

Indian Health Service

Single Audit Overview for the 2024 Partnership Conference

AUGUST 2024

DIVISION OF AUDIT



Purpose

Provide information regarding Single Audits and compliance with the requirements of the Single Audit Policy.



What are Single Audits?

- Single Audits are assessments of the financial condition of an organization conducted by independent auditors. It is called a Single Audit because it includes all sources of funding received by an entity from all Federal sources. Single Audits include sections for financial and compliance with federal awards.
- The audits that are reviewed for IHS by the OFA/Division of Audit are for each Tribe/Tribal Organization (T/TO) who receive funding from IHS.

These audits are one of the only means by which you can assess the financial health of your tribes and identify significant issues! They are important!



Requirements for Single Audits

Single audits have been used as a mechanism for ensuring accountability with these federal grants.

- **IHS Single Audit Policy** states that IHS will ensure that federal funds provided by IHS are properly safeguarded and used only for the purposes authorized in the award.
<https://www.ihs.gov/ihm/pc/part-9/chapter-7-single-audit-policy-and-procedures>
- **2 CFR Part 200 Uniform Guidance** states that an audit is required for non-federal government agencies and nonprofit organizations that expend \$750,000 or more in federal awards in a given fiscal year. <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>
- The **PROGRESS** Act, applicable to Tribes and Tribal Organizations, requires a Single Audit if they expend \$500,000 or more in Federal awards during such fiscal year.
<https://www.govinfo.gov/content/pkg/PLAW-116publ180/pdf/PLAW-116publ180.pdf>



Roles & Responsibilities

Director, Division of Audit, Office of Finance and Accounting.

- A. Single Audit Review Guide (SARG) checklist/compliance review completed for each audit.
- B. Division of Audit provides notifications to the Area Office and HQ officials of SARG results. Monthly SARG reporting.
- C. Prepares MDLs for Single Audits containing findings using responsive corrective action plans and the results from the SARG review within 180 days of the FAC MDL start date.
- D. Provides monthly reports on delinquent Single Audits, etc. to Area Offices and HQ officials.
- E. Provides technical assistance to HQ and Area Office staff for Single Audit requirements and provides status reports, including monthly reports, to designated IHS officials, including Area Offices and Senior Leadership.

Roles & Responsibilities

Area Directors.

- A. Provides resources and ensures accountability within the Area Office for the receipt of Single Audits and implementation of corrective actions to resolve Single Audit findings (including those with Grants) and identified high risks for Title I and UIHP contracts.
- B. Delegates area staff to perform Single Audit resolution follow-up for Title I and UIHP contracts
- C. Develops Area Office procedures for timely Single Audit report receipt and follows-up on Single Audit findings and identified high risks to ensure corrective actions are implemented for Title I and UIHP contracts.
- D. Ensures that requests and responses for cost disallowances, questioned costs, and delinquent audits are provided to OFA/DA.
- E. Coordinates with OFA/DA on the status and tracking of all Single Audit follow-up activities for Title I and UIHP contracts to ensure Single Audits are received timely and follow-up on Single Audit findings and identified high risks to ensure corrective actions are implemented.



Roles & Responsibilities

Executive Officers

- A. Follows up to ensure that all Single Audits are received and Single Audit findings and identified high risks are resolved through corrective action implementation (including those with grants) for Title I and UIHP contracts.
- B. Updates Area Director and Area Office staff on Single Audit activities.
- C. Updates the DDMO, ODSCT, and CFO/OFA Director regarding Title I and UIHP contracts that are not in compliance with agreements/awards, responds to questioned costs requests, and provides updates on the status of Single Audit findings and identified high risks.
- D. Collaborates with OTSG and OFA/DA to follow-up on delinquent Single Audits and implementation of corrective actions for Title V compactors.
- E. Coordinates with OFA/DA on the status of all Single Audit follow-up activities for Title I and UIHP contracts to ensure Single Audit reports are received timely and corrective actions are implemented for Single Audit findings and identified high risks.



Roles & Responsibilities

IHS Tribal and Urban Program Staff, Agency Lead Negotiators Or Other Assigned Area Office Staff

- A. Ensures Single Audits are received timely and corrective actions are implemented for Single Audit findings and identified high risks (including those with grants) for Title I and UIHP contracts.
- B. Coordinates with OFA/DA on the status and tracking of all Single Audit follow-up activities for Title I and UIHP contracts to ensure Single Audit reports are received timely and corrective actions are implemented for Single Audit findings and identified high risks.
- C. Receives requests for technical assistance from Title I and UIHP contracts and contacts the OFA/DA for resolution and responds to the recipient, as required.
- D. Receives and coordinates requests for technical assistance from Title V recipients with OTSG for resolution, as required.
- E. Collaborates with OTSG and OFA/DA on the status of delinquent Single Audits and the implementation of corrective action plans for Title V recipients.
- F. Implements sanctions in consultation with OGC attorneys, OTSG, and ODSCT for failure to comply with federal requirements including delinquent Single Audit reports. Types of sanctions: payments made on a reimbursement basis or temporarily withholding cash payments pending correction of a deficiency; disallowance of costs; suspension or termination of the award; or other remedies that protect federal funds.
- G. Provides responses to OFA/DA on proposed cost disallowances for Title I and UIHP contracts.
- H. Provides input to OFA/DA on HHS reporting on delinquent Single Audits, questioned costs, etc.
- I. Follows up on Single Audit findings and identified high risks to IHS funding and programs identified by OFA/DA SARG summary results.
- J. Collaborates to share good federal stewardship practices amongst Area Offices and HQ in mitigating and preventing fraud or misuse of IHS funds provided to recipients.



