



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2022

Landmann-Jungman Memorial Hospital,
Inc.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9



**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors
Landmann-Jungman Memorial Hospital, Inc.
Scotland, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Landmann-Jungman Memorial Hospital, Inc. (the Hospital), which comprise the balance sheet as of June 30, 2022, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2023.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Landmann-Jungman Memorial Hospital, Inc.'s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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Sioux Falls, South Dakota
February 8, 2023



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

To the Board of Directors
Landmann-Jungman Memorial Hospital, Inc.
Scotland, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Program

We have audited Landmann-Jungman Memorial Hospital, Inc.'s (the Hospital) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended June 30, 2022. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-005. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-05 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's responses to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Hospital's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

We have audited the financial statements of Landmann-Jungman Memorial Hospital, Inc. as of and for the year ended June 30, 2022, and have issued our report thereon dated February 8, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Sioux Falls, South Dakota
February 8, 2023

Landmann-Jungman Memorial Hospital, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Department of Agriculture			
Communities Facilities Loans and Grants Cluster			
2014 Direct Loan	10.766		\$ 52,302
2009 Direct Loan	10.766		760,675
2009 Guaranteed Loan	10.766		<u>401,399</u>
Total Communities Facilities Loans and Grants Cluster			1,214,376
Department of Health and Human Services			
Passed through State of South Dakota Department of Health Division of Healthcare Access & Quality and Health Protection			
COVID -19 SHIP Testing & Mitigation	93.155	22SC093210	67,144
Passed through South Dakota Department of Health Division of Administration			
Small Rural Hospital Improvement Grant Program	93.301	22SC093610	<u>12,836</u>
Total Department of Health and Human Services			<u>79,980</u>
Total Federal Financial Assistance			<u><u>\$ 1,294,356</u></u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Landmann-Jungman Memorial Hospital, Inc. (the Hospital) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

The Hospital has not elected to use the 10% de minimis cost rate.

Note 4 – Community Facilities Loans

Expenditures reporting in this schedule consist of the beginning of the year outstanding loan balance for the direct loans and 90% of the beginning of the year outstanding balance for the guaranteed loan. There were no loan advances during the year ended June 30, 2022. The outstanding balances at June 30, 2022 were \$746,428, \$12,710 and \$415,367 for the 2009 direct USDA loan, 2014 direct USDA loan and 2009 bank loan guaranteed by USDA, respectively.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Community Facilities Loans and Grants Cluster Community Facilities Loans and Grants	10.766
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2022-001 Preparation of Full Disclosure Financial Statements, Preparation of Schedule of Expenditures of Federal Awards and Restatement Material Weakness

Criteria: Proper controls over financial reporting include the ability to prepare financial statements, schedule of federal expenditures (the schedule) and accompanying notes to the financial statements that are materially correct and include all required disclosures.

Condition: The Hospital does not have an internal control system designed to provide for the preparation of the full disclosure financial statements being audited. As auditors, we were requested to draft the financial statements, the schedule and accompanying notes to the financial statements and the schedule. In addition, there was a restatement identified as part of the financial statement preparation.

Cause: The Hospital has limited staff. They cannot justify incurring the costs necessary for preparing the financial statements with accompanying notes to the financial statements. Auditor assistance with the preparation of the schedule is not unusual as the schedule has unique and specialized requirements and preparation is only required when the Hospital meets a specified threshold of federal expenditures.

Effect: Inadequate controls over financial reporting of the Hospital could result in the likelihood that the Hospital would not be able to draft the financial statements and the schedule with accompanying notes without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes.

Management's Response: Since it is not cost effective for an organization of our size to prepare audit ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare our full disclosure financial statements and the schedule as part of the annual audit. We have designated a member of management to review the propriety of the draft financial statements, the schedule and accompanying notes to the financial statements and the schedule.

2022-002 **Lack of Proper Segregation of Duties**
Material Weakness

Criteria: In order to achieve a high level of internal control, the functions of executing transactions, recording transactions and maintaining accountability for assets should be performed by different employees or be maintained under dual control.

