Cook County Health and Hospitals System of Illinois

Report to the Audit and Compliance Committee
May 31, 2019

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RSM US LLP

One South Wacker Dr., Ste. 800
Chicago, IL 60606-3392

O +1 312 634 3400
F +1 312 634 3410

www.rsmus.com

May 31, 2019

Audit and Compliance Committee
Cook County Health and Hospital System of Illinois
Chicago, Illinois

We are pleased to present this report related to our audit of the financial statements of Cook County Health and Hospitals System of Illinois (CCHHS) as of and for the year ended November 30, 2018. 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 this specified party. 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.

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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.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated February 8, 2019. 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.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated February 8, 2019, 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.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** 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. **Adoption of, or Change in, Accounting Policies** 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: • Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* **Significant or Unusual Transactions** 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. **Management's Judgments and Accounting Estimates** 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.
Audit Adjustments	Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by CCHHS are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.

Area	Comments
Disagreements With Management	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.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter Communicating a Material Weakness in Internal Control Over Financial Reporting	We have separately communicated the material weakness in internal control over financial reporting identified during our audit of the financial statements, and this communication is attached as Exhibit A.
Significant Written Communication Between Management and Our Firm	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 B.

Summary of Significant Accounting Estimates

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 CCHHS's November 30, 2018, financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Allowance for Uncollectible Patient Accounts	Accounts receivable are recorded at their estimated net realizable value.	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 patient accounts. 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.	We tested underlying information supporting this allowance, including the year-end aging reports and collection experience. We also performed a hindsight test of the November 30, 2017, allowance for uncollectible accounts using subsequent collection experience, which indicated that the November 30, 2017, allowance was reasonable. Furthermore, we reviewed the subsequent cash collections of accounts receivable at November 30, 2018, through February 28, 2019, to assess the reasonableness of the November 30, 2018, valuation. Based on the testing performed, the allowance for uncollectible patient accounts appears reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Third-Party Settlements Receivable	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.	The settlements due from third-party payors (primarily Medicare) are based on management's estimate of amounts due from 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. 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.	With the assistance of an RSM 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 receivable appears reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Claims Payable – CountyCare	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 the expected stop-loss insurance recoveries.	Milliman, an independent actuarial firm, was engaged to assist management in estimating the CountyCare claims payable. The actuary used historical claims data to estimate the liability as of November 30, 2018.	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 an RSM actuarial specialist, we assessed the reasonableness of actuarial assumptions and methods used. Based on the testing performed, the claims payable – CountyCare liability appears reasonable.
Net Pension Liability and Total OPEB Liability	CCHHS accounts for its portion of the net pension liability, total OPEB liability, deferred outflows of resources, deferred inflows of resources and pension/OPEB expense in accordance with GASB 68 (pensions) and GASB 75 (OPEB) based on the proportionate share of each (based on covered payroll for pension and headcount for OPEB).	County management engaged Conduent, an independent actuarial firm, to assist management in developing assumptions, including salary history, years of future service, long-term rate of return on investments, health care cost trend rates and mortality tables to determine the valuations. CCHHS obtains Schedules of Pension Amounts and OPEB amounts from the Plan's auditor, which is based on the actuary's calculations, to determine the total amounts reported.	We obtained the actuarial reports prepared by Conduent, as well as a copy of the employee census data used in its valuations. On a sample basis, we tested that the census data provided was accurate. We tested the covered payroll employee and headcount data. With the assistance of an RSM actuarial specialist, we reviewed the methodologies and assumptions used by Conduent. Based on the testing performed, we concluded that the estimates were reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Self-Insured Liabilities	CCHHS records an allocation of the County's estimate of the probable loss for workers' compensation, medical malpractice and other self-insured claims. The accrued liability represents an estimate of the eventual loss on claims, including claims incurred but not yet reported (IBNR).	County management engaged Aon, an independent actuarial firm, to assist management in estimating the self-insured liabilities. The County's risk management and legal departments provide details of open cases, reserve estimated, claims payment activity and other information to the actuary. This data is used by the actuary to determine the probable liabilities based on historical trends and other loss factor data.	We obtained the actuary report directly from Aon. We tested certain source data provided to Aon to the County's books and records. With the assistance of an RSM actuarial specialist, we reviewed the methods and assumptions used by Aon. Based on the testing performed, we concluded that the self-insured liability estimates were reasonable.