Components of a Single Audit Report

- ❖ Audit Opinion
 - ❖ Financial Statements and Notes to Financial Statements
 - ❖ Single Audit – 2 reports:
 - Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters (shows financial statement findings)
 - Independent Auditors' Report on Compliance for Each Major Federal Program, Report on Internal Control over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (shows federal award compliance findings)
- The Single Audit section of the report also includes the Schedule of Expenditures of Federal Awards (SEFA)
- ❖ Schedule of Findings and Questioned Costs
 - ❖ Corrective Action plan



What is an audit opinion?

In a government audit, an auditor determines whether the financial statements of any entity are presented fairly in all material respects and in accordance with accounting standards by reviewing the underlying information and processes that went into preparing the financial statements. Audit reports include an opinion as to whether there is a reasonable assurance that the financial statements are free from material misstatements.



TYPES OF AUDIT OPINIONS

UNMODIFIED OPINIONS

The auditor concludes that the financial statements of an entity are presented fairly in all material respects, in accordance with Generally Accepted Accounting Principles (GAAP)

MODIFIED OPINIONS

Include a Qualified, Disclaimer or Adverse Opinions

QUALIFIED OPINION

The auditor concludes that misstatements are material, but not pervasive or is unable to obtain sufficient evidence on which to base an opinion, but concludes that misstatements or missing information could be material but not pervasive.

DISCLAIMER OF OPINION

The auditor is unable to obtain sufficient evidence on which to base an opinion and concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

ADVERSE OPINION

After having obtained sufficient audit evidence, the auditor concludes that misstatements, individually or grouped are both material and pervasive to the financial statements.

MULTIPLE OPINIONS

Occurs when the auditor expresses different opinions on various aspects of the financial statements

TYPES OF FINDINGS

FINANCIAL STATEMENT FINDINGS

A financial statement finding relates directly to financial statements or some aspect of an organization's financial internal controls.

FEDERAL AWARD/COMPLIANCE FINDINGS

A federal award compliance finding usually relates to matters of law, policy, or conditions associated with the receipt of the grant award. A compliance finding can be material or non-material (significant deficiency or deficiencies).

The findings that require a Management Decision letter (MDL) are Federal award/compliance findings that impact (and are assigned to) IHS

TYPES OF DEFICIENCIES FOUND IN AUDIT REPORTS

Significant Deficiencies

A deficiency or a combination of deficiencies in an internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Material Weaknesses

Are deficiencies 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.

These findings can be Financial Statement findings and/or Federal Award findings

Findings, Questioned Costs, and Corrective Action Plans

- Review Findings identified in DA's Single Audit Review (both financial statement findings and the federal award compliance findings that are applicable to IHS)
- Review Corrective Action Plans (prepared by the auditee)
- Discuss with the auditee their progress on implementation of their proposed corrective action plan.
- Review of questioned costs, determine appropriate action to be taken
- DA will determine if a Management Decision letter is required (for IHS federal award compliance findings only)



Audit Report Example

Sample Tribe

GOVERNMENTAL DEPARTMENT FINANCIAL STATEMENTS

DECEMBER 31, 2021



Single Audit Review Guide (SARG)

SARG Summary of the Sample Tribe Audit



Delinquent Audits

- Discussion of the Delinquent Audit Listing – which is distributed monthly



Questioned Costs/Cost Disallowances

- Discussion of resolution of questioned costs noted in the audits



Questions?



Division of Audit Staff Contacts

- Manuel Cochrane (Manuel.Cochrane@ihs.gov) : Bemidji, Great Plains, Nashville, Navajo, Portland, and Tucson
- Oklahoma and Phoenix are being jointly managed by Geoff Smith (Geoffrey.Smith@ihs.gov) and Barbara Denny (Barbara.Denny@ihs.gov) , and/or Kate and Manuel as we recruit to fill a vacancy.
- Kathyrine Soliven (Kathyrine.Soliven@ihs.gov): Albuquerque, Alaska, California, and Billings

We appreciate your feedback and suggestions, please let us know how we can improve the training and presentation or if there are other topics you would like to discuss.





Reports of Independent Auditors
and Financial Statements
with Supplementary Information

Sample Tribal Organization

September 30, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Sample Tribal Organization

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sample Tribal Organization (the "Sample T/O"), which comprise the statement of financial position as of September 30, 2023 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Sample Tribal Organization as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Sample T/O and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sample Tribal Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sample T/O's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sample T/O's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Matter – Prior Period Financial Statements

The financial statements of the Sample T/O, as of and for the year ended September 30, 2022, were audited by other auditors whose report thereon dated June 29, 2023, expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2024 on our consideration of the Sample Tribal Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sample Tribal Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sample Tribal Organization's internal control over financial reporting and compliance.



June 10, 2024

Financial Statements

**Sample Tribal Organization
Statements of Financial Position
September 30, 2023 and 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,925,781	\$ 15,135,016
Restricted cash	-	4,297,415
Grants receivable	9,943,518	6,063,827
Accounts receivable - patient fees, net	637,219	183,236
Prepaid insurance and other assets	654,198	923,215
Total current assets	<u>27,160,716</u>	<u>26,602,709</u>
PROPERTY AND EQUIPMENT		
Land	4,483,442	4,181,742
Building and improvements	5,889,924	5,781,441
Equipment, furniture, and vehicles	3,320,212	2,901,059
Construction in progress	11,211,244	36,790
Accumulated depreciation	(4,580,204)	(3,993,538)
Total property and equipment, net	<u>20,324,618</u>	<u>8,907,494</u>
Operating right to use lease assets	<u>1,339,081</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 48,824,415</u></u>	<u><u>\$ 35,510,203</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,503,541	\$ 950,171
Accrued payroll and vacation payable	956,357	567,194
Third-party settlements payable	966,954	1,689,002
Deferred revenue	1,862,989	4,156,874
Unearned grant revenue	1,185,425	1,230,000
Operating lease liability, current	114,531	-
Total current liabilities	<u>6,589,797</u>	<u>8,593,241</u>
OPERATING LEASE LIABILITY, NONCURRENT	<u>1,236,857</u>	<u>-</u>
Total liabilities	<u>7,826,654</u>	<u>8,593,241</u>
NET ASSETS		
Without donor restrictions	40,997,761	26,887,079
With donor restrictions	-	29,883
	<u>40,997,761</u>	<u>26,916,962</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 48,824,415</u></u>	<u><u>\$ 35,510,203</u></u>

See accompanying notes.

