

# Cook County Health and Hospitals System of Illinois d/b/a Cook County Health

Report to the Audit and Compliance Committee  
May 29, 2020





RSM US LLP

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

O +1 312 634 3400  
F +1 312 634 5529

[www.rsmus.com](http://www.rsmus.com)

May 29, 2020

Audit and Compliance Committee  
Cook County Health and Hospitals System of Illinois  
d/b/a Cook County Health  
Chicago, Illinois

Attention: Mr. Mike Koetting, Chair

We are pleased to present this report related to our audit of the basic financial statements of Cook County Health and Hospitals System of Illinois d/b/a Cook County Health (CCH) as of and for the year ended November 30, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for CCH'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 CCH.

*RSM US 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 February 5, 2020. 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 dated February 5, 2020, regarding the planned scope and timing of our audit and identified significant risks.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> 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> Management has the ultimate responsibility for the appropriateness of the accounting policies used by CCH. CCH did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p><b>Significant or Unusual Transactions</b> 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> 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, other than those that are clearly trivial, proposed by us and recorded by CCH are shown in the attached Summary of Recorded Audit Adjustments.
<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 basic financial statements.

<b>Area</b>	<b>Comments</b>
<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 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>Letter Communicating Significant Deficiency in Internal Control Over Financial Reporting</b>	We have separately communicated the significant deficiency in internal control over financial reporting identified during our audit of the basic financial statements, and this communication is attached as Exhibit A.
<b>Significant Written Communication Between Management and Our Firm</b>	A copy of the significant written communication between our firm and the management of CCH, 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 CCH's November 30, 2019, basic financial statements.

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
<b>Allowance for Uncollectible Patient Accounts</b>	Accounts receivable are recorded at their estimated net realizable value.	<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 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 this allowance, including the year-end aging reports and collection experience.</p> <p>We also performed a hindsight test of the November 30, 2018, allowance for uncollectible accounts using subsequent collection experience, which indicated that the November 30, 2018, allowance was reasonable.</p> <p>Furthermore, we reviewed the subsequent cash collections of accounts receivable at November 30, 2019, through February 29, 2020, to assess the reasonableness of the November 30, 2019, valuation.</p> <p>Based on the testing performed, the allowance for uncollectible patient accounts appears reasonable.</p>

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
<b>Third-Party Settlements Payable</b>	<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 to/from third-party payors (primarily Medicare) are based on management's estimate of amounts due to/from Medicare and 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.</p>	<p>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.</p> <p>Based on the testing performed, the third-party settlement payable appears reasonable.</p>

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
<b>Claims Payable</b>	CCH records an estimate of amounts payable to providers outside of CCH 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. Milliman used historical claims data, as well as claims paid data through January 31, 2020, to estimate the liability as of November 30, 2019.	<p>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.</p> <p>Based on the testing performed, the claims payable liability appears reasonable.</p>
<b>Net Pension Liability and Total OPEB Liability</b>	CCH 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 Cavanaugh Macdonald, 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. CCH 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.	<p>We obtained the actuarial reports prepared by Cavanaugh Macdonald, 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.</p> <p>With the assistance of an RSM actuarial specialist, we reviewed the methodologies and assumptions used by Cavanaugh Macdonald. Based on the testing performed, we concluded that the estimates were reasonable.</p>



<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
<b>Self-Insured Liabilities</b>	CCH 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).	<p>County management engaged Aon, an independent actuarial firm, to assist management in estimating the self-insured liabilities.</p> <p>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.</p>	<p>We obtained the actuary report directly from Aon. We tested certain source data provided to Aon to the County's books and records.</p> <p>With the assistance of an RSM actuarial specialist, we reviewed the methods and assumptions used by Aon.</p> <p>Based on the testing performed, we concluded that the self-insured liability estimates were reasonable.</p>

