



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2023

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

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Platte Community Memorial Hospital, Inc. d/b/a Platte Health Center, Inc. (Health Center), which comprise the Health Center’s balance sheet as of June 30, 2023, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 6, 2023.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Health Center’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

The Health Center's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Health Center's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Health Center's responses were not subjected to the other 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 of the entity'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.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
December 6, 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
Platte Community Memorial Hospital, Inc. d/b/a Platte Health Center, Inc.
Platte, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Platte Community Memorial Hospital, Inc. d/b/a Platte Health Center, Inc’s (Health Center’s) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Health Center’s major federal program for the year ended June 30, 2023. The Health Center’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Health Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

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 Health Center 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 Health Center’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 Health Center'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 Health Center'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 Health Center'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 Health Center'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 Health Center'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 Health Center'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.

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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. *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 2023-003 to be a material weakness.

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 Health Center's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Health Center'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.

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

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

We have audited the financial statements of the Health Center as of and for the year ended June 30, 2023, and have issued our report thereon dated December 6, 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.

Eide Sully LLP

Sioux Falls, South Dakota
December 6, 2023

Platte Health Center, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
United States Department of Agriculture (USDA) Community Facilities Loans and Grants Cluster Community Facilities Loans and Grants			
Direct Loan	10.766		\$ 3,648,762
Guaranteed Loan	10.766		<u>1,788,414</u>
Total United States Department of Agriculture			<u>5,437,176</u>
Department of Health and Human Services			
Direct			
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		362,689
Direct			
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		153,603
Direct			
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912		65,529
Passed through South Dakota Department of Health Division of Healthcare Access			
Small Rural Hospital Improvement Grant Program	93.301	23SC093131	<u>13,011</u>
Total Department of Health and Human Services			<u>594,832</u>
Total Federal Financial Assistance			<u>\$ 6,032,008</u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Platte Community Memorial Hospital, Inc. d/b/a Platte Health Center, Inc. (Health Center) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Health Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Health Center.

Note 2 – 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 Health Center does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

Note 4 – Community Facilities Loans

Expenditures reported in this schedule consist of the beginning of the year outstanding loan balance for the direct loan and 90% of the beginning of year outstanding loan balance for the guaranteed loan. There were no loan advances during the year ended June 30, 2023. The outstanding balances at June 30, 2023 were \$3,562,768 for the direct USDA loan and \$1,668,098 for the bank loan, of which USDA has guaranteed 90% of the loan balance.

Note 5 – Provider Relief Funds and American Rescue Plan (ARP) Rural Distribution

The Health Center received amounts from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF) program (Federal Financial Assistance Listing #93.498) in the amount of \$4,310,596, excluding interest income. In accordance with the 2023 compliance supplement, the PRF expenditures recognized on the schedule are based on the reporting to HHS for Period 4, defined as payments received during July 1, 2021 to December 31, 2021 plus interest earned of \$1,055, and Period 5, defined as payments received during January 1, 2022 to June 30, 2022, as required under the PRF program. The Health Center did not receive funding during Period 5. The PRF expenditures are not recognized on the schedule until the expenditures are included in the reporting to HHS as required under the PRF program.

Platte Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

The following summarizes the Provider Relief Funds and the timing of when the amounts were recognized in the financial statements.

Federal Department/Program Title/Grant Name	Federal Financial Assistance Listing	Amounts Recognized in Accordance with GAAP for the Year Ended June 30, 2020	Amounts Recognized in Accordance with GAAP for the Year Ended June 30, 2021	Amounts Recognized in Accordance with GAAP for the Year Ended June 30, 2022
Department of Health and Human Services				
Health Resources and Services Administration				
COVID-19 Provider Relief Fund and American Rescue Plan General and Targeted Distribution - Period 1 (included in 2021 Schedule)	93.498	\$ 6,300	\$ 3,833,046	\$ -
COVID-19 Provider Relief Fund and American Rescue Plan General and Targeted Distribution - Period 2 (included in 2022 Schedule)	93.498	-	-	109,616
COVID-19 Provider Relief Fund and American Rescue Plan General and Targeted Distribution - Period 3 (included in 2022 Schedule)	93.498	-	-	-
COVID-19 Provider Relief Fund and American Rescue Plan General and ARP Rural Distribution - Period 4 (included in 2023 Schedule)	93.498	-	-	361,634
Total Department of Health and Human Services		<u>\$ 6,300</u>	<u>\$ 3,833,046</u>	<u>\$ 471,250</u>

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	None reported
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

**2023-001 Preparation of Financial Statements, Financial Statement Adjustments, and Preparation of
Schedule of Expenditures of Federal Awards
Material Weakness**

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

Condition: The Health Center does not have an internal control system designed to provide for the preparation of the full financial statements and schedule. As auditors, we proposed material audit adjustments relating to patient and resident accounts receivable, property and equipment, accounts payable, net assets, and a material reclassification adjustment related to investments and cash that would not have been identified as a result of the Health Center’s existing internal controls, and therefore could have resulted in a material misstatement to the financial statements. We were also requested to draft the financial statements, the schedule and accompanying notes to the financial statements and schedule.

Cause: The Health Center has limited staff to prepare full disclosure financial statements. In addition , the preparation of the schedule is not unusual as the schedule has unique and specialized requirements and the preparation is only required when the Health Center meets a specified threshold of federal expenditures.

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

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

Views of Responsible Officials: Management agrees with the finding.

**2023-002 Segregation of Duties
 Significant Deficiency**

Criteria: The functions of executing transactions, recording transactions, and maintaining accountability for the records should be performed by different employees or be maintained under dual control.

Condition: The Health Center has a limited number of office personnel performing the record keeping functions of the organization. Areas in which a lack of segregation was noted include the chief financial officer handling multiple accounting functions, including posting transactions to the general ledger, preparing monthly reconciliations and significant estimate calculations, preparing or reviewing checks, and posting manual adjusting journal entries.

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

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

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

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

2023-003 **United States Department of Agriculture
Federal Financial Assistance Listing #10.766
Community Facilities Loans and Grants Cluster**

**Special Test and Provisions
Material Weakness 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. The commitment letter for the term loan with the bank requires debt service coverage ratio and working capital calculations to be calculated yearly using audited financial statements.

Condition: Management does not have controls in place to ensure compliance with the requirements as they have not been calculating or monitoring the required ratios internally.

Cause: The Health Center was relying on the annual calculations performed by the audit team.

Effect: The Health Center could be in violation of the debt coverage ratio and working capital requirements if management is not monitoring compliance.

Questioned Costs: None reported

Context/Sampling: Sampling was not used

Repeat Finding from Prior Year: Yes, Finding 2022-003

Recommendation: We recommend management implement processes and controls to monitor the debt service coverage ratio and working capital calculations as a part of their year-end close process to ensure all covenants of the loan are met.

Views of Responsible Officials: Management agrees with the finding.