direct loan of up to $18,735,000 to fund the construction. Since the underlying USDA direct loan amounts were issued as general obligation bonds of the County, the debt is being reported as an obligation of the County and not the Hospital.

Although the tax levy was approved in an amount to cover the entire potential annual principal and interest payments required to service the USDA direct loan, the County anticipates requesting funds annually from the Hospital to cover the required annual debt service requirements. The Hospital anticipates using a combination of funds generated from its on-going operations and existing annual tax levy amounts to fund the County's annual required debt repayments. During both 2022 and 2021, the Hospital transferred $448,835 to the County.

(Continued)

The County's general obligation bonds issued in January 2020 for the USDA direct loan carry a fixed interest rate of 2.75% and a 30-year amortization period. Repayments of principal and interest are due annually with the final payment due January 22, 2050. The final total costs of the project were less than originally estimated resulting in $1,011,018 of excess funds at the close of the project. The County repaid the excess funds in January 2021 when it made the first required installment of principal and interest. The following schedule presents the County's repayment requirements under the USDA direct loan:

| Year Ending | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 433,095 | 464,575 | 897,670 |
| 2024 | 445,005 | 451,425 | 896,430 |
| 2025 | 455,960 | 441,634 | 897,594 |
| 2026 | 469,782 | 427,888 | 897,670 |
| 2027 | 482,701 | 414,969 | 897,670 |
| 2028 to 2032 | 2,618,834 | 1,867,393 | 4,486,227 |
| 2033 to 2037 | 2,998,623 | 1,488,801 | 4,487,424 |
| 2038 to 2042 | 3,435,517 | 1,052,177 | 4,487,694 |
| 2043 to 2047 | 3,934,824 | 553,086 | 4,487,910 |
| 2048 to 2050 | 1,619,288 | 79,849 | 1,699,137 |
| Total | $ 16,893,629 | 7,241,797 | 24,135,426 |

(9) Medical Malpractice and Liability Coverage and Claims

The Hospital carries a professional liability policy (including malpractice) which provides $200,000 of coverage per occurrence and $600,000 aggregate coverage. The Kansas Health Care Stabilization Fund provides an additional $800,000 of coverage for each medical incident and $2,400,000 of aggregate coverage for each policy year. In addition, the Hospital carries an umbrella policy which also provides $1,000,000 per occurrence and $3,000,000 aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while coverage is in force. The Hospital accrues the expense of its share of asserted and unasserted claims occurring during the year by estimating the probable ultimate cost of any such claim. Based upon the Hospital's claim experience, no such accrual has been made. However, because of the risks involved in providing healthcare services, it is possible that an event has occurred which will be the basis of a future material claim.

(Continued)

(10) Pension Plan

The Hospital maintains a 401(a) money purchase pension plan for eligible employees. Eligibility is established by all employees 21 years of age or older who have completed one year of service and have been paid for 1,000 hours of service for the year. For any plan year in which the employee makes an elective deferral, the Hospital will make a 100% matching contribution, up to 3% of a participant's annual compensation. Benefits are funded by a money purchase annuity with an insurance company. The plan is funded for past service on an installment basis over the estimated remaining duration of employment from the effective date of the plan to the employee's normal retirement date. For all employees who terminated from the Hospital prior to April 1, 2009, benefits vested after two years of service with full vesting after six years of service. All employees who contribute at least one hour of service on or after April 1, 2009, vest after one year of service with full vesting after four years of service. Contributions actually made by plan members totaled $124,961 and $139,766 in 2022 and 2021, respectively. Hospital contributions totaled $74,180 and $85,468 in 2022 and 2021, respectively.

(11) 340B Drug Pricing Program

The Hospital began participating in the 340B Drug Pricing Program (340B Program) during 2015 enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $891,152 and $852,198 for the years ended December 31, 2022 and 2021, respectively, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. The Hospital recorded expenses of $860,520 and $736,139 for the years ended December 31, 2022 and 2021, respectively, which is included in supplies and other in the accompanying statements of revenues, expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and changes to financial statement amounts related to the 340B Program could occur in the near term.