## Summary of Recorded Audit Adjustments

Description	Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenses
To adjust prior year property tax receivable	\$ 5,503,000	\$ -	\$ -	\$ 5,503,000	\$ -
To reclassify net position:					
Net investment in capital assets	-	-	(32,438,000)	-	-
Unrestricted	-	-	32,438,000	-	-
	<u>\$ 5,503,000</u>	<u>\$ -</u>		<u>\$ 5,503,000</u>	<u>\$ -</u>
Effect on change in net position			5,503,000		
Effect on ending net position			<u>\$ 5,503,000</u>		

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

Description	Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
Reversed opening net position misstatements	\$ -	\$ -	\$ 4,703,000	\$ (5,271,000)	\$ (568,000)
<b>Prior-year misstatement detected in the current year</b>					
To adjust FY18 purchased services, rental and other expenses recorded in FY19					
Factual (known) amount	-	-	(157,000)	-	(157,000)
Projected amount	-	-	(2,549,000)	-	(2,549,000)
<b>Current-year uncorrected misstatement</b>					
To adjust accounts payable					
Factual (known) amount	-	(42,000)	-	-	(42,000)
Projected amount	-	(713,000)	-	-	(713,000)
	<u>\$ -</u>	<u>\$ (755,000)</u>		<u>\$ (5,271,000)</u>	<u>\$ (4,029,000)</u>
Effect on change in net position			(1,242,000)		
Effect on ending net position			<u>\$ 755,000</u>		

**Exhibit A—Letter Communicating Significant Deficiency 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 5529

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May 29, 2020

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

In planning and performing our audit of the financial statements of Cook County Health and Hospitals System of Illinois d/b/a Cook County Health (CCH) as of and for the year ended November 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered CCH'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 CCH's internal control. Accordingly, we do not express an opinion on the effectiveness of CCH'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 or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be 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 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.

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 following deficiency in CCH's internal control to be a significant deficiency:

### **Finding 2019-001: Financial Statement Reporting**

#### Condition and Context

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

Criteria

A good system of internal control requires that management review all significant accounts and balances recorded and disclosed in the financial statements for completeness and accuracy.

Additionally, CCH's 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

CCH management identified that the causes relate to length of time to close various modules needed to generate the final close as well as the presentation of an audit adjustment from the prior year.

Effect

CCH's financial statements would have contained significant misstatements had these items not been identified during the audit and corrected.

Recommendation

We recommend that management increase the level of detail and quality of supervisory review of year-end financial reporting. Specifically, we recommend that management perform a more detailed review of the net position roll-forward, ensuring that the different classes of net position are rolled-forward correctly. We also recommend that management perform a more detailed review of the statement of cash flows to ensure amounts are accurate and classified correctly, including the presentation of negative cash account balances; acquisition of capital assets; real and personal property taxes received; transfers from other County funds; and the reconciliation of operating loss to net cash used in operating activities.

Management Response

CCH management will continue to refine its procedures that will ensure adequate review of accounts and proper financial statement presentation. Continued efforts will be made to performing pre-audit reviews and reconciliations leaving ample time for focused review and response during the audit. Management will also continue to improve coordination and communication with the County Comptroller to improve the time for review and the closing of the general ledger.

CCH'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

## Leadership

Toni Preckwinkle  
President  
Cook County Board of Commissioners

Debra D. Carey  
Interim CEO  
Cook County Health

## Board of Directors

M. Hill Hammock  
Chair of the Board

Mary B. Richardson-Lowry  
Vice Chair of the Board

Hon. Dr. Dennis Deer, LCPC, CCFC  
Mary Driscoll, RN, MPH  
Ada Mary Gugenheim  
Mike Koetting  
David Ernesto Munar

Heather M. Prendergast, MD, MS, MPH  
Robert G. Reiter, Jr.  
Otis L. Story, Sr.  
Layla P. Suleiman Gonzalez, PhD, JD  
Sidney A. Thomas, MSW

May 29, 2020

RSM US LLP  
One South Wacker Drive, Suite 800  
Chicago, IL 60606

This representation letter is provided in connection with your audit of the basic financial statements of Cook County Health and Hospitals System of Illinois d/b/a Cook County Health (CCH), an enterprise fund of Cook County, Illinois, as of and for the year ended November 30, 2019, 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 29, 2020:

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated February 5, 2020, 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 CCH; other organizations for which the nature and significance of their relationship with CCH are such that exclusion would cause CCH'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.