Summary of Recorded Audit Adjustments

Description	Assets	Liabilities	Net Position	Revenue	Expenses
	Increase (Decrease)				
To adjust property tax objection liability	$ -	$ 1,303,000	$ -	$ -	$ 1,303,000
To adjust Provident Hospital capitation revenue and receivable	(16,080,000)	-	-	(16,080,000)	-
To adjust capital assets and contributed capital	20,228,000	-	-	20,261,000	33,000
To adjust beginning net position	780,000	-	3,425,000	2,131,000	4,776,000
To reclassify bad debt provision from Provident Hospital to Stroger Hospital:					
Provident Hospital	-	-	-	6,749,000	-
Stroger Hospital	-	-	-	(6,749,000)	-
	$ 4,928,000	$ 1,303,000		$ 6,312,000	$ 6,112,000
Effect on change in net position			200,000		
Effect on ending net position			$ 3,625,000		

Summary of Uncorrected Misstatements

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, cash flows and related financial statement disclosures. Following is a summary of those differences.

	Increase (Decrease)				
Description	**Assets**	**Liabilities**	**Net Position**	**Revenue**	**Expense**
Reversed opening net position misstatements	$ -	$ -	$ (2,556,000)	$ (2,220,000)	$ (4,776,000)
Current-year uncorrected misstatements					
To adjust property tax revenue and receivable	4,711,000	-	-	4,711,000	-
To reclassify $4,831,000 from supplies to	-	-	-	-	(4,831,000)
purchased services expense	-	-	-	-	4,831,000
To adjust capital contributions	1,355,000	-	-	1,355,000	-
To adjust other receivables	(1,363,000)	-	-	(795,000)	568,000
	$ 4,703,000	$ -		$ 3,051,000	$ (4,208,000)
Effect on change in net position			7,259,000		
Effect on ending net position			$ 4,703,000		

Exhibit A—Letter Communicating a Material Weakness in Internal Control Over Financial Reporting

RSM US LLP

One South Wacker Dr., Ste. 800
Chicago, IL 60606-3392

O +1 312 634 3400
F +1 312 634 3410

www.rsmus.com

May 31, 2019

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

In planning and performing our audit of the financial statements of Cook County Health and Hospitals System of Illinois (CCHHS) as of and for the year ended November 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered CCHHS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCHHS's internal control. Accordingly, we do not express an opinion on the effectiveness of CCHHS's internal control.

Our consideration of internal control 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. Therefore, material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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. We consider the following deficiencies in CCHHS's internal control to be a material weakness:

Finding 2018-001: Financial Accounting and Reporting

Condition and Context
During the audit, we identified a number of errors in the financial statements as noted below.

Review of Account Analysis and Adjusted Trial Balance:

We identified multiple areas where supervisory review of year-end account analysis was not sufficiently detailed to identify errors in the underlying analysis that were identified during our audit procedures.

We proposed nine audit adjustments as a result of the errors identified. The following five adjustments were recorded by management:

- Management's review of Provident Hospital capitation payments did not identify an overstatement for $16,080,000 of capitation receivable and capitation revenue.
- Management did not properly adjust capital assets for the capital contributions communicated by the County to CCHHS, which resulted in an understatement of $19,025,000 of capital assets not depreciated, $2,558,000 of capital assets net of accumulated depreciation, $21,616,000 of capital contributions and $33,000 of purchased services, rental and other expenses.
- Management calculated property tax objections using the wrong fiscal year data, which resulted in an understatement of $1,303,000 of property tax objection liability and related expense.
- Management improperly posted adjustments which were passed in conjunction with the fiscal year 2017 audit into the fiscal year trial balance rather than into the fiscal year 2018 trial balance, which resulted in an understatement of $3,425,000 of beginning fiscal year 2018 net position, $780,000 of other receivables, $705,000 of property tax revenues, $1,426,000 of net patient service revenue, $4,170,000 of supplies expense and $606,000 of depreciation expense.
- Management's analysis of required bad debt allowances and provision resulted in reasonable estimates on a combined, entity-wide basis. However, within the individual entity trial balances, management did not fully adjust Provident Hospital's bad debt provision, which resulted in pre-audit net patient service revenue for Provident of negative $6,749,000. An adjustment was recorded to reduce the Provident bad debt provision and increase the Stroger bad debt provision by this amount, with no impact on CCHHS's combined net patient service revenue.