Sample Tribal Organization
Statements of Activities and Change in Net Assets
Years Ended September 30, 2023 and 2022

	2023	2022
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Federal funding	\$ 22,126,494	\$ 18,333,699
State funding	11,399,555	1,085,872
County and local funding	1,955,064	1,561,408
Private agency funding	3,619,719	1,079,033
Contributions	529,929	509,648
Net assets released from restrictions used for operations	29,883	173,833
Total support	39,660,644	22,743,493
REVENUES		
Net patient fees	10,135,047	7,169,226
Interest	459,410	45,555
Other revenues	258,458	258,134
Total revenues	10,852,915	7,472,915
Total revenues and support	50,513,559	30,216,408
EXPENSES		
Program services	19,946,780	16,802,640
Support services	16,456,097	13,369,131
Total expenses	36,402,877	30,171,771
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	14,110,682	44,637
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	-	10,000
Assets released from donor restrictions	(29,883)	(173,833)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(29,883)	(163,833)
CHANGE IN NET ASSETS	14,080,799	(119,196)
NET ASSETS, beginning of year	26,916,962	27,036,158
NET ASSETS, end of year	\$ 40,997,761	\$ 26,916,962

See accompanying notes.

**Sample Tribal Organization
Statements of Functional Expenses
Year Ended September 30, 2023**

	Program Services								
	Treatment Center	Chemical Dependency O/P Treatment	Community Services	Mental Health Counseling	Health Institute	Dental	Medical	Lab	Pharmacy
Salaries and wages	\$ 32,812	\$ 184,395	\$ 285,834	\$ 719,490	\$ 1,830,035	\$ 1,260,683	\$ 4,041,436	\$ 109,758	\$ 1,453,733
Employee fringe benefits									
and payroll tax	<u>9,383</u>	<u>46,839</u>	<u>60,766</u>	<u>158,361</u>	<u>433,423</u>	<u>262,316</u>	<u>829,955</u>	<u>30,960</u>	<u>327,822</u>
	42,195	231,234	346,600	877,851	2,263,458	1,522,999	4,871,391	140,718	1,781,555
Professional and consultant services	-	-	-	20,655	2,331,033	37,303	239,147	94,777	91,872
Travel	-	-	95	4,325	295,020	4,963	30,223	-	2,239
Patient travel	-	-	17	-	-	-	-	-	-
Rent and utilities	-	-	-	-	11,552	-	60,034	-	-
Building maintenance, repairs, and supplies	-	-	-	-	(581,472)	-	-	-	-
Building renovations	-	-	-	-	-	892	892	-	-
Office supplies and expense	471	-	552	8,660	43,025	3,882	48,787	-	18,854
Patient care supplies	-	-	974,815	1,718	41,439	232,372	575,299	70,894	704,767
Equipment purchases	-	-	-	-	-	10,025	255,279	55,787	-
Equipment maintenance and repair	-	-	-	-	-	12,010	16,105	-	-
Telephone and postage	-	-	-	-	13,096	17	23	26	4,091
Training, insurance, print publications and licenses	-	13,665	2,457	(7,918)	527,668	7,443	38,426	1,385	11,631
Patient care referrals	-	-	-	-	-	4,459	-	54,133	-
Interest expense	-	-	-	-	-	-	12,207	-	-
Depreciation and amortization	-	-	2,492	-	-	82,880	282,543	22,315	4,992
Bad debt	-	-	-	-	-	-	-	-	-
Miscellaneous	-	111	808	-	5,570	300	15,577	-	-
	<u>\$ 42,666</u>	<u>\$ 245,010</u>	<u>\$ 1,327,836</u>	<u>\$ 905,291</u>	<u>\$ 4,950,389</u>	<u>\$ 1,919,545</u>	<u>\$ 6,445,933</u>	<u>\$ 440,035</u>	<u>\$ 2,620,001</u>

See accompanying notes.

**Sample Tribal Organization
Statements of Functional Expenses
Year Ended September 30, 2023**

	Program Services (continued)			Support Services		Total Expenses 2023
	Nutrition	Traditional Indian Medicine	Total Program Services	Administration	Total Support Services	
Salaries and wages	\$ 209,458	\$ 543,367	\$ 10,671,001	\$ 6,489,701	\$ 6,489,701	\$ 17,160,702
Employee fringe benefits and payroll tax	49,464	119,182	2,328,471	1,643,640	1,643,640	3,972,111
	258,922	662,549	12,999,472	8,133,341	8,133,341	21,132,813
Professional and consultant services	-	27,527	2,842,314	2,810,854	2,810,854	5,653,168
Travel	2,133	16,233	355,231	223,236	223,236	578,467
Patient travel	-	-	17	3,474	3,474	3,491
Rent and utilities	-	-	71,586	567,828	567,828	639,414
Building maintenance, repairs, and supplies	-	-	(581,472)	1,081,444	1,081,444	499,972
Building renovations	-	-	1,784	9,348	9,348	11,132
Office supplies and expense	3,372	10,641	138,244	630,692	630,692	768,936
Patient care supplies	30,805	17,369	2,649,478	81,681	81,681	2,731,159
Equipment purchases	-	-	321,091	1,614	1,614	322,705
Equipment maintenance and repair	-	-	28,115	74,454	74,454	102,569
Telephone and postage	-	-	17,253	213,241	213,241	230,494
Training, insurance, print publications and licenses	-	13,896	608,653	935,060	935,060	1,543,713
Patient care referrals	828	-	59,420	-	-	59,420
Interest expense	-	-	12,207	41,368	41,368	53,575
Depreciation and amortization	-	-	395,222	191,444	191,444	586,666
Bad debt	-	-	-	858,472	858,472	858,472
Miscellaneous	898	4,901	28,165	598,546	598,546	626,711
	<u>\$ 296,958</u>	<u>\$ 753,116</u>	<u>\$ 19,946,780</u>	<u>\$ 16,456,097</u>	<u>\$ 16,456,097</u>	<u>\$ 36,402,877</u>