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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, including the disclosures made in Note 17 related to the effects of COVID-19 and changes to the Provident Access Payments.
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, 87 and 92, 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, 2019.
  - 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 CCH's allocations of such liabilities, and we have adequately considered the qualifications of the specialists in determining the amounts and

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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, 2019.
14. 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.
15. We have informed you of all uncorrected misstatements.

As of and for the year ended November 30, 2019, 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 basic financial statements. 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	\$ -	\$ -	\$ 4,703,000	\$ (5,271,000)	\$ (568,000)
<b>Prior-year misstatement detected in the current year</b>					
To adjust FY18 purchased services, rental and other expenses recorded in FY19					
Factual (known) amount	-	-	(157,000)	-	(157,000)
Projected amount	-	-	(2,549,000)	-	(2,549,000)
<b>Current-year uncorrected misstatement</b>					
To adjust accounts payable					
Factual (known) amount	-	(42,000)	-	-	(42,000)
Projected amount	-	(713,000)	-	-	(713,000)
	<u>\$ -</u>	<u>\$ (755,000)</u>		<u>\$ (5,271,000)</u>	<u>\$ (4,029,000)</u>
Effect on change in net position			(1,242,000)		
Effect on ending net position			<u>\$ 755,000</u>		

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**Information Provided**

16. 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 CCH from whom you determined it necessary to obtain audit evidence;
  - d. Minutes of the meetings of CCH 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.
17. All transactions have been recorded in the accounting records and are reflected in the financial statements.
18. 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.
19. We have no knowledge of allegations of fraud or suspected fraud affecting CCH'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.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting CCH's financial statements received in communications from employees, former employees, analysts, regulators, or others.
21. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
23. We have disclosed to you the identity of CCH'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 in the design or operation of internal controls that could adversely affect CCH's ability to record, process, summarize and report financial data.

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25. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
26. Management of CCH believes CCH will continue as a going concern.
27. CCH maintains a refundable deposit with CCH'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, 2020, and long-term classification in the November 30, 2019 statement of net position is appropriate.
28. 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, 2019, and/or for expected retroactive insurance premium adjustments applicable to periods through November 30, 2019.
  - e. For pension obligations and deferred compensation agreements attributable to employee services rendered through November 30, 2019.
  - 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, 2019.
29. 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.

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- c. Instances of noncompliance with laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, in any jurisdiction, whose effects are 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. This is including, but not limited to, the anti-kickback statute of the Medicare and Medicaid Patient and Program Protection Act of 1987, limitations on certain physician referrals (the Stark law), and the False Claims Act.
  - d. Oral or written communications 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 CCH 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.
30. 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 billings reflect only 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.
31. Recorded valuation allowances are necessary, appropriate and properly supported.

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32. 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.

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. The medical assistance claims paid by the Illinois Department of Healthcare and Family Services (HFS) at the rates in effect before the change in the methods and standards by which HFS reimburses large public hospitals are not subject to retroactive settlement and therefore no liability is recognized in the financial statements.

35. 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.

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36. We acknowledge our responsibilities as it relates to non-audit services performed by you. With respect to your assistance in report editing and coordination with printing 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**

37. With respect to required supplementary information (Management's Discussion and Analysis, the Schedule of CCH's Proportionate Share of the Total OPEB Liability, the Schedule of CCH'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.
- a. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- b. 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 CCH.

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.

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Cook County Health

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Ms. Debra Carey  
Interim Chief Executive Officer

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Ms. Andrea Gibson  
Interim Chief Business Officer

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Mr. Tony Banda  
Senior Director of Finance

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Ms. Dorothy Loving  
Executive Director of Finance