(Continued)

(12) Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 - Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets.

The Hospital has the following recurring fair value measurements:

- Equity securities of $10,612 and $12,388 are valued using quoted market prices (Level 1 inputs) at December 31, 2022 and 2021, respectively.
- Bonds of $3,538 and $4,130 are valued using a matrix pricing model (Level 2 inputs) at December 31, 2022 and 2021, respectively.

The above amounts are all included under the caption "Interest in assets at Greater Salina Community Foundation" in the statements of financial position.

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|---|---|---|---|
| United States Department of Health and Human Services: | | | |
| Direct Awards: | | | |
| COVID-19 Provider Relief Fund | 93.498 | N/A | $ 702,434 |
| COVID-19 Testing and Mitigation for Rural Health Clinics | 93.697 | N/A | 100,000 |
| COVID-19 Uninsured Program | 93.461 | N/A | 12,693 |
| Total Direct Awards | | | 815,127 |
| Passed Through to the State of Kansas Department of Health and Environment, | | | |
| Small Rural Hospital Improvement Program | 93.301 | N/A | 6,750 |
| Total Expenditures of Federal Awards | | | $ 821,877 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

* * * * * *

(Continued)

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal awards activity of the Hospital under programs of the federal government for the year ended December 31, 2022. The accompanying schedule presents total expenditures in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, the amounts presented in this schedule may differ from the amounts presented in, or used in, the preparation of the basic financial statements.

B. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal activity of the Hospital under programs of the federal government for the year ended December 31, 2022 and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

C. Provider Relief Fund Reporting

Provider relief funds (PRF) are to be reported during four separate time periods. Period 1 reporting encompassed all PRF received from April 10, 2020 through June 30, 2020 with a measurement date for use of funds through June 30, 2021. Period 2 reporting includes all PRF received from July 1, 2020 through December 31, 2020 with a measurement date for use of funds through December 31, 2021. Period 3 reporting includes all PRF received from January 1, 2021 through June 30, 2021 with a measurement date for use of funds through June 30, 2022. Period 4 reporting includes all PRF received from July 1, 2021 to December 31, 2021 with a measurement date for use of funds through December 31, 2022. Accordingly, the amounts included on the accompanying Schedule of Expenditures of Federal Awards are for PRF subject to Period 4 reporting. The Hospital did not have any PRF amounts subject to Period 3 reporting requirements.

(Continued)

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Reconciliation of PRF amounts reported in the Schedule of Expenditures of Federal Awards (SEFA) to the Hospital's financial statements:

| | |
|---|---|
| COVID-19 Provider Relief Fund | $ 702,434 |
| COVID-19 Testing and Mitigation for Rural Health Clinics | 100,000 |
| Total included in SEFA | $ 802,434 |
| | |
| Amounts reflected in financial statements: | |
| Grants - COVID-19 funds | $ 531,519 |
| Interest earnings - reported in investment income | 2,915 |
| Reserved for questioned costs | 268,000 |
| | $ 802,434 |

D. Indirect Cost Rate

The Hospital has not elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

DA&E DOHMAN, AKERLUND & EDDY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Thomas L. Stevenson, CPA
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Sonja A. Cattau, CPA
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# Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To Management and the Board of Trustees
Osborne County Memorial Hospital
Osborne, Kansas:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Osborne County Memorial Hospital (the Hospital) as of and for the year ended December 31, 2022 and the related notes to the financial statements which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated September 20, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the 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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 to 2022-004, that we consider to be material weaknesses.

* * * * * *

(Continued)



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## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

## Hospital's Responses to Findings

*Government Auditing Standards* require the auditor to perform limited procedures on the Hospital's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

* * * * * *

## Other Reporting and Operating Comments

The following comments are directed not to deficiencies in internal control, but to our observations of the Hospital's operations and the financial reporting system in general:

### MEDICARE COST REPORTING - REVIEW OF COST REPORT COST CENTERS AND STATISTICAL BASES

We have recently noted the Hospital's Medicare Administrative Contractor (MAC) during its reviews/audits of submitted Medicare cost reports is requesting the facilities to provide approval letters for any unique cost centers and any non-standard statistical bases being utilized. If the facility cannot provide approval letters dated after May 1, 2010, the MAC is issuing a management letter stating the facility should either change to follow the prescribed methodologies on the cost reporting forms or request approvals for other methodologies being utilized.

