

# Cook County Health and Hospitals System

Report to the Audit and Compliance Committee  
May 31, 2015



May 31, 2015

To the Audit and Compliance Committee  
Cook County Health and Hospitals System  
Chicago, Illinois

We are pleased to present this report related to our audit of the financial statements of the Cook County Health and Hospitals System of Illinois (CCHHS) for the year ended November 30, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for CCHHS's financial reporting process.

This report is intended solely for the information and use of the Audit and Compliance Committee and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to CCHHS.

*McGladrey LLP*

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

<b>Area</b>	<b>Comments</b>
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 22, 2015. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b></p> <p>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by CCHHS. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year as a result of the adoption of new accounting pronouncements:</p> <ul style="list-style-type: none"><li>• GASB Statement No. 65, <i>Items Previously Reported as Assets and Liabilities</i></li><li>• GASB Statement No. 66, <i>Technical Corrections - 2012</i></li><li>• GASB Statement No. 70, <i>Accounting and Financial Reporting for Nonexchange Financial Guarantees</i></li></ul> <p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b></p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	Audit adjustments proposed by us and recorded by CCHHS are shown on the attached Summary of Recorded Audit Adjustments.

<b>Area</b>	<b>Comments</b>
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communication Between Management and Our Firm</b>	A copy of the significant written communication between our firm and the management of CCHHS, the representation letter provided to us by management, is attached as Exhibit A.

**Cook County Health and Hospitals System  
 Summary of Significant Accounting Estimates  
 Year Ended November 30, 2014**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the CCHHS's November 30, 2014, financial statements.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<p><b>Allowance for Uncollectible Patient Accounts</b></p>	<p>Accounts receivable are recorded at their estimated net realizable value.</p>	<p>The allowance for uncollectible patient accounts is based on management's estimate of the collectability of identified receivables, based on the payor classification, as well as the aging of the patient accounts.</p> <p>Management determines the allowance for uncollectible patient accounts using allowance percentages based on historical collection experience and management's judgment, applied to an aging of accounts by payor classification. Allowance percentages are developed based on actual collection experience and management's understanding of changes in reimbursement.</p>	<p>We tested underlying information supporting these allowances including the year-end aging reports and collection experience.</p> <p>We also performed a hindsight test of the November 30, 2013 allowance for uncollectible accounts using subsequent collection experience, which indicated that the November 30, 2013 allowance was reasonable.</p> <p>Based on the testing performed, the November 30, 2014 allowance appears reasonable.</p>

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<p><b>Third-Party Settlements Receivable and Payable</b></p>	<p>Net patient service revenue is reported at estimated realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.</p>	<p>The settlements due from/to third-party payors (primarily Medicare) are based on management's estimate of amounts due from/to Medicare and due to Blue Cross relating to cost report filings and the Blue Cross HMO and PPO agreements, as well as exposure to repayments associated with Recovery Audit Contractor (RAC) and other third-party payor audits.</p> <p>Management calculates third-party settlements receivable and payable based on estimated, filed and settled Medicare and Blue Cross cost reports. Management also relies on experience reporting data received from the Medicare fiscal intermediary and Blue Cross. The settlement accounts include provisions for audit adjustments and unforeseen issues that may arise from future audits. At November 30, 2014, CCHHS has recorded a specific reserve for Medicare RAC audit exposure.</p>	<p>With the assistance of a McGladrey reimbursement specialist, we tested management's third-party account roll-forward analysis and supporting schedules by performing analytical and substantive tests of these schedules and third-party account balances on a sample basis. In addition, we read correspondence received during the year from the Medicare fiscal intermediary. We also reviewed the Blue Cross managed care settlement and Uniform Payment Program (UPP) accounts. Based on the testing performed, the third-party settlement methodology and RAC audit exposure estimate appear appropriate and reasonable.</p>