Condition: The Hospital does not have an internal control system designed to allow for proper segregation of duties in certain areas of the accounting function.

Cause: The Hospital has limited staff. They cannot justify incurring the costs of hiring the necessary additional individuals in order to better segregate accounting duties.

Effect: Proper segregation of duties helps to minimize the chance of undetected errors or defalcations, since the work of one person serves as a “check” on the work of another.

Recommendation: Due to the small size of the office, the Hospital is limited in the options available to them. Under this situation, the most effective control is management and the board’s oversight and knowledge of matters related to the operations of the Hospital.

Management’s Response: We have evaluated the segregation of duties and have segregated duties to the extent possible with our available staff. Management and the Board of Directors will continue to exercise oversight of the accounting functions, which we believe mitigates the risk of material misstatement. Due to the Hospital’s size and other cost considerations, we believe the cost of any further controls would outweigh the related benefits.

2022-003 **Material Audit Adjustments, Reconciliations and Review Processes**
Material Weakness

Criteria: Proper controls over financial reporting include the ability to prepare account reconciliations on a timely basis with a secondary review process over the account reconciliations.

Condition: The Hospital does not have the processes and internal control system to perform reconciliations and review of the reconciliations on a timely basis which resulted in material audit adjustments to the financial statements.

Cause: The Hospital has limited staff and no formal process for preparation and review of reconciliations. The Hospital has not identified a process for completion of these functions on a regular basis through the year resulting in material audit adjustments to the financial statements.

Effect: Inadequate processes and controls over reconciliations and review processes could result in the likelihood that the Hospital's financial statement information is not accurate on a month-to-month basis and material audit adjustments may result. Proper processes and controls help to minimize the chances of undetected errors or defalcations to the financial statements.

Recommendation: We recommend that management implement a process or checklist for reconciliations to be performed on a monthly or quarterly basis and expected timeframe subsequent to period end in which those reconciliations are completed. Due to the small size of office, the Hospital is limited in the options available to them for the review process. Under this situation, the most effective control is management and the board's oversight and knowledge of matters related to the operations of the Hospital. While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial statement purposes.

Management's Response: Management will review the current processes of the Hospital and make necessary changes to make sure the reconciliations are done on a timely basis. Due to the Hospital's size and other cost considerations, we believe the cost of any further controls would outweigh the related benefits. Management and the Board of Directors will continue to be actively involved with the detailed review of the financial statements.

Section III – Federal Award Findings and Questioned Costs

2022-004

**Department of Agriculture
Federal Financial Assistance Listing #10.766
Communities Facilities Loans and Grants Cluster**

**Reporting
Significant Deficiency in Internal Control Over Compliance**

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. Within Section 5 of the Loan Resolution Security Agreements dated January 20, 2009 and September 30, 2014, annual audited financial statements are required to be submitted to USDA.

Condition: The audited financial statements were submitted to USDA prior to review and approval from the Board of Directors.

Cause: There was a lapse in the internal control process ensuring audited financial statements are reviewed and approved prior to submission to USDA.

Effect: Revision to the final reports could occur upon review and approval from the Board of Directors.

Questioned Costs: None reported.

Context: Sampling was not used.

Repeat Finding from Prior Years: Yes

Recommendation: We recommend management to review policies and procedures ensuring audited financial statements are approved prior to providing to the federal agency.

Views of Responsible Officials: Management agrees with the finding

2022-005

**Department of Agriculture
Federal Financial Assistance Listing #10.766
Communities Facilities Loans and Grants Cluster**

Special Tests and Provisions

Material Weakness in Internal Control Over Compliance and Compliance

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. Section 4 of the Loan Resolution Security Agreements dated January 20, 2009 and September 30, 2014, states the Hospital must set aside a reserve amount which may be established as a bookkeeping account or as a separate bank account. Funds may be deposited in institutions insured by the state or federal government or invested in marketable securities backed by the full faith and credit of the United States. Additionally, under Section 5 (h) within the Loan Resolution Security Agreements, it states the Hospital will not borrow any money from any source without obtaining the prior written consent of the Government.