We suggest the Hospital review the current cost centers and statistical bases being utilized and request approval for any deviations from the methodologies prescribed on the standard cost reporting forms. We also suggest as part of this process, the Hospital analyze any potential changes in its current cost reporting methodologies that could result in improved overall reimbursement. We would be pleased to assist the Hospital with this process if so desired.

(Continued)

## FRAUD RISK ASSESSMENT

Based on the answers provided to us by management during our completion of internal control questionnaires and other related interviews, we noted there is currently no written policy requiring the annual performance of a fraud risk assessment. Therefore, we suggest the Hospital adopt a formal written policy regarding performance of an annual fraud risk assessment on the Hospital's internal accounting controls. The written policy should provide specific procedures to be performed and a requirement to provide a written report to the Hospital's Board of Trustees regarding the procedures performed, the results and findings, and any recommendations for changes to improve the system.

## NEW ACCOUNTING AND REPORTING STANDARDS

The following new accounting standard will become effective soon and may impact how the Hospital reports certain transactions. We recommend the Hospital be aware of the reporting period this standard will become applicable for and begin the evaluation process to determine the impact it may have on the Hospital's financial reporting methodologies. Please contact us if you have any questions regarding the standard or require assistance with your review of them.

### GASB Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITA)

In May 2020, the GASB issued Statement No. 96. This new statement establishes that a SBITA results in the recognition of a right-to-use asset and a corresponding subscription liability and provides for capitalization criteria for outlays other than subscription payments, including implementation cost of a SBITA. The subscription liability should be initially measured as the present value of the subscription payments expected to be made during the subscription term. To the extent relevant, the standards for SBITAs are based on the standards established for GASB Statement No. 87, Leases, as amended previously discussed. The new standard is effective for fiscal years beginning after June 15, 2022 with earlier application encouraged.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
September 20, 2023

DA&E DOHMAN, AKERLUND & EDDY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To Management and the Board of Trustees
Osborne County Memorial Hospital
Osborne, Kansas:

### Report on Compliance for Each Major Federal Program

#### *Adverse Opinion on Major Federal Program*

We have audited Osborne County Memorial Hospital's (the Hospital) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2022. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the Hospital did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

#### *Basis for Adverse Opinion on Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

(Continued)



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*Matters Giving Rise to Adverse Opinion Major Federal Program*

As described in the accompanying Schedule of Findings and Questioned Costs, the Hospital did not comply with the requirements regarding Federal Assistance Listing #93.498, Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution as described in findings number 2022-005 and 2022-006 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Reporting. Compliance with such requirements is necessary, in our opinion, for the Hospital to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to on the previous page and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of grant agreements applicable to the Hospital's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

(Continued)

We are required to communicate with those charged with governance regarding, among other things, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-005 and 2022-007. As previously described, our opinion on the major federal program was modified to an adverse opinion with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Hospital's responses to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Hospital's responses were not subjected to the other auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-005 to 2022-008 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Hospital's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

(Continued)

The Hospital is responsible for preparing a corrective action plan to address each audit finding identified in the report. The Hospital's corrective action plan was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
September 20, 2023

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

| | |
|---|---|
| Type of auditor's report issued on whether the financial statements were prepared in accordance with U.S. GAAP: | Unmodified opinion |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | _X_ Yes ___ No |
| Significant deficiency(ies) identified? | ___ Yes _X_ None reported |
| Noncompliance material to financial statements noted? | ___ Yes _X_ No |

### Federal Awards

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | _X_ Yes ___ No |
| Significant deficiency(ies) identified? | ___ Yes _X_ None reported |
| Type of auditor's report issued on compliance for major programs: | Adverse opinion |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | _X_ Yes ___ No |