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Depreciation</b>	CCHHS depreciates its capital assets over their estimated useful lives on a straight-line method, with one-half year's depreciation taken in the year of acquisition. Stroger Hospital's capital assets acquired prior to 2008 are depreciated using a 150% declining balance method.	CCHHS establishes estimated useful lives of individual assets based on their expected life and use.	Based on the testing performed, the process used by CCHHS to determine the estimated useful lives and depreciate its capital assets is appropriate.
<b>Reserve for Tax Objection Suits</b>	An estimate is prepared by Cook County management based on historical trend data, by refund type, by tax year.	Based on historic refund activity, the County takes the average of 10 years of refund activity starting with the second prior year's levy (in FY2014, 2012 would be the second prior year) then the 9 consecutive prior years' activity. This method is applied to both A or Z refunds and Specific Objection Refunds. Illegal rate refunds involve the court system and can take several years to be settled. To estimate the future Illegal rate refunds liability, the County takes the average of the past 10 years starting with the most recent year of known activity. The respective 10 year average is then used to determine each year's liability where the refunds have not been completed. Management reevaluates this estimation process each year.	The County audit team reviewed the historical tax collection and refund activity and recalculated the estimate and found it to be reasonable.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Claims Payable – CountyCare</b>	CCHHS records an estimate of amounts payable to providers outside of CCHHS for services provided to CountyCare members. This estimate reflects the projected ultimate cost of services incurred but not paid, net of expected stop-loss insurance recoveries.	Management engaged Milliman, an independent actuarial firm, to assist management in estimating the CountyCare claims payable. The actuary used historical claims data, including claims paid between November 30, 2014 and January 31, 2015, to estimate the liability as of November 30, 2014.	We obtained the report prepared by the independent actuary and performed analytical and substantive tests of the underlying data used by the actuary in its valuation. With the assistance of a McGladrey actuarial specialist, we assessed the reasonableness of actuarial assumptions and methods used.
<b>Reserve for Repayment to State of Illinois under Demonstration Project</b>	CCHHS provides an accrual for estimated amounts due the State of Illinois should CCHHS receive reimbursement in excess of costs of the CountyCare program, as defined, during the period covered by the demonstration project.	Management estimates the reserve by computing an estimate of the PMPM amounts expended during the reporting period and comparing this estimate to the amount of PMPM reimbursement received. The excess of PMPM reimbursement received over PMPM cost is multiplied by the member months recognized for the period covered by the demonstration project to estimate the repayment obligation.	We tested the schedules and underlying data used to compute the estimate.

**Cook County Health and Hospitals System  
 Summary of Recorded Audit Adjustments  
 Year Ended November 30, 2014**

Description	Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenses
To reduce amount recorded as inventory	\$ (562,379)	\$ -	\$ (562,379)	\$ -	\$ 562,379
	<u>\$ (562,379)</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ 562,379</u>
Effect on change in net position			(562,379)		
Effect on ending net position			<u>\$ (562,379)</u>		

**Cook County Health and Hospitals System  
 Summary of Uncorrected Misstatements  
 Year Ended November 30, 2014**

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of operations, and cash flows and to the related financial statement disclosures. Following is a summary of those differences.

Description	Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenses
<u>Carryover impact from prior years:</u>	\$ -	\$ -	\$ (3,112,590)	\$ -	\$ (3,112,590)
<u>Current year misstatements:</u>					
Overstatement of CBA Retro-Accrual Liability	-	(4,800,000)	-	-	(4,800,000)
Overstatement of Property Taxes	(2,495,106)	-	-	(2,495,106)	-
	<u>\$ (2,495,106)</u>	<u>\$ (4,800,000)</u>		<u>\$ (2,495,106)</u>	<u>\$ (7,912,590)</u>
Effect on change in net position			5,417,484		
Effect on ending net position			<u>\$ 2,304,894</u>		

**Exhibit A—Significant Written Communication Between Management and Our Firm**

# COOK COUNTY HEALTH & HOSPITALS SYSTEM

**Toni Preckwinkle**  
President  
Cook County Board of Commissioners  
**John Jay Shannon, MD**  
Chief Executive Officer  
Cook County Health & Hospitals System