See accompanying notes.

**Sample Tribal Organization
Statements of Functional Expenses
Year Ended September 30, 2022**

	Program Services							
	Chemical Dependency O/P Treatment	Community Services	Mental Health Counseling	Health Institute	Dental	Medical	Lab	Pharmacy
Salaries and wages	\$ 150,145	\$ 394,165	\$ 554,290	\$ 2,114,427	\$ 968,778	\$ 2,754,765	\$ 103,354	\$ 1,214,564
Employee fringe benefits and payroll tax	<u>28,713</u>	<u>107,317</u>	<u>125,731</u>	<u>552,082</u>	<u>213,774</u>	<u>583,723</u>	<u>27,863</u>	<u>266,842</u>
	178,858	501,482	680,021	2,666,509	1,182,552	3,338,488	131,217	1,481,406
Professional and consultant services	-	863	9,584	1,333,310	1,736	441,756	11,483	110,345
Travel	-	407	393	190,994	967	8,998	-	1,439
Patient travel	-	763	-	-	-	-	-	-
Rent and utilities	-	4,793	-	12,082	-	62,568	-	-
Building maintenance, repairs, and supplies	-	-	-	-	4,200	-	-	-
Building renovations	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
and expense	49	2,076	-	7,288	1,593	1,841	504	7,993
Data supplies	-	33	-	35,277	1,204	232,894	-	51,314
Patient care supplies	-	1,895,635	3,393	96,671	131,504	245,512	72,818	321,989
Equipment purchases	-	-	-	-	-	-	-	-
Equipment maintenance and repair	-	-	-	-	4,875	9,505	7	1,105
Telephone and postage, Training, insurance, print	-	-	-	3,240	-	169	75	1,263
publications and licenses	2,146	40	3,476	109,258	4,868	26,461	145	7,190
Patient care referrals	-	-	-	-	2,206	-	67,149	4,018
Depreciation	-	2,492	-	-	67,342	57,041	-	5,225
Bad debt	-	-	-	-	-	-	-	-
Miscellaneous	-	1,814	3,455	40,050	4,416	13,614	-	2,320
	<u>\$ 181,053</u>	<u>\$ 2,410,398</u>	<u>\$ 700,322</u>	<u>\$ 4,494,679</u>	<u>\$ 1,407,463</u>	<u>\$ 4,438,847</u>	<u>\$ 283,398</u>	<u>\$ 1,995,607</u>

See accompanying notes.

**Sample Tribal Organization
Statements of Functional Expenses
Year Ended September 30, 2022**

	Program Services (continued)			Support Services		Total Expenses 2022
	Nutrition	Traditional Indian Medicine	Total Program Services	Administration	Total Support Services	
Salaries and wages	\$ 249,610	\$ 396,059	\$ 8,900,157	\$ 5,574,403	\$ 5,574,403	\$ 14,474,560
Employee fringe benefits and payroll tax	<u>50,513</u>	<u>106,398</u>	<u>2,062,956</u>	<u>1,331,537</u>	<u>1,331,537</u>	<u>3,394,493</u>
	300,123	502,457	10,963,113	6,905,940	6,905,940	17,869,053
Professional and consultant services	4,500	30,435	1,944,012	3,346,970	3,346,970	5,290,982
Travel	29	13,353	216,580	141,548	141,548	358,128
Patient travel	-	-	763	8,782	8,782	9,545
Rent and utilities	-	-	79,443	503,213	503,213	582,656
Building maintenance, repairs, and supplies	-	-	4,200	32,209	32,209	36,409
Building renovations	-	-	-	1,912	1,912	1,912
Office supplies and expense	390	232	21,966	81,012	81,012	102,978
Data supplies	-	20	320,742	490,724	490,724	811,466
Patient care supplies	12,942	14,738	2,795,202	94,698	94,698	2,889,900
Equipment purchases	-	-	-	120,783	120,783	120,783
Equipment maintenance and repair	-	-	15,492	89,837	89,837	105,329
Telephone and postage	-	-	4,747	190,080	190,080	194,827
Training, insurance, print publications and licenses	2,340	3,006	158,930	710,728	710,728	869,658
Patient care referrals	-	-	73,373	-	-	73,373
Depreciation	-	-	132,100	178,559	178,559	310,659
Bad debt	-	-	-	56,194	56,194	56,194
Miscellaneous	<u>995</u>	<u>5,313</u>	<u>71,977</u>	<u>415,942</u>	<u>415,942</u>	<u>487,919</u>
	<u>\$ 321,319</u>	<u>\$ 569,554</u>	<u>\$ 16,802,640</u>	<u>\$ 13,369,131</u>	<u>\$ 13,369,131</u>	<u>\$ 30,171,771</u>

See accompanying notes.