Identification of major programs:

| Program Name | CFDA |
|---|---|
| COVID-19 Provider Relief Fund | 93.498 |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $ 750,000 |
| Auditee qualified as low-risk auditee? | ___ Yes _X_ No |

(Continued)

## SECTION II FINDINGS - FINANCIAL STATEMENT AUDIT

### 2022-001 MATERIAL AUDIT ADJUSTMENTS

Criteria

Adequate system for reconciling general ledger control accounts and resolving any variances found and making adjustments necessary to appropriately state ending balances in Hospital financial statements.

Condition

During our audit procedures, we determined it necessary to propose a significant number of adjusting journal entries to appropriately state certain financial activity of the Hospital.

Cause

Currently, policies and processes are not in place requiring reconciliation of all balance sheet accounts on a monthly basis.

Effect and recommendation

The net effect of these proposed adjustments was material to the December 31, 2022 financial statements. We recommend management review current year audit adjusting journal entries and implement necessary year-end reconciling and review procedures to ensure these accounts are appropriately stated at year-end.

Views of responsible officials and planned corrective actions

Management agrees with the noted finding. Monthly reconciliation of all balance sheet accounts will be performed by the Hospital's CFO and/or outside contracted accounting consultant. Year-end reconciling and review procedures will also be performed so the accounts are appropriately stated at year-end.

### 2022-002 SEGREGATION OF DUTIES

Criteria

Appropriate segregation of duties are in place to ensure that errors or irregularities are prevented or detected in a timely manner by employees during the normal course of business.

Conditions

Not all major accounting areas have complete segregation of duties.

Cause

The Hospital has limited personnel available to completely segregate all duties.

Effect and recommendation

Lack of complete segregation of duties creates a higher risk of errors or irregularities not being prevented or detected in a timely manner. We suggest the Hospital continue to monitor and review key internal control areas where cost effective process changes can be implemented to lower overall risks of errors and irregularities occurring.

(Continued)

Specific area and comments

Cash receipts/accounts receivable (AR) processes

- The cash receipts listing prepared upon opening of the mail should be subsequently compared to cash receipts records, daily postings, etc. by personnel who have no access to cash receipts or AR system access.
- There are personnel in the cash receipts/AR area who have physical access to cash receipts and are either directly involved with the posting of AR payments or have the ability to post payments to the AR system. These same personnel also have the ability to record AR contractual adjustments, as well as bad debt and charity care write-offs. We recommend a review of these duties to determine if some of these functions can be segregated or if mitigating procedures can be performed to improve overall control functions for this area.
- The Hospital follows a formal policy requiring an approval process for both bad debt write-offs and charity care charge-offs. We suggest the Hospital also review actual bad debt write-offs and charity care charge-offs to assure only those amounts that were approved are written off.

AR/Billing processes

- Personnel who perform billing services and answer patient questions regarding their statements should not have access to cash receipts or have the ability to post activity to patient accounts. We recommend a review of these duties to determine if functions can be segregated or if mitigating procedures can be performed to improve overall controls for this area.

Cash disbursements/accounts payable (AP), purchasing, and inventory processes

- The AP agent has access, recording, and monitoring abilities. Specifically, the AP agent records AP transactions, initiates payments, can change master vendor files, and prepares the AP reconciliations to the general ledger. While the AP agent is not an authorized signer, controls in this area should be reviewed to determine where improvements can be made. We did note, as a mitigating control, the CEO reviews the AP master vendor list on an annual basis, approves new vendors through the standard purchase order process and reviews and matches invoice amounts listed before signing checks.
- Custody of checks after signature and before mailing is handled by an employee who is not independent of payable, disbursing, and general ledger functions.
- Personnel who are responsible for receipt, storage, and issuance of goods are not independent of responsibility for purchases, sales, and inventory records. Ideally, these functions would be performed by separate individuals.

