



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2021

Platte Community Memorial
Hospital, Inc. d/b/a
Platte Health Center, Inc.

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* 1

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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 the Board of Directors
Platte Community Memorial Hospital, Inc. d/b/a Platte Health Center, Inc.
Platte, South Dakota

We have audited in accordance with auditing standards generally accepted in the United States of America 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 Platte Community Memorial Hospital, Inc. d/b/a Platte Health Center, Inc. (Health Center), which comprise the statement of financial position as of June 30, 2021, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Center’s internal control over financial reporting (internal control) as a basis for designing audit procedure that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the Health Center’s internal control Accordingly, we do not express an opinion on the effectiveness of the Health Center’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 Health Center’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2021-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Center's financial statements are free from 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 affect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Health Center's Responses to Findings

The Health Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Health Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Health Center'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 Health Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive style.

Sioux Falls, South Dakota
November 22, 2021



**Independent Auditor’s Report on Compliance for Its Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

To the Board of Directors
Platte Community Memorial Hospital, Inc. d/b/a Platte Health Center, Inc.
Platte, South Dakota

Report on Compliance for the Major Federal Program

We have audited Platte Community Memorial Hospital, Inc. d/b/a Platte Health Center, Inc.’s (Health Center’s) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Health Center’s major federal program for the year ended June 30, 2021. The Health Center’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Health Center’s major federal program based on our audit of the types of compliance requirements referred to above. 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)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Health Center’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Health Center’s compliance.

Basis for Qualified Opinion on the Major Federal Program

As described in the accompanying schedule of findings and questioned costs, the Health Center did not comply with requirements regarding CFDA 93.498 COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution as described in finding number 2021-004 for reporting. Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Health Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

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 findings 2021-004 and 2021-005. Our opinion on the major federal program is not modified with respect to these matters.

The Health Center's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Health Center's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Health Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Health Center's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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 have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2021-003 and 2021-004 to be material weaknesses.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2021-005 to be a significant deficiency.

The Health Center's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Health Center's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Health Center as of and for the year ended June 30, 2021, and have issued our report thereon dated November 22, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Sioux Falls, South Dakota
August 30, 2022

Platte Health Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Department of Health and Human Services			
Direct			
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		\$ 3,840,214
Direct			
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		80,257
Passed through South Dakota Department of Health Division of Administration			
Small Rural Hospital Improvement Grant Program	93.301	21SC09	11,855
Passed through South Dakota Association of Healthcare Organizations Health Research Education and Trust			
COVID-19 National Bioterrorism Hospital Preparedness Program	93.889	Not available	<u>14,623</u>
Total Department of Health and Human Services			<u>3,946,949</u>
Total Federal Financial Assistance			<u>\$ 3,946,949</u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Platte Community Memorial Hospital, Inc. d/b/a Platte Health Center, Inc. (Health Center) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the Health Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Health Center.

Note 2 – Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 – Indirect Cost Rate

The Health Center does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

Note 4 – Provider Relief Funds

The Health Center received amounts from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund and American Rescue Plan Rural Distribution (PRF) program (Federal Financial Assistance Listing/CFDA #93.498) during the year ended June 30, 2020 totaling \$3,839,346. Additional funds of \$109,616 were received during the year ended June 30, 2021, which were recorded as refundable advance as of June 30, 2021. The Health Center incurred eligible expenses, including lost revenue, and therefore, recognized revenues totaling \$6,300 for the year ended June 30, 2020 and \$3,833,046 for the year ended June 30, 2021 on the financial statements. In accordance with the 2021 compliance supplement, the PRF expenditures recognized on the schedule are based on the reporting to HHS for Period 1, defined as payments received during April 10, 2020 to June 30, 2020 of \$3,839,346, plus interest earned of \$868, as required under the PRF program.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2021-001 Preparation of Financial Statements and Financial Statement Adjustments
Material Weakness**

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct and include all required disclosures.

Condition: The Health Center does not have an internal control system designed to provide for the preparation of the full financial statements being audited. As auditors, we proposed material audit adjustments relating to patient and resident receivables and patient and resident service revenue that would not have been identified as a result of the Health Center's existing internal controls, and therefore could have resulted in a material misstatement to the financial statements. We also provided guidance to management, relating to the most recent Provider Relief Fund revenue recognition terms and conditions updates from the Department of Health and Human Services. We were also requested to draft the financial statements and accompanying notes to the financial statements.

Cause: The Health Center has limited staff to prepare full disclosure financial statements.

Effect: There is a reasonable possibility that the Health Center would not be able to draft the financial statements and accompanying notes to the financial statements that are correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization with limited staffing, it is important that the Health Center is aware of this condition for financial reporting purposes. Management and the board of directors should continually be aware of the financial accounting and reporting of the Health Center and changes in the accounting and reporting requirements.

Response: Management will review the year-end adjustments. Management and the board of directors will review for propriety the draft financial statements and footnotes. Due to the Health Center's limited staffing, we will accept the risk associated with financial statement preparation, based on cost and other considerations. The cost of any further controls would outweigh the related benefits.

2021-002 **Segregation of Duties**
Significant Deficiency

Criteria: The functions of executing transactions, recording transactions, and maintaining accountability for the records should be performed by different employees or be maintained under dual control. Areas in which a lack of segregation was noted include the chief financial officer handling multiple accounting functions, including posting transactions to the general ledger, preparing monthly reconciliations, preparing or reviewing checks, and posting manual adjusting journal entries.

Condition: The Health Center has a limited number of office personnel performing the record keeping functions of the organization.

Cause: The Health Center has limited staff and cannot justify staffing the number of positions necessary to have proper segregation of duties across all areas.