Sample Tribal Organization
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,080,799	\$ (119,196)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	586,666	310,659
Noncash lease expense	190,473	-
Changes in assets and liabilities:		
Grants receivable	(3,879,691)	237,197
Accounts receivable - patients	(453,983)	452,450
Prepaid insurance and other assets	269,017	(358,626)
Accounts payable	553,370	(975,585)
Operating lease liability	(178,166)	-
Third-Party settlements payable	(722,048)	1,014,954
Deferred revenue	(2,293,885)	4,064,878
Unearned grant revenue	(44,575)	822,525
Accrued payroll and vacation payable	<u>389,163</u>	<u>60,331</u>
Net cash from operating activities	<u>8,497,140</u>	<u>5,509,587</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(12,003,790)</u>	<u>(1,879,507)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	 (3,506,650)	 3,630,080
 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	 <u>19,432,431</u>	 <u>15,802,351</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u>\$ 15,925,781</u>	 <u>\$ 19,432,431</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash and cash equivalents	\$ 15,925,781	\$ 15,135,016
Restricted cash	<u>-</u>	<u>4,297,415</u>
Total cash and cash equivalents and restricted cash	<u>\$ 15,925,781</u>	<u>\$ 19,432,431</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Operating right to use lease assets obtained in exchange for lease liabilities	<u>\$ 1,529,554</u>	<u>\$ -</u>

See accompanying notes.

Sample Tribal Organization

Notes to Financial Statements

Note 1 – Organization

The Sample Tribal Organization (the Sample T/O) operates as a community health center providing health and human services to its patients, with a specialization in the care of Native people. It is widely recognized as a leader in promoting health improvement for urban American Indians and Alaska Natives, both locally and nationally.

Established in [REDACTED], the Sample T/O is a nonprofit organization dedicated to delivering vital community health and public health services, rooted in Native traditions. In 2016, the organization established the [REDACTED] Knowledge Informed System of Care (KISC) to honor its history and shape its future. KISC emphasizes four key components: Health & Human Services, Workforce Development, Policy & Advocacy, and Public Health, all centered on traditional medicine.

Within the Health and Human Services Division (HHS), the Sample T/O operates as [REDACTED] and is part of the Indian Health Service system of care. It also functions as a 330 HRSA funded Federally Qualified Health Center, operating a 340B pharmacy at three different locations. The HHS teams have diligently implemented KISC, an integrated model focusing on holistic care centered on traditional Indian medicine.

The care teams within the Sample T/O comprise various healthcare professionals, including primary care providers, nurse care managers, medical assistants, clinical pharmacists, nutritionists, traditional Indian medicine apprentices, care coordinators, and clinical social workers. Plans are underway to incorporate dentists into each care team. These teams can access specialty services internally or through external referrals.

The Sample T/O offers KISC services at three clinic sites and one mobile site, with a 92-bed residential treatment facility in development. Serving a diverse range of individuals and families across multiple sites around [REDACTED], the clinics provide health services to over 6,000 patients annually through nearly 30,000 encounters.

Additionally, the [REDACTED] Health Institute ([REDACTED]HI), a division of the Sample T/O, is one of 12 Tribal Epidemiology Centers in the nation. It holds a national scope, serving all Urban Indian programs across the country. [REDACTED]HI is recognized as a public health authority through the Indian Health Care Improvement Act, ensuring its ability to decolonize data and develop Indigenous-focused public health strategies. The public health team at the Sample T/O has garnered national recognition for its expertise in the field.

Note 2 – Summary of Significant Accounting Policies

Operations – The accounts of the Sample T/O are maintained in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined and presented for the Sample T/O as a whole in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Sample Tribal Organization Notes to Financial Statements

Basis of presentation – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At September 30, 2023 and 2022, the Sample T/O had \$0 and \$29,883 of net assets with donor restrictions, respectively.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Use of estimates – The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents – Cash and cash equivalents include cash, money market funds, and short-term securities with an original maturity of three months or less.

Credit risk – All highly liquid debt instruments purchased with an original maturity of three months or less are considered cash equivalents. The Sample T/O's funds are located in various institutions. Due, in part, to payroll and accounts payable disbursements that at times exceed \$250,000, the Sample T/O had cash deposits in excess of the federally insured limit.

Property and equipment – Property and equipment purchased by the Sample T/O are stated at cost or, if donated, at the estimated fair value at the date of donation. For purposes of reporting charges to funding sources, including the net proceeds of program-generated fees, acquisitions of property and equipment are charged to expense. For financial statement reporting purposes, property and equipment are capitalized. It is the Sample T/O's policy to capitalize expenditures for these items in excess of \$5,000.

Property and equipment consist of the cost of property and equipment used in operations. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets:

Sample Tribal Organization Notes to Financial Statements

Building	30 Years
Building improvements	5 to 20 Years
Equipment, furniture, and vehicles	3 to 15 Years

Accounting Standards Codification (ASC) 360 requires that certain long-lived assets held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended September 30, 2023 and 2022.

Deferred revenues – The Sample T/O receives resources in advance of the performance of services or fulfillment of an obligation. Revenue will be recognized when an expenditure to fulfill the obligation has been incurred or when the services has been performed. Amounts not yet earned are reported as deferred revenue. The majority of the balance as of September 30, 2023 and 2022, is related to grants received from Indian Health Service.

Revenue recognition –

Contract revenue – Revenue under contracts administered by federal, state, and local governments are recorded when services are performed. Contracts receivable represent contracts awarded without a barrier or right of return or earned, but not yet received. Substantially all contract receivables are from the Indian Health Service and HRSA as of September 30, 2023 and 2022. Revenues received under service contracts and cost reimbursement grants are subject to audit and retroactive adjustment by the funding agencies.