COOK COUNTY HEALTH  
& HOSPITALS SYSTEM  
**CCHHS**

**Cook County Health & Hospitals System  
Board Members**

**M. Hill Hammock • Chairman**  
**Commissioner Jerry Butler • Vice Chairman**  
Lewis Collens  
Ric Estrada  
Ada Mary Gugenheim  
Emilie N. Junge  
Wayne M. Lerner, DPH, FACHE  
Erica E. Marsh, MD MSCI  
Carmen Velasquez  
Dorene P. Wiese, EdD

May 31, 2015

McGladrey LLP  
One South Wacker Drive, Suite 800  
Chicago, IL 60606

This representation letter is provided in connection with your audits of the basic financial statements of Cook County Health and Hospitals System of Illinois (CCHHS), an enterprise fund of Cook County, Illinois, as of and for the years ended November 30, 2014 and 2013, for the purpose of expressing an opinion on whether the basic financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of May 31, 2015:

#### *Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 22, 2015, for the preparation and fair presentation of the basic financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related party relationships and transactions, including those with Cook County, Illinois (the "County"), the primary government having accountability for CCHHS; other organizations for which the nature and significance of their relationship with CCHHS are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete; and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the basic financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the basic financial statements:
  - a. Net positions and fund balance classifications.
  - b. All leases and material amounts of rental obligations under long-term leases.
  - c. All significant estimates and material concentrations known to management which are required to be disclosed.

- d. Risk financing activities.
  - e. The effect on the basic financial statements of Governmental Accounting Standards Board (GASB) Statements No. 68, 69, 71 and 72 which have been issued, but which we have not yet adopted.
  - f. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - g. Pension obligations, post-retirement benefits other than pensions and union contract retroactive pay agreements attributable to employee services rendered through November 30, 2014.
  - h. Disclosures related to third-party payor agreements and settlements.
  - i. Disclosures related to professional liability insurance coverage.
  - j. Disclosures related to self-insured risks.
  - k. Amounts of patient charity care and costs of services rendered to the community for a reduced or no fee based upon community need or the inability to pay for the services.
  - l. The nature of and amounts related to the Illinois Medicaid Provider Assessment and Illinois Medicaid Interagency Agreement programs.
  - m. The nature of and amounts related to the CountyCare program.
9. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
10. We agree with the findings of specialists in evaluating the County's pension liabilities, OPEB liabilities and self-insured liabilities, and we have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the basic financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
11. We agree with the findings of specialists in evaluating the County's reserves for self-insured risk, or CCHHS's allocation of such reserves, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the basic financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
12. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the *Contingencies* Topic of the FASB Accounting Standards Codification and/or GASB Statement No. 10.
13. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the basic financial statements.
14. Relating to CountyCare claims payable, management believes that the claims payable liability is adequate to cover the claims incurred but not paid as of November 30, 2014. However, because of the many variables that can affect the amount of claims that are incurred and the timing of when those claims are reported, and because CountyCare is a relatively new program for which CCHHS has limited claims experience, it is possible that actual claims incurred but not paid could be more or less than the estimated liability included in the basic financial statements.

15. We have informed you of all uncorrected misstatements.

As of and for the Year Ended November 30, 2014

We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the opinion units of the basic financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenses
<u>Carryover impact from prior years:</u>	\$ -	\$ -	\$ (3,112,590)	\$ -	\$ (3,112,590)
<u>Current year misstatements:</u>					
Overstatement of CBA Retro Accrual	-	(4,800,000)	-	-	(4,800,000)
Overstatement of Property Taxes	(2,495,106)	-	-	(2,495,106)	-
	<u>\$(2,495,106)</u>	<u>\$ (4,800,000)</u>		<u>\$(2,495,106)</u>	<u>\$ (7,912,590)</u>
Effect on change in net position			5,417,484		
Effect on ending net position			<u>\$ 2,304,894</u>		

#### Information Provided

16. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- Minutes of the meetings of the CCHHS board of directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- Contracts with all significant third-party payors or other providers.
- Reports of peer review organizations, fiscal intermediaries, third-party payors, and other regulatory examinations that have been completed in the past year and we have informed you of all such examinations that are currently in process. We are not aware of noncompliance that should be considered for disclosure or as a basis for recording a loss contingency.

17. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.

18. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.

19. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's basic financial statements involving:

- Management.
- Employees who have significant roles in the internal control.

- c. Others where the fraud could have a material effect on the basic financial statements.
- 20. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.
- 21. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing basic financial statements.
- 22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the basic financial statements.
- 23. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
- 24. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the CCHHS's ability to record, process, summarize, and report financial data.
- 25. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 26. Management of CCHHS believes CCHHS will continue as a going concern.

*Supplementary Information*

- 27. With respect to supplementary information presented in relation to the basic financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
- 28. With respect to required supplementary information (Management's Discussion and Analysis and the Schedule of Funding Progress) presented as required by the GASB to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
- 29. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
- 30. We are responsible for making the accounting estimates included in the basic financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
  - a. To reduce receivables to their estimated net collectable amounts.
  - b. For estimated adjustments to revenue, such as denied claims, changes to diagnosis-related group (DRG) assignments, or other estimated retroactive adjustments by third-party payors.
  - c. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
  - d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through November 30, 2014, and/or for expected retroactive insurance premium adjustments applicable to periods through November 30, 2014.
  - e. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through November 30, 2014.

- f. For obligations related to third-party payor contracts, including risk sharing and contractual settlements.
- g. For audit and other adjustments by intermediaries, third-party payors, or other regulatory agencies.
- h. For estimates regarding revenue, accounts receivable, claims expense, claims liability and reserve for possible return of funds related to CountyCare program.
- i. For medical malpractice obligations expected to be incurred with respect to services provided through November 30, 2014.

31. There are no:

- a. Material transactions that have not been properly recorded in the accounting records underlying the basic financial statements.
- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the basic financial statements.
- d. Communications, whether oral or written, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, including those related to the Medicare and Medicaid antifraud and abuse statutes, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the basic financial statements.
- e. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the *Contingencies* Topic of the FASB Accounting Standards Codification and/or GASB Statement No. 10.
- f. Line of credit or similar arrangements.
- g. Agreements to repurchase assets previously sold.
- h. Security agreements in effect under the Uniform Commercial Code.
- i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- j. Contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- k. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- l. Environmental clean-up obligations.
- m. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
- n. Guarantees, whether written or oral, under which CCHHS is contingently liable.
- o. Obligations related to providing future services under prepaid health care contracts.
- p. Long-lived assets, including intangibles, which are impaired or to be disposed of.
- q. Derivative financial instruments.

- r. Special or extraordinary items.
  - s. Materially impaired capital assets.
32. Billings to third-party payors comply in all respects with applicable coding principles, laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and only reflect charges for goods and services that were medically necessary, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.
33. With respect to cost reports:
- a. We have filed all required Medicare, Medicaid, and similar reports.
  - b. We are responsible for the accuracy and propriety of all cost reports filed.
  - c. All costs reflected on such reports are appropriate, allowable under applicable reimbursement rules and regulations, patient-related, and properly allocated to the applicable payors.
  - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
  - e. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
  - f. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.
34. We have complied with all aspects of contractual agreements and grants that would have a material effect on the basic financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit. The audit in connection with the Single Audit Act is being performed for the County by another independent accounting firm.

#### *Compliance Considerations*

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

35. We are responsible for:
- a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the County.
  - b. Establishing and maintaining effective internal control over financial reporting.
36. We have identified and disclosed to you:
- a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
  - b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
37. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported.
38. We have a process to track the status of audit findings and recommendations.
39. We have identified for you previous audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.

40. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.

Dorothy Loving, who has sufficient skills, knowledge, and experience, has supervised, reviewed, and approved, and we take full responsibility for, the basic financial statements and related footnotes, and acknowledge the auditor's role in the preparation of this information.

Cook County Health and Hospitals System



Dr. John Jay Shannon, Chief Executive Officer



Douglas Elwell, Deputy Chief  
Executive Officer - Finance and Strategy



Dorothy Loving, Executive Director of Finance