(Continued)

Payroll processing

- Personnel actually preparing and processing payroll have the ability to make payroll system master file changes, such as adding new employees, changes to wage rates, and adding employees to the payroll deposit listing used by the bank to make the payroll direct deposit. As a mitigating control procedure, the CEO reviews and signs off on all new wages and any wage changes. Additionally, wages are reviewed by the CEO as part of the normal monthly payroll sign off.
- Unclaimed or returned W-2 forms should be investigated by personnel independent of any other payroll functions.

Views of responsible officials and planned corrective actions

Management agrees with the noted finding. The Hospital understands the importance and necessity of adequate segregation of duties. However, it is not cost effective to separate these duties and hire additional employees to accomplish the ideal level of segregation of duties. We continually review our processes and implement changes to the best of our abilities.

2022-003 RESTRICTED CONTRIBUTION TRACKING AND ACCOUNTING

Criteria

Appropriate tracking of restricted contributions by imposed restrictions and subsequent accounting for expenditures of contributions is being maintained.

Condition

During our audit work related to contributions received during the last several years, we noted confusion in appropriately tracking and accounting for them. Additional audit work was required to review the transactions and determine appropriate accounting treatment for financial statement reporting purposes. We suggest the Hospital review its current process to assure all contributions are immediately identified as restricted or unrestricted and then correctly tracked and accounted for through disposition of the restriction, if applicable. We would be pleased to provide management with guidance on accounting for restricted contributions if so desired.

Cause

Sufficient accounting processes are not in place to properly track and account for restricted contributions on a periodic basis.

Effect and recommendation

Audit adjusting journal entries were needed in order to reconcile prior year's restricted net assets to current year ending balances via review of all 2022 contribution activity. We suggest the Hospital review its current process to assure all contributions are immediately identified as restricted or not and then correctly tracked and accounted for through disposition of the restriction. We would be pleased to provide management with guidance on accounting for restricted contributions if so desired.

(Continued)

Views of responsible officials and planned corrective actions

Management agrees with the noted finding. The Hospital does immediately identify if contributions are restricted or not. However, we will improve our process for making sure the tracking of the restricted contribution is completed. This will be accomplished by the joint efforts of the Hospital's CFO and outside contracted accounting consultant.

2022-004 FINANCIAL STATEMENT PREPARATION - GAAP

Criteria

Management has the ability to prepare financial statements in accordance with GAAP.

Condition

The preparation of the Hospital's year-end financial statements in accordance with GAAP, which would include all required footnote disclosures, requires management to possess sufficient knowledge and expertise to select and apply appropriate accounting principles. As is a common situation at many small entities, management does not currently possess the qualifications to accomplish these responsibilities completely on their own.

Cause

Limited personnel available with detail GAAP knowledge to prepare year-end financial statements.

Effect and recommendation

Year-end financial statements, prepared in accordance with GAAP, are currently prepared by Hospital management with significant assistance from the auditors. We suggest management review its current processes and determine whether it is a cost beneficial goal to be able to prepare year-end financial statements in accordance with GAAP with little or no assistance.

Views of responsible officials and planned corrective actions

Management agrees with the noted finding. Management understands that this is a material weakness, but based on cost/risk analysis, it was determined that it will not be feasible to get financial statements, including all required footnote disclosures, prepared by an outside firm.

(Continued)

## SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

FINDING 2022-005

Federal program

Federal Assistance Listing Number 93.498
U.S. Department of Health and Human Services
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Reporting

Material Weakness in Internal Control over Compliance and Material Noncompliance

Criteria

The terms and conditions of the CARES Act Provider Relief Fund (PRF) program state funds are not to be used to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.

Condition

During the process of identifying expenses incurred to prevent, prepare for or respond to the coronavirus pandemic, management did not reduce certain costs by estimated cost-based reimbursement to be received from Medicare and included certain cost items reimbursed through the Covid-19 Testing and Mitigation for Rural Health Clinics program (Federal Assistance Listing Number 93.697).

Cause

Due to the amount of detailed information required to be compiled by management in order to enter data into the PRF reporting portal, management inadvertently did not reduce certain costs by the estimated Medicare cost-based reimbursement and included other cost amounts already reimbursed through the program 93.697.