Contributions and grants – The Sample T/O recognizes contributions when cash, securities, or other assets, an unconditional promise to give (pledge), or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met in accordance with Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Unconditional promises to give are recognized at fair value in the period the pledge is received.

Government and operating grants are treated as conditional contributions and revenue is recognized when a contribution becomes unconditional in accordance with ASU 2018-08. Typically, contract and grant agreements contain a right of return or right of release from obligation provision and the Sample T/O has limited discretion over how funds transferred should be spent. As such, the Sample T/O recognizes revenue for these conditional contributions when the related barrier(s) has been overcome, which is to the extent that expenses have been incurred for the purposes specified by the grantors. Grants are stated at the amount the Sample T/O expects to collect from outstanding balances.

The Sample T/O uses the allowance method to determine uncollectible receivables based on historical experience, the aging of outstanding accounts, and management's judgment regarding collectability. Uncollectible amounts are written off after the Sample T/O has exhausted its standard collection efforts.

Sample Tribal Organization Notes to Financial Statements

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At September 30, 2023 and 2022, the Sample T/O had no donor-imposed restrictions that were perpetual in nature.

Patient services – Revenues from patient fees in the statements of activities and change in net assets are shown at the estimated transaction price. The Sample T/O provides care to certain patients who meet certain criteria under its sliding fee schedule with discounts from its established rates. However, all patients are requested to pay a nominal fee for each visit although no patient is denied service because of an inability to pay. Since the Sample T/O does not expect payment for this care, the services that are discounted from the established rates are excluded from revenue.

Functional expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets without donor restrictions. Accordingly, certain costs such as depreciation and occupancy have been allocated among the programs and supporting services benefited.

Professional liability insurance – The Sample T/O maintains medical malpractice liability insurance on a claims-made basis. Under this policy, insurance premiums cover only those claims actually reported during the policy term. Should the claims made policy not be renewed or replaced with equivalent insurance, claims related to occurrences during the policy term but reported subsequent to the policy's termination may be uninsured. Under the current policy, the Sample T/O is covered up to a \$1,000,000 per claim and \$3,000,000 general aggregate limit. The Sample T/O renewed its claims-made policy through July 1, 2024.

U.S. GAAP requires that a health care facility recognize the estimated costs of malpractice claims in the period of the incident of malpractice, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. The Sample T/O recognizes an estimated liability based upon its claims experience to cover the Sample T/O's potential exposure to incurred but unreported claims. The claim reserve is based on the best data available to the Sample T/O; however, the estimate is subject to a significant degree of inherent variability. The estimate is continually monitored and reviewed, and as the reserve is adjusted, the difference is reflected in current operations. While the ultimate amount of professional liability is dependent on future developments, management is of the opinion that the associated liabilities recognized in the accompanying financial statements are adequate to cover such claims. Management is not aware of any potential professional liability claims whose settlement, if any, would have a material adverse effect on the Sample T/O's financial position.

Sample Tribal Organization Notes to Financial Statements

Income tax exemption – The Sample T/O is not subject to income tax, as it is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). However, income from certain activities not related to the Sample T/O's tax-exempt purpose is subject to taxation as unrelated business income. Management evaluated the Sample T/O's tax positions and concluded that the Sample T/O had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of Topic 740 of the ASC. Income tax returns are generally subject to examination for three years after they are filed.

New accounting standards – In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*; and ASU 2019-01, *Leases* (Topic 842): *Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use assets (ROU assets) and lease liabilities for operating leases on the statement of financial position.

The Sample T/O adopted ASU 2016-02 effective October 1, 2022, using the modified retrospective approach and did not adjust comparative periods as allowed by the standard. The Sample T/O elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Sample T/O to carry forward the historical lease classification.

The adoption had a material impact on the Sample T/O's statement of financial position but did not have a material impact on the statement of activities and change in net assets. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. As a result, on October 1, 2022, the Sample T/O recognized an operating lease ROU assets and operating lease liability of \$1,529,554.

Leases – Under Topic 842, the Sample T/O determines if an arrangement contains a lease at the inception date. An arrangement contains a lease if it implicitly or explicitly identifies an asset to be used and conveys the right to control the use of the identified asset in exchange for consideration. Leases are to be classified as finance or operating at the lease commencement date, which affects the classification of expense recognition in the income statement. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments, as agreed to in the lease.

Operating lease liabilities and the corresponding ROU assets are recognized based on the present value of the future minimum lease payments over the expected remaining lease term. For this purpose, the Sample T/O considers only payments that are fixed and determinable at the time of commencement. An operating ROU asset is measured as the amount of the initial measurement of the lease liability, adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentive received, unamortized initial direct costs, and any impairment of the ROU asset. The initial measurement of the lease liabilities and ROU assets of finance leases is the same as for operating leases.

Sample Tribal Organization Notes to Financial Statements

As most of the Sample T/O's leases do not provide an implicit interest rate, the Sample T/O utilizes the nonpublic business entity alternative to use the risk-free rate over a similar term of the lease payments at commencement date to determine the present value of the lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Sample T/O will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as part of operating expenses. Leases with a lease term of 12 months or less are not capitalized.

The Sample T/O evaluates the carrying value of ROU assets for indicators of impairment and performs an analysis of the recoverability of the related asset group. If the carrying value of the asset group is determined to be in excess of the estimated fair value, the Company will record an impairment loss in the statements of activities and change in net assets. Additionally, the Sample T/O reviews the carrying value of the ROU assets for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable, require reassessment of the leases, and remeasurement if needed.

Reclassifications – Certain reclassifications have been made to prior year amounts to conform to the current-year presentation.

Note 3 – Liquidity and Availability

As of September 30, 2023 and 2022, the Sample T/O had days cash on hand (based on normal expenditures) of 158 and 185, respectively.