Condition: The Hospital did set aside a reserve amount within a saving account; however, the funds were not segregated in a separate bookkeeping account or bank account. Additionally, the Hospital entered into three debt arrangements during the fiscal year with a financial institution without obtaining prior written consent from the agency.

Cause: The Hospital did not have an internal control process in place to ensure a reserve amount was established as a separate bookkeeping account or bank account or that the agency was notified prior to entering debt arrangements.

Effect: The Hospital could be in violation of the reserve amount requirements if management is not monitoring compliance. USDA approval was not provided prior to the Hospital entering into new debt arrangements.

Questioned Costs: None reported.

Context: Sampling was not used.

Repeat Finding from Prior Years: No

Recommendation: We recommend management transfer the required reserve amount to a separate bookkeeping account in the trial balance or establish a separate bank account and ensure the funds are deposited in institutions insured by the state or federal government or invested in marketable securities backed by the full faith and credit of the United States. We recommend management obtain USDA approval prior to entering new debt arrangements.

Views of Responsible Officials: Management agrees with the finding.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2022

Prepared by Management of
Landmann-Jungman Memorial Hospital

Summary Schedule of Prior Audit Findings

Finding 2021-001

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements. We have designated a member of management to review the propriety of the draft financial statements and accompanying notes to the financial statements.

Finding 2021-002

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: The Hospital does not have an internal control system designed to allow for proper segregation of duties in certain areas of the accounting function.

Status: Ongoing. LJMH has evaluated the segregation of duties and have segregated duties to the extent possible with our available staff. Management and the Board of Directors will continue to exercise oversight of the accounting functions, which we believe mitigates the risk of material misstatement. Due to the Hospital's size and other cost considerations, we believe the cost of any further controls would outweigh the related benefits.

Finding 2021-003

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: The Hospital does not have the processes and internal control system to perform reconciliations and review of the reconciliations on a timely basis which resulted in material audit adjustments to the financial statements

Status: Ongoing. Management will review the current reconciliation and review processes of LJMH and make necessary changes to make sure the reconciliations are done on a timely basis. Due to the size of LJMH and other cost consideration, we believe the cost of any further controls would outweigh the related benefits. Management and the Board of Directors will continue to be actively involved with the detailed review of the financial statements

Finding 2021-004

Federal Agency Name: Department of Health and Human Services

Program Name: COVID-19 Provider Relief Fund and America Rescue Plan (ARP) Rural Distribution

Applicable Federal Award Number and Year – Period 1 TIN#466015787

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: The Hospital does not have an internal control system designed to provide for the preparation of the schedule. We requested Eide Bailly, LLP to assist with the preparation of the schedule.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our schedule of expenditures of federal awards and accompanying notes to the schedule.

Finding 2021-005

Federal Agency Name: Department of Health and Human Services

Program Name: COVID-19 Provider Relief Fund and America Rescue Plan (ARP) Rural Distribution

Applicable Federal Award Number and Year – Period 1 TIN#466015787

Finding Summary: The Hospital claimed expenses that were ineligible due to the items not being received or paid for by the Hospital before June 30, 2021. In addition, a formula error on the eligible expense tracking spreadsheet was discovered subsequent to the submission of the Period 1 report, which resulted in identified eligible expenses on the Period 1 report to be overstated..

Status: Ongoing. There was no Period 2 or Period 3 filing requirement. LJMH implemented a tracking, review, and approval process to ensure costs submitted meet the requirements of the federal program and are properly recorded in the reports required to be submitted to the federal agency. With the error of reporting all eligible expenses were reviewed and submitted and resolved with HRSA attesting that we wouldn't use new expenses on any future grants.