Effect

Management included amounts in the PRF reporting portal which were not eligible based on the terms and conditions of the PRF program.

Questioned costs

Questioned costs amounted to a combined total of $225,556. The amount of $152,991 relates to management not reducing certain costs by its Medicare cost-based reimbursement and was calculated based off the underlying expense detail management used to complete the PRF reporting portal and the estimated Medicare cost-based reimbursement percentage. The remaining amount of $72,565 was noted as already reimbursed through program 93.697 and determined based off the underlying expense detail management used to complete the PRF reporting portal.

(Continued)

Perspective/Context

Management used an excel workbook to record and track potential eligible amounts to be reported in the PRF reporting portal. Management selected certain cost amounts to include in the reporting portal and inadvertently missed reducing some of these amounts by the estimated Medicare cost-based reimbursement percentage. Additionally, management used the same excel workbook to track cost for program 93.967 and inadvertently included some of these same costs in the PRF reporting portal. The workbook contained other cost amounts that appear to be eligible that were not input into the PRF reporting portal.

Recommendation

We recommend management contact HRSA to resolve the matter. The Hospital's tracking workbook has various cost items listed that were not reported in the unreimbursed expenses section of the HRSA PRF reporting form. We suggest management work with HRSA to see if these additional amounts can be used to offset the questioned costs. Additionally, we recommend management review its current internal controls over federal award compliance and revise its processes to ensure that only eligible costs are included in amounts reported.

Views of responsible officials and planned corrective actions

Management agrees with the noted finding. Management will continue to refine processes to ensure only allowable costs are reported. Additionally, we have other costs in our cost tracking workbook we believe are allowable and sufficient to cover the $225,556 of questioned costs. We had intended to report these in the unreimbursed expenses section of the PRF reporting portal but inadvertently missed inputting them.

FINDING 2022-006

Federal program

Federal Assistance Listing Number 93.498
U.S. Department of Health and Human Services
COVID-19 Provider Relief Fund
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Reporting

Material Weakness in Internal Control over Compliance and Material Noncompliance

Criteria

The terms and conditions of the CARES Act PRF program require responses and or other informational data to be reported during the completion of the HRSA PRF reporting portal.

Condition

During the process of completing the HRSA PRF reporting form, various reporting errors were made.

Cause

Management was unaware of certain data required to be reported and misinterpreted other sections during the completion of the PRF reporting portal.

(Continued)

Effect

Management reported incorrect information in certain sections of the PRF reporting portal.

Questioned costs

None.

Perspective/Context

Management made the following reporting errors when reporting information in the PRF reporting portal:

- Management did not mark fiscal year 2022 as subject to Single Audit and that PRF payments would be included in the audit.
- The Hospital received two grants from the State of Kansas to be used towards COVID-19 expenses that were not reported in the Other Assistance section of the PRF reporting portal. A $103,000 grant should have been reported in quarter 2, 2022 and a $257,366 grant should have been reported in quarter 4, 2022.
- Total revenue/net charges from patient care were not reported for quarters 1 and 2 of fiscal year 2021.
- Management used an excel workbook to record and track various cost items that appear to be allowable under the program terms and conditions but did not report any amounts in the unreimbursed expenses section of the HRSA PRF reporting form.

Recommendation

We recommend management review its current internal controls over federal award compliance and revise its processes to ensure that all required information in reported correctly.

Views of responsible officials and planned corrective actions

Management agrees with the noted finding. We will review our current reporting processes and internal controls over PRF reporting to ensure all future reporting requirements are met.

FINDING 2022-007

Federal program

Federal Assistance Listing 93.697
U.S. Department of Health and Human Services
COVID-19 Testing and Mitigation for Rural Health Clinics

Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Reporting

Material Weakness in Internal Control over Compliance and Material Noncompliance

Criteria

The terms and conditions of the COVID-19 Testing and Mitigation for Rural Health Clinics program state only expenses allowable under the terms and conditions of the program are to be reported.