Effect: Inadequate segregation of duties could adversely affect the Health Center's ability to detect and correct misstatements that would be significant in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: While we recognize that the Health Center's office staff may not be large enough to assure optimal internal controls, it is important that the Center is aware of this condition. Under this condition, the Board and management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.

Response: Due to the Health Center's limited staffing, we will accept the risk associated with segregation of duties based on cost and other considerations. The cost of any further controls would outweigh the related benefits.

Section III – Federal Award Findings and Questioned Costs

2021-003 **Department of Health and Human Services**
Federal Assistance Listing/CFDA #93.498
COVID-19 Provider Relief Fund and American Rescue Plan
Applicable Federal Award Number and Year – Period 1 TIN #460239781

Preparation of Schedule of Expenditures of Federal Awards
Material Weakness in Internal Control Over Compliance - Other

Criteria: Proper controls over financial reporting include the ability to prepare the schedule of expenditures of federal awards (Schedule) and accompanying notes to the Schedule.

Condition: The Health Center does not have an internal control system designed to provide for the preparation of the Schedule. As auditors, we were requested to assist with the preparation of the Schedule.

Cause: Auditor assistance with the preparation of the Schedule is not unusual as the Schedule has unique and specialized requirements and preparation is only required when the Health Center meets a specified threshold of federal expenditures.

Effect: There is a reasonable possibility that the Health Center would not be able to draft the Schedule that is correct without the assistance of the auditors.

Questioned Costs: None reported.

Context: Sampling was not used.

Repeat Finding from Prior Years: No

Recommendation: While we recognize that this condition is not unusual for an organization with limited staffing, we recommend management be aware of the financial reporting requirements relating to the Health Center's schedule of expenditures of federal awards and the internal controls that impact financial reporting.

Views of Responsible Officials: Management agrees with the finding.

2021-004 **Department of Health and Human Services**
Federal Assistance Listing/CFDA #93.498
COVID-19 Provider Relief Fund and American Rescue Plan
Applicable Federal Award Number and Year – Period 1 TIN #460239781

Reporting

Material Weakness in Internal Control Over Compliance and Material Noncompliance

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Material Weakness in Internal Control Over Compliance and Noncompliance

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. The Health Center selected option 1 to calculate lost revenue which consists of a comparison of 2019 actual results to 2020 and 2021 actual results by quarter. Patient care-related revenue should be reported net of adjustments for all third-party payers, charity care adjustments, bad debt, and any other discounts or adjustments, as applicable when reporting patient care-related revenue sources.

Condition: The Health Center's lost revenue calculation was based upon actual revenue billed and reported within the Health Center's system and did not consider the impact of the year-end audit adjustments on the quarters applicable to Period 1. The Health Center re-opened the Period 1 report after guidance was received from the financial statement audit team.

Cause: The established internal controls did not consider the effect of the year-end audit adjustments by quarter for Period 1 to ensure accurate quarterly reporting of net patient revenue.

Effect: The lack of adequate procedures governing program report preparation and submission increases the risk that the lost revenue incurred by quarter was not accurate and the related report could be filed incorrectly.

Questioned Costs: None reported for the activities allowed or unallowed and allowable costs as the amount claimed for lost revenue was \$80,712 less than what was eligible after considering the impact of the audit adjustments by quarter. However, for reporting, the key line items for net charges from patient care between the initial submission and corrected submission decreased by \$121,462. Allowable lost revenue on the revised submission increased by \$80,712.

Context: There are 12 key line items related to lost revenue which were tested on the Period 1 Department of Health and Human Services special report. 4 of the 12 key line items did not accurately represent net patient service revenue because of the impact of the audit adjustments.

Repeat Finding from Prior Years: No

Recommendation: We recommend that the Health Center modify the net charges from patient care reported on future reports to reflect the year-end adjustments in the appropriate quarter.

Views of Responsible Officials: Management agrees with the finding.

**2021-005 Department of Health and Human Services
Federal Assistance Listing/CFDA #93.498
COVID-19 Provider Relief Fund and American Rescue Plan
Applicable Federal Award Number and Year – Period 1 TIN #460239781**

**Activities Allowed or Unallowed and Allowable Costs and Cost Principles and Reporting
Significant Deficiency in Internal Control Over Compliance and Noncompliance**

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award.

Condition: There was no documentation relating to mortgage principal and interest and insurance from January 2020 that supported the costs were necessary to prevent, prepare for, or respond to the coronavirus.

Cause: The guidance relating to allowable costs was unclear relating to general and administrative expenses incurred in quarter 1 of 2020 prior to the start of when the Health Center first started preparing for the coronavirus. In addition, the Health Center did not document their consideration of allowability of the January 2020 expenses.

Effect: Expenses included within the special report submitted to the Department of Health and Human Services for Period 1 TIN# 460239781 relating to January 2020 expenses were overstated by \$31,389.

Questioned Costs: \$31,389; however, lost revenue and eligible expenses exceed the Period 1 funds received even when January 2020 expenses are excluded.

Context: Summary level testing was performed over general and administrative expenses and healthcare related expenses, including retention pay, mortgage principal and interest, insurance, utilities, and payroll taxes. Statistical sampling was used on capital additions. In addition, a nonstatistical sample of \$153,555 out of \$715,435 were tested for activities allowed or unallowed and allowable costs/cost principles. Key line items were tested on the Period 1 Department of Health and Human Services special report.

Repeat Finding from Prior Years: No

Recommendation: We recommend that the Center review the expenditures being claimed to determine if the expenditure is allowable under the terms and conditions of the grant. In addition, we recommend management document their consideration of allowability of January 2020 expenses.

Views of Responsible Officials: Management agrees with the finding.