



# 2017 Presentation to the NSHE Board of Regents – Integrated Clinical Services, Inc.



# Our Values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



# Responsibilities



# Our Responsibilities

We are responsible for:

Performing an audit under US GAGAS of the financial statements prepared by management, with your oversight  
Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP

Reporting on material non-compliance related to laws, regulations, contracts and grant agreements, as well as significant deficiencies and/or material weakness in internal control related to financial reporting.

Communicating specific matters to you on a timely basis; we do not design our audit for this purpose.

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.



# Those Charged with Governance and Management Responsibilities

## Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the organization's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
  - Entity strategies and related business risks that may result in heightened risks of material misstatement
  - Matters warranting particular audit attention
  - Significant communications with regulators
  - Matters related to the effectiveness of internal control and your oversight responsibilities
  - Your views regarding our current communications and your actions regarding previous communications

## Management

Management is responsible for:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with written representations

# Audit Scope & Results



# Audit Timeline

March/April 2017	Client acceptance	<ul style="list-style-type: none"> <li>• Client Acceptance</li> <li>• Engagement Letter</li> </ul>
June 2017	Planning	<ul style="list-style-type: none"> <li>• Meet with management to confirm expectations and discuss business risks</li> <li>• Discuss scope of work and timetable</li> </ul>
June - August 2017	Preliminary risk assessment procedures	<ul style="list-style-type: none"> <li>• Develop audit plan that addresses risk areas</li> <li>• Update understanding of internal control environment</li> </ul>
June - August 2017	Interim fieldwork	<ul style="list-style-type: none"> <li>• Perform walk-throughs of business processes and controls</li> <li>• Perform selective substantive testing</li> </ul>
August – October 2017	Final fieldwork and deliverables	<ul style="list-style-type: none"> <li>• Perform final phase of audit and year-end fieldwork procedures</li> <li>• Prepared presentation of results to the audit committee</li> </ul>





# Materiality

Materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is ordinarily evaluated against relevant financial statement benchmark(s).

We believe that total revenues is the relevant benchmark(s) for ICS.

Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships or significant unusual transactions).





# Significant Risks

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Results
Revenue recognition; allowance estimates for contractual adjustments and doubtful accounts; collectability of accounts receivable.	During our audit we tested the validity of accounts receivable and revenue, adequacy of the allowance for contractual adjustments and doubtful accounts.  No exceptions noted.



# Summary of Adjustments (\$000s)

Description	Increase (Decrease) to:			
	Assets	Liabilities	Equity	Net Income
<u>Recorded adjustments</u>				
Cash	327,671.69			
Accounts Receivable	(327,671.69)			
To record cash payments on AR received prior to year end				
Net impact	\$ -	\$ -	\$ -	\$ -
<u>Unrecorded adjustments</u>				
To pass on recording variance in estimated unprocessed				
unprocessed claims	(246,103.34)		(246,103.34)	(246,103.34)
To pass on adjusting deferred rent to actual				
		70,184.99	(70,184.99)	23,491.65
To pass on recording copier lease properly under				
capital lease accounting	167,950.02	165,680.88	2,269.14	2,269.14
To pass on recording variance in accrued				
payroll		55,206.13	(55,206.13)	(55,206.13)
Net impact	\$ (78,153)	\$ 291,072	\$ (369,225)	\$ (275,549)

Management believes the unrecorded adjustments are immaterial to the financial statements. Unrecorded misstatements could be potentially material to future financial statements. As such, we request that these unrecorded adjustments be corrected prospectively.

# Disclosure Adjustments

## Recorded disclosure adjustments

The following is a description of adjustments to disclosures identified during the audit that were made by ICS:

- None

## Unrecorded disclosure adjustments

The following is a description of omitted, incomplete or inaccurate disclosures identified during the audit that were not made by ICS :

- None



# Internal Control Matters

## Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting 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 Company's internal control
- We express no opinion on the effectiveness of internal control
- Control deficiencies that are of a lesser magnitude than a significant deficiency will be (or were) communicated to management.

## Definitions

- A deficiency in internal control ("control deficiency") 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, 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 company's annual or interim financial statements will not be prevented or detected 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 responsible for oversight of the company's financial reporting.

See the schedule of findings included in the financial statements for the significant deficiency identified during the audit.



# Other Required Communications

## Disagreements with management

We had no disagreements with management.

## Management's consultations with other accountants

We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.

## Significant issues discussed with management

No significant issues were encountered.



# Other Required Communications (continued)

## Related parties and related party transactions

The Entity regularly enters into various transactions with the University of Nevada, Reno School of Medicine

- Reimburses for physician salaries
- Pays Dean's tax/ department chair tax
- Forgiveness of Dean's tax for prior years
- Covered under University of Nevada, Reno School of Medicine malpractice insurance
- Reimburses for general and administrative expenses.

## Modifications to the auditor's report

No modifications were made.

## Other information in documents containing audited financial statements

Upon reading the other information, we did not identify any material inconsistencies or material misstatements of fact.

# Other Required Communications (continued)

## Significant difficulties encountered during the audit

- Obtaining information necessary to complete the audit was delayed due to the separation with the operation in the South.
- Due to personal leave of key members of the accounting team in the North, obtaining information necessary to complete the audit was untimely. Year end reconciliations that historically were completed and reviewed by management prior to the start of the audit, were not completed until after the audit began, resulting in 31 post- closing entries posted by management.



# Quality of Accounting Practices and Alternative Treatments





# Quality of Accounting Practices and Alternative Treatments

## Accounting policies

Accounting policies are disclosed in Note 2 of the financial statements and appear consistent and appropriate.

## Accounting estimates

Significant estimates are involved in patient service revenue recognition, the allowance for contractual adjustments, the allowance for doubtful accounts, and the valuation of investments.



# Quality of Accounting Practices and Alternative Treatments (continued)

## Disclosures

Accounting disclosures appear clear, complete, neutral, and consistent.



# Other Matters



# Commitment to Promote Ethical and Professional Excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website  
[https://secure.ethicspoint.com/domain/en/report\\_custom.asp?clientid=15191](https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a company's "whistleblower" obligations.




# Grant Thornton's Client Service Cycle

Grant Thornton's Client Service Cycle is our model for delivering high quality, personalized service. Our commitment to this recurring process helps us ascertain that you receive the full benefits of working with us, year after year.

- What issues/challenges are most important to you and your organization?
- What are your expectations for this project?
- How would you rate the team's overall service delivery?
- How can your Grant Thornton team bring additional value to your organization?
- Would you refer Grant Thornton to a friend or colleague?





This communication is intended solely for the information and use of management and the NSHE Board of Regents – Integrated Clinical Services and is not intended to be and should not be used by anyone other than these specified parties.



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