(Continued)

Condition

During the process of identifying expenses eligible under the COVID-19 Testing and Mitigation for Rural Health Clinics program, management did not reduce certain costs by estimated cost-based reimbursement to be received from Medicare.

Cause

Due to the amount of detailed information required to be compiled by management in order to enter data into the PRF reporting portal, management inadvertently did not reduce certain costs by the estimated Medicare cost-based reimbursement.

Effect

Management included amounts in the PRF reporting portal which were not eligible based on the terms and conditions of the PRF program.

Questioned costs

Total questioned costs amounted to $42,155 and were calculated based off the underlying expense detail management used to complete the PRF reporting portal and the estimated Medicare cost-based reimbursement percentage.

Perspective/Context

During our testing related to program 93.498, we noted management used the same excel workbook to record and track potential eligible costs for program 93.697. In tracking the cost items reported for program 93.697 we also noted management inadvertently missed reducing some of the amounts by the estimated Medicare cost-based reimbursement percentage.

Recommendation

We recommend management contact HRSA to determine the steps necessary to resolve this matter. Additionally, we recommend management review its current internal controls over federal award compliance and revise its processes to ensure that only eligible costs are included in amounts reported.

Views of responsible officials and planned corrective actions

Management agrees with the noted finding. Management will continue to refine processes to ensure only allowable costs are reported.

FINDING 2022-008 INTERNAL CONTROLS OVER COMPLETION OF SCHEDULE OF FEDERAL EXPENDITURES - MATERIAL WEAKNESS

Criteria

Management should have a process in place to ensure the internal completion of the Schedule of Federal Expenditures (SEFA) including all required disclosures.

Conditions

Management required significant assistance from the external auditors to complete the SEFA.

(Continued)

Cause

The Hospital had limited personnel with the appropriate experience levels to complete the SEFA without assistance.

Effect and recommendation

Management required assistance from the auditors to accurately complete the SEFA. We recommend management review its current internal controls over completion of the SEFA to ensure it can be completed with limited assistance provided by its external auditors.

Views of responsible officials and planned corrective actions

Management agrees with the noted finding and although we have limited personnel, we will continue to monitor and enhance our internal controls over the completion of the SEFA.

OCMH Osborne County Memorial Hospital

*Our Specialty is You*

September 20, 2023

**CORRECTIVE ACTION PLAN**

The Hospital respectfully submits the following corrective action plan for the year ended December 31, 2022.

Name and address of the independent accounting firm:

Dohman, Akerlund, & Eddy, LLC
PO Box 470
Aurora, NE 68818

Audit period: As of and for the year ended December 31, 2022

The findings from the 2022 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**Section II Findings - Financial Statement Audit**

**FINDING 2022-001**

Condition

Significant adjustments were required to appropriately state the Hospital's year-end financial statements and the auditors recommended we review current year audit adjusting journal entries and implement necessary year-end reconciling and review procedures to ensure these accounts are appropriately stated at year-end.

Views of responsible officials and planned corrective actions

Monthly reconciliation of all balance sheet accounts will be performed by the Hospital CFO and/or outside contracted accounting consultant. Year-end reconciling and review procedures will also be performed so the accounts are appropriately stated at year-end.

Anticipated completion date

Ongoing

**FINDING 2022-002**

Condition

Not all major accounting areas have complete segregation of duties.

Views of responsible officials and planned corrective actions

The Hospital understands the importance and necessity of adequate segregation of duties. It is not cost effective to separate all these duties, however, an additional employee has been hired to help accomplish a better level of segregation of duties. The Hospital continually reviews processes and will implement changes to the best of our abilities.

Anticipated completion date

Ongoing

**FINDING 2022-003**

Condition

Sufficient accounting processes are not in place to properly track and account for restricted contributions on a periodic basis.

Views of responsible officials and planned corrective actions

The Hospital does immediately identify if contributions are restricted or not. However, the Hospital will improve the process of tracking restricted contributions to ensure it is completed. This will be accomplished by the joint efforts of the Hospital CFO and outside contracted accounting consultant.