Corrective Action Plan

Finding 2022-001

Finding Summary:

Landmann Jungman Memorial Hospital (LJMH) does not have an internal control system designed to provide for the preparation of the full disclosure financial statements and schedule of expenditures of federal awards (the schedule) being audited. In addition, there was a restatement identified as part of the financial statement preparation. LJMH has limited staff. We cannot justify incurring the costs necessary for preparing the financial statements with accompanying notes to the financial statements and the schedule. We requested Eide Bailly LLP to prepare our draft financial statements and accompanying notes to the financial statements and the schedule.

Responsible Individuals:

Melissa Gale, CEO; Erin Odens, CFO

Corrective Action Plan:

Since it is not cost effective for an organization of our size to prepare audit ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare our full disclosure financial statements and the schedule as part of the annual audit. We have designated a member of management to review the propriety of the draft financial statements and accompanying notes to the financial statements and the schedule.

Anticipated Completion Date: Ongoing

Finding 2022-002

Finding Summary: Landmann Jungman Memorial Hospital (LJM) does not have an internal control system designed to allow for proper segregation of duties in certain areas of the accounting function. LJM has limited staff. We cannot justify incurring the costs necessary of hiring additional individuals in order to better segregate accounting duties.

Responsible Individuals: Melissa Gale, CEO; Erin Odens, CFO

Corrective Action Plan: LJM has evaluated the segregation of duties and have segregated duties to the extent possible with our available staff. Management and the Board of Directors will continue to exercise oversight of the accounting functions, which we believe mitigates the risk of material misstatement. Due to the Hospital's size and other cost considerations, we believe the cost of any further controls would outweigh the related benefits.

Anticipated Completion Date: Ongoing

Finding 2022-003

Finding Summary: Landmann Jungman Memorial Hospital (LJM) does not have the process and internal control system to perform reconciliations and review of the reconciliations on a timely basis which resulted in material audit adjustments to the financial statements. LJM has limited staff and no formal process for preparation and review of reconciliations. We have not identified a process for completion of these functions on a regular basis through the year resulting in material audit adjustments to the financial statements.

Responsible Individuals: Melissa Gale, CEO; Erin Odens, CFO

Corrective Action Plan: Management will review the current reconciliation and review processes of LJM and make necessary changes to make sure the reconciliations are done on a timely basis. Due to the size of LJM and other cost consideration, we believe the cost of any further controls would outweigh the related benefits. Management and the Board of Directors will continue to be actively involved with the detailed review of the financial statements.

Anticipated Completion Date: Ongoing

Single Audit

Finding 2022-004

Federal Agency Name: Department of Agriculture

Program Name: Communities Facilities Loans and Grants Cluster

Federal Financial Assistance Listing #10.766

Finding Summary: Audited financial statements were submitted to USDA prior to review and approval from Board of Directors.

Responsible Individuals: Melissa Gale, CEO; Erin Odens, CFO

Corrective Action Plan: For the current year a waiver was obtained from the USDA acknowledging that the financial statements were not approved from Board of Directors. Going forward the audit will need to be completed and approved by the Board of Directors prior to submission to the USDA.

Anticipated Completion Date: February 1, 2023

Finding 2022-005

Federal Agency Name: Department of Agriculture

Program Name: Communities Facilities Loans and Grants Cluster

Federal Financial Assistance Listing #10.766

Finding Summary: LJMH did set aside a reserve amount within a saving account; however, the funds were not segregated in a separate bookkeeping account or bank account. Additionally, LJMH entered into three debt arrangements during the fiscal year with a financial institution without obtaining prior written consent from the agency.

Responsible Individuals: Melissa Gale, CEO; Erin Odens, CFO

Corrective Action Plan: LJMH have the USDA reserve money segregated as a separate line item in the financials. LJMH did submit proper information to the USDA for the three loans that were entered into without consent and USDA did reply back with post-loan approval concurrence. Future loans will be approved through the USDA prior to entering into them.

Anticipated Completion Date: March 1, 2023