The following four adjustments were deemed immaterial and not recorded by management:

- Management did not properly review property tax receipts, which resulted in an understatement of $4,711,000 of revenues and receivable related to the prior year property tax levy.
- Management did not identify and adjust a misclassification of $4,831,000 between supplies expense and purchased services, rental and other expenses resulting from expenditures appropriated from one expense account that, due to budgetary considerations, were ultimately paid from another expense account.
- As described above, management did not properly adjust capital assets and capital contributions for capital contributions communicated by the County to CCHHS. Approximately $1,355,000 of the total adjustment proposed was not corrected.
- Management did not properly post audit adjustments which were corrected in the prior year financial statements which led to an overstatement for $1,363,000 of other receivables, $795,000 of other revenue and an understatement for $568,000 of purchased services, rental and other expenses.

Additionally, we noted an approximately $2,000,000 debit balance in an accounts payable account resulting from system-generated entries affecting inventories and accounts payable that management had not fully investigated.

Review of Draft Financial Statements:

Management did not adequately review the draft financial statements provided to RSM, which resulted in significant adjustments to the classification of certain amounts within the financial statements, including the statement of cash flows and supplementary combining schedules.

Criteria

Under a good system of internal control, all significant accounts should be reconciled on a regular basis to the underlying documentation and thoroughly reviewed by a supervisory employee (other than the preparer), with any necessary adjustments recorded timely.

Additionally, CCHHS' policy for year-end reporting requires that accounting staff reconcile account balances to supporting information/documentation and that account balances and the related support be reviewed and approved by a supervisor.

Cause

CCHHS management stated that it believes that these issues are primarily due to miscommunication on:

- Application of collections on year-end receivables with regards to Provident Access Payments;
- Reconciliation between the County Comptroller and CCHHS workpapers on final Construction in Process, Capital and Property Tax entries;
- Combining the accurate bad debt provision between Stroger and Provident in order to prevent showing negative net patient service revenue on entity-wide schedules;
- Posting prior-year audit adjustments that were passed on but were mistakenly entered; and
- Reviewing all expenses to make sure they are properly classified on the financials.

Regarding the debit balance in accounts payable, management stated that it believes the account set-up for the automated entries generated from the Oracle Inventory Module implemented in mid-fiscal year 2018 had not been thoroughly analyzed for accuracy.

Effect

The financial statements of CCHHS would have been materially misstated without recording several audit adjustments.

Recommendation

We recommend that management perform a thorough review of year-end account analysis to timely identify and correct errors in the analysis. Management should also ensure that required adjusting journal entries are properly posted to the general leger. This review should include account balances at the individual entity level (e.g. Stroger, Provident, etc.) as well as at the entity-wide level. We also recommend that for adjusting journal entries recorded based on analysis provided by the County, that CCHHS management confirm the adjusted balances with County management to ensure that all activity has been properly recorded and is consistent with the County's analysis.

Management Response

CCHHS management will follow the recommendations as outlined by the auditor, and will establish procedures to implement the recommendations. Regarding the automated Oracle entries, CCHHS management will establish a review of all system-generated entries, documenting account set-up and any corrections deemed necessary for proper recording of accounting entries. This review and analysis will incorporate both the Supply Chain Management and Financial Reporting teams.

CCHHS's management response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

This communication is intended solely for the information and use of management, the Audit and Compliance Committee and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

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Exhibit B—Significant Written Communication Between Management and Our Firm

COOK COUNTY HEALTH

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

May 31, 2019

RSM US LLP

One South Wacker Drive, Suite 800

Chicago, IL 60606

This representation letter is provided in connection with your audit of the financial statements of Cook County Health and Hospitals System of Illinois (CCHHS), an enterprise fund of Cook County, Illinois, as of and for the year ended November 30, 2018, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of May 31, 2019:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated February 8, 2019, for the preparation and fair presentation of the 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 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 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 CCHHS's 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 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 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, if known, on the financial statements of Governmental Accounting Standards Board (GASB) Statements No. 83, 84, and 87, 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 obligations other than pensions and union contract retroactive pay agreements attributable to employee services rendered through November 30, 2018.

   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.

n. The nature of and amounts related to the Provident Hospital access payments 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, post-retirement liabilities other than pensions, and self-insured liabilities, and CCHHS's allocations of such liabilities, and we have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the 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. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with U.S. GAAP.

12. 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 financial statements.
13. 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, 2018.