Anticipated completion date

Ongoing

**FINDING 2022-004**

Condition

Limited personnel available with detail GAAP knowledge to prepare year-end financial statements.

Views of responsible officials and planned corrective actions

Management understands this is a material weakness, but based on cost/risk analysis, it was determined that it will not be feasible to have financial statements, including all required footnote disclosures, prepared by an outside firm.

Anticipated completion date

Ongoing

**Section III Findings – Major Federal Awards Programs Audit**

**FINDING 2022-005**

Condition

During the process of identifying expenses incurred to prevent, prepare for or respond to the coronavirus pandemic, management did not reduce certain costs by estimated cost-based reimbursement to be received from Medicare and included certain cost items reimbursed through the COVID-19 Testing and Mitigation for Rural Health Clinics program (Federal Assistance Listing Number 93.697).

Views of responsible officials and planned corrective actions

Management will continue to refine processes to ensure only allowable costs are reported. Additionally, there are other costs in our cost tracking workbook we believe are allowable and sufficient to cover the $264,243 of questioned costs. The Hospital had intended to report these in the unreimbursed expenses section of the PRF reporting portal but inadvertently missed inputting them.

Anticipated completion date

Ongoing

**FINDING 2022-006**

Condition

During the process of completing the HRSA PRF reporting form, various reporting errors were made.

Views of responsible officials and planned corrective actions

OCMH will review current reporting processes and internal controls over PRF reporting to ensure all future reporting requirements are met.

Anticipated completion date

Ongoing

**FINDING 2022-007**

Condition

During the process of identifying expenses eligible under the COVID-19 Testing and Mitigation for Rural Health Clinics program, management did not reduce certain costs by estimated cost-based reimbursement to be received from Medicare.

Views of responsible officials and planned corrective actions

Management will continue to refine processes to ensure only allowable costs are reported.

Anticipated completion date

Ongoing

**FINDING 2022-008**

Condition

Management should have a process in place to ensure the internal completion of the schedule of federal expenditures (SEFA) including all required disclosures.

Views of responsible officials and planned corrective actions

The Hospital will continue to monitor and, although we have limited personnel, will continue to enhance our internal controls over the completion of the SEFA.

Anticipated completion date

Ongoing

For any questions regarding this plan, please call Linda Murphy, CFO or Doris Brown, CEO at (785)-346-2121.

Sincerely,

Osborne County Memorial Hospital

Linda Murphy
CFO

237 W Harrison Street * PO Box 70 * Osborne, KS 67473
Phone: 785-346-2121 * www.ocmh.org * Fax: 785-346-5498

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2022

MATERIAL WEAKNESSES

FINDING 2021-001 MATERIAL AUDIT ADJUSTMENTS

Condition

The auditors noted the Hospital did not have policies and processes in place requiring reconciliation of all balance sheet accounts on a monthly basis and this resulted in material audit adjustments being required to appropriately state the year-end financial statements.

Current status

This finding was still applicable as of December 31, 2022. See current year finding 2022-001 for additional details.

FINDING 2021-002 SEGREGATION OF DUTIES

Condition

The auditors noted the Hospital did not have appropriate segregation of duties in the follow specific areas:

- Cash receipt/AR processes
- Cash disbursements/accounts payable (AP), purchasing, and inventory controls
- Payroll processing

Current status

This finding was still applicable as of December 31, 2022. See current year finding 2022-002 for additional details.

FINDING 2021-003 RESTRICTED CONTRIBUTION TRACKING AND ACCOUNTING

Condition

The auditors noted the Hospital did not have policies in place to properly track and account for restricted contributions on a periodic basis.

Current status

This finding was still applicable as of December 31, 2022. See current year finding 2022-003 for additional details.

FINDING 2021-004 FINANCIAL STATEMENT PREPARATION - GAAP

Condition

The auditors noted the Hospital requires assistance with preparation of the year-end financial statements.

Current status

This finding was still applicable as of December 31, 2022. See current year finding 2022-004 for additional details.