Financial assets available for general expenditure within one year of the statement of financial position date consist of the following:

	2023	2022
Financial assets at end of year available within one year:		
Cash and cash equivalents	\$ 15,925,781	\$ 15,135,016
Accounts receivables - Patient fees, net	637,219	183,236
Grants receivable	9,943,518	6,063,827
	26,506,518	21,382,079
Less financial assets not available for general expenditures		
Restricted cash	-	(4,297,415)
	-	(4,297,415)
Financial assets available for general expenditures within one year	\$ 26,506,518	\$ 17,084,664

Additionally, the Sample T/O maintains a \$2,000,000 line of credit, as discussed in more detail in Note 6. As of September 30, 2023 and 2022, \$2,000,000 and \$1,000,000, respectively, remained available on the Sample T/O's line of credit.

Sample Tribal Organization Notes to Financial Statements

Note 4 – Grants Receivable

Grants receivable represent amounts due from various governmental agencies. Management considers these amounts to be fully collectible due to their nature. As of September 30, 2023 and 2022, one agency accounted for 75% and 66% of total grants receivable, respectively.

Note 5 – Property and Equipment

The Sample T/O recorded \$11,211,244 and \$36,790 in construction in progress for the years ended September 30, 2023 and 2022, respectively. The balance in construction in progress as of September 30, 2023, relate to construction improvements to its P and I District facilities, and for construction of the new facility on ██████ Island.

Depreciation expense was \$586,666 and \$310,659 for the years ended September 30, 2023 and 2022, respectively.

Note 6 – Line of Credit

The Sample T/O has an unsecured business loan agreement for draws up to \$2,000,000, which expires in June 2024. There were no outstanding balances at September 30, 2023 and 2022. Interest on the unpaid principal balance is calculated using a rate of 2.75 points over the one-month term Secured Overnight Financing Rate.

Note 7 – Revenue – Patient Fees

Revenue from patient fees is reported at the amount that reflects the consideration to which the Sample T/O expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Sample T/O bills the patients and third parties after the services are performed. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Sample T/O. Revenue for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges. The Sample T/O believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving primary and preventive care. The Sample T/O measures the performance obligation at the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the completion of the outpatient service. Revenue for performance obligations satisfied at a point in time, pharmacy services, is generally recognized when goods are provided to patients and the Sample T/O does not believe it is required to provide additional goods or services related to that sale.

Sample Tribal Organization Notes to Financial Statements

The Sample T/O determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured and under-insured patients in accordance with the Sample T/O's policy, and/or implicit price concessions provided to uninsured and under-insured patients. The Sample T/O determines its estimates of explicit price concessions based on contractual agreements, its discount policy, and historical experience. The Sample T/O determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare – Beginning on October 1, 2014, Medicare and Medicaid services (CMS) implemented a change in payment rates for a prospective payment system (PPS) for federally qualified health centers (FQHCs). Under the FQHC PPS, Medicare pays FQHCs based on the lesser of their actual charges or the PPS rate for all FQHC services furnished to a beneficiary on the same day when a medically necessary, face-to-face FQHC visit is furnished to a Medicare beneficiary. The FQHC PPS base rate is adjusted for each FQHC by the FQHC geographic adjustment factor (GAF), based on the geographic practice cost indices (GPCIs) used to adjust payment under the Medicare physician fee schedule (MPFS).

Medicare Advantage – Private insurance companies administer Medicare Advantage (MA) programs. Payment rates for outpatient services provided to MA enrollees are based on contractual agreements with each MA administrator. FQHC health centers qualify for supplemental wrap-around payment, which is the difference between FQHC approved per-visit rate and the average MA per-visit rate. Wrap-around rate determination and payment is handled by the CMS Medicare fiscal intermediary.

Medicaid – Outpatient services rendered to Medicaid program beneficiaries were reimbursed under a prospective payment system (PPS) cost reimbursement methodology that was established in 2001 based on audited Medicaid cost reports for years 1999 and 2000. The base rate that was established in 2001 includes enhancement and has since increased every calendar year by the Medicare Inflationary Index. During 2009, the state ██████ provided an option for FQHC centers to rebase their cost or accept an alternative payment methodology (APM) which has a higher payment rate than PPS. The Sample T/O accepted the APM reimbursement. The Medicaid APM rate is paid for each qualified FQHC encounter.

Medicaid Managed Care – The Medicaid managed-care program administered by private insurance companies is known as Apple Health. Outpatient services provided to enrollees are either paid based on a capitated rate or fee-for-service, depending on the contract. FQHC clinics qualify for supplemental enhancement payment; see Note 8 for a description of enhancement payment and settlement. Supplemental enhancement is funded by the ██████ State Health Care Authority (HCA) and paid through the private insurance companies that are contracted by the HCA to the Sample T/O. The supplemental enhancement payment is based upon the number of managed care enrolled members assigned to the Sample T/O.

Other – The Sample T/O also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Sample T/O under these agreements includes prospectively determined rates per encounter, case rates, discounted charges, and per diem payments.

Sample Tribal Organization Notes to Financial Statements

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Sample T/O's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Sample T/O. In addition, the contracts the Sample T/O has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Sample T/O's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2023 and 2022.

Generally, patients who are covered by third-party payors are responsible for related deductibles that vary in amount. The Sample T/O also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. Specifically, the Sample T/O has a policy of providing care to patients who meet certain criteria under its Sliding Fee Discount Program at amounts less than its established rates. However, all patients are requested to pay a nominal fee for each visit, and no patient is denied services because of inability to pay. Discounts under the Sliding Fee Discount Program are considered explicit price concessions. During the years ended September 30, 2023 and 2022, the Sample T/O provided \$384,111 and \$286,236, respectively, of discounted services under this program based on standard charges. The Sample T/O estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended September 30, 2023 and 2022. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Sample T/O's mission, care is provided to patients regardless of their ability to pay. Therefore, the Sample T/O has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts the Sample T/O expects to collect based on its collection history with those patients.

Sample Tribal Organization Notes to Financial Statements

The Sample T/O has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of patient's service
- Method of reimbursement (fee for service or capitation)
- Organization's line of business that provided the service such as medical, dental, and behavioral health visits

The Sample T/O has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Sample T/O's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Sample T/O does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Revenue from patient fees net of explicit allowances, discounts, and implicit price concessions recognized in the period by major payor for the years ended September 30, 2023 and 2022, are as follows:

	2023	2022
Medicaid	\$ 5,485,856	\$ 4,576,172
Medicare	1,485,419	939,609
Other third-party payors	2,094,092	1,063,345
Patients	1,069,680	590,100
Total	\$ 10,135,047	\$ 7,169,226

For the years ended September 30, 2023 and 2022, the Sample T/O recognized revenue of approximately \$8,800,000 and \$6,900,000 from goods and services that transfer to the customer over time; and recognized revenue of approximately \$0 and \$4,000, respectively, from goods and services that transfer to the customer at a point in time. The opening and closing contract balances for the years ended September 30, 2023 and 2022, are as follows:

Balance as of October 1, 2021	\$ 635,686
Balance as of September 30, 2022	\$ 183,236
Balance as of September 30, 2023	\$ 637,219

Sample Tribal Organization Notes to Financial Statements

Note 8 – Third-Party Payor Settlements

Medicaid Managed Care – The State ██████████ assigns the majority of the Medicaid program beneficiaries to receive benefits under a Medicaid managed-care program administered by private insurance companies. Under federal requirements, the State is required to reimburse health centers no less than the Sample T/O's APM rate per encounter. Annually, the State and the Sample T/O complete a reconciliation utilizing an Agreed Upon Procedures (AUP) process to determine if the Sample T/O has been over or under paid for services provided to managed care enrollees. Beginning with calendar year 2019, there was an additional requirement for the Sample T/O to complete an AUP for higher acuity and substance use disorder services provided for Medicaid managed-care enrollees. The reconciliations for calendar year 2021 AUPs, medical, and behavioral health, were reviewed and finalized by the State in February 2023. The Sample T/O completed and submitted the reconciliations for calendar year 2022. The Sample T/O has estimated results for the first 9 months of calendar year 2023 using the previous methodology.

The Sample T/O has recorded an estimated overpayment by the State which is included in third-party settlements payable on the statement of financial position for \$966,954 and \$1,689,002 as of September 30, 2023 and 2022, respectively. The estimate is subject to a material change based on the State's final reconciliations and settlements of the activity to be performed.

Note 9 – Pension Plan – Defined Contribution

The Sample T/O has a 401(k) plan (the Plan) to provide retirement and incidental benefits for its employees. Employees may contribute a percentage of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the IRS. The Sample T/O matches employee contributions dollar for dollar up to a maximum of 6% of compensation per year per person. In addition, the Plan provides for discretionary additional matching contributions as determined by the board of directors not to exceed 4% of compensation per year per person. The total contributions made by the Sample T/O to the Plan for the years ended September 30, 2023 and 2022, was \$722,542 and \$641,867, respectively.

Sample Tribal Organization Notes to Financial Statements

Note 10 – Leases

The Sample T/O leases building space at locations throughout its service area through January 2045. The monthly rents also include common area maintenance, real estate taxes, and insurance. Total building rent expense for September 30, 2023 and 2022, was approximately \$527,000 and \$431,000, respectively. For the year ended September 30, 2022, leases were accounted for under Accounting Standards Codification Topic 840.

Future payments on noncancelable leases are due as follows:

	2023	2022
2023		\$ 231,741
2024	\$ 167,083	167,081
2025	148,888	148,888
2026	121,848	121,848
2027	121,848	121,848
2028	121,848	-
Thereafter	1,222,004	1,343,854
	1,903,519	\$ 2,135,260
Less imputed interest	(552,131)	
Total operating lease liability	\$ 1,351,388	

The weighted average remaining lease term for operating leases is 7.75 years as of September 30, 2023. The weighted average discount rate for operating leases is 4.07% as of September 30, 2023.

Note 11 – Subsequent Events

On April 4, 2024, the Sample T/O signed a purchase and sale agreement for the acquisition of property at [REDACTED] Avenue [REDACTED], Sample T/O's address [REDACTED] for a purchase price of \$5,500,000. The Sample T/O plans to finance the purchase with debt financing. The anticipated closing date for the acquisition is August 2024.

Subsequent events have been evaluated through June 10, 2024, which is the date the financial statements were available to be issued.

Report of Independent Auditors 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*

The Board of Directors
Sample Tribal Organization

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, the financial statements of Sample Tribal Organization (the "Sample T/O"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sample T/O'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 Sample T/O's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sample T/O'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sample T/O'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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Sample Tribal Organization's Response to Findings

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

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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

June 10, 2024

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Sample Tribal Organization

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Sample Tribal Organization's (the Sample T/O'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 each of the Sample T/O's major federal programs for the year ended September 30, 2023. The Sample T/O's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinions on #93.193 COVID-19 IHS FS&A, and #93.231 COVID-19 Epidemiology Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Sample T/O complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on #92.193 COVID-19 IHS FS&A, and #93.231 COVID-19 Epidemiology Program, for the year ended September 30, 2023.

Unmodified Opinion on #21.027 COVID-19 State and Local Fiscal Recovery Funds, and #93.479 Good Health and Wellness in Indian Country

In our opinion, the Sample