14. We have informed you of all uncorrected misstatements.

As of and for the year ended November 30, 2018, 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 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	Expense
Reversed opening net position misstatements	$ -	$ -	$ (2,556,000)	$ (2,220,000)	$ (4,776,000)
Current-year uncorrected misstatements					
To adjust property tax revenue and receivable	4,711,000	-	-	4,711,000	-
To reclassify $4,831,000 from supplies to	-	-	-	-	(4,831,000)
purchased services expense	-	-	-	-	4,831,000
To adjust capital contributions	1,355,000	-	-	1,355,000	-
To adjust other receivables	(1,363,000)	-	-	(795,000)	568,000
	$ 4,703,000	$ -		$ 3,051,000	$ (4,208,000)
Effect on change in net position			7,259,000		
Effect on ending net position			$ 4,703,000		

Information Provided

15. We have provided you with:

a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

b. Additional information that you have requested from us for the purpose of the audit;

c. Unrestricted access to persons within the CCHHS from whom you determined it necessary to obtain audit evidence; and

d. Minutes of the meetings of CCHHS board of directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

e. Contracts with all significant third-party payors or other providers; and

f. 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.

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

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

18. We have no knowledge of allegations of fraud or suspected fraud affecting CCHHS's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

19. We have no knowledge of any allegations of fraud or suspected fraud affecting CCHHS's financial statements received in communications from employees, former employees, analysts, regulators or others.

20. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

21. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

22. We have disclosed to you the identity of CCHHS's related parties and all the related-party relationships and transactions of which we are aware.

23. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect CCHHS's ability to record, process, summarize and report financial data.

24. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

25. Management of CCHHS believes CCHHS will continue as a going concern.

26. CCHHS maintains a refundable deposit with CCHHS's third-party administrator, Valence, for claims payments related to the CountyCare program. Although we have the ability to request repayment of the deposit within one year based on the current agreement with Valence, it is our intent and

expectation to maintain those funds on deposit through at least December 1, 2019, and long-term classification in the November 30, 2018 statement of net position is appropriate.

27. We are responsible for making the accounting estimates included in the 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) and ambulatory payment classification 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, 2018, and/or for expected retroactive insurance premium adjustments applicable to periods through November 30, 2018.

    e. For pension obligations and deferred compensation agreements attributable to employee services rendered through November 30, 2018.

    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, 2018.

28. There are no:

a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the 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 AntiKickback 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 financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the 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 financial statements.

e. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by U.S. GAAP.

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. Long-lived assets, including intangibles, which are impaired or to be disposed of.

p. Derivative financial instruments.

q. Special or extraordinary items.

r. Materially impaired capital assets.

29. Billings to third-party payors comply in all respects with applicable coding guidelines (for example, ICD-10 and CPT-4), 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.

30. Recorded valuation allowances are necessary, appropriate and properly supported.

31. With respect to cost reports:

    a. We have filed (or will file) all required Medicare, Medicaid, and similar reports.

    b. We are responsible for the accuracy and propriety of all cost reports filed or to be filed.

    c. All costs reflected on such reports are appropriate, allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payors.

    d. The employed reimbursement methodologies and principles are in accordance with applicable rules and regulations.

    e. Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.

    f. 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.

g. 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. Although management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

32. We have complied with all aspects of contractual agreement and grants that would have a material effect on the 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 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.

33. We have reported to the County's risk management department all known asserted and unasserted claims and incidents. Adequate and reasonable provision has been made for losses related to asserted and unasserted malpractice, employee health, worker's compensation, and any other self-insured claims.

34. 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.

35. We acknowledge our responsibilities as it relates to non-audit services performed by you. With respect to your assistance in preparing the financial statements and related footnotes, we assumed all management responsibilities; oversaw the services by designating Dorothy Loving, Executive Director of Finance, who possesses suitable skill, knowledge or experience; evaluated the adequacy and results of the services performed; and accept responsibility for the results of the services.

Supplementary Information

36. With respect to supplementary information presented in relation to the 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 U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

37. With respect to required supplementary information (Management's Discussion and Analysis, the Schedule of CCHHS's Proportionate Share of the Total OPEB Liability, the Schedule of CCHS's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions) presented as required by 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 U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

38. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to CCHHS.

39. We are not aware of any instances that have occurred, or are likely to have occurred, of:

    a. Fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

    b. Noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

    c. Abuse that could be quantitatively or qualitatively material to the financial statements.

40. We have taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts or grant agreements; or abuse that has been reported.

41. We have a process to track the status of audit findings and recommendations.

42. We have identified for you previous audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and whether related recommendations have been implemented.

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

Cook County Health and Hospital System

Dr. John Jay Shannon, Chief Executive Officer

Ekerete Akpan, Chief Financial Officer

Dorothy Loving, Executive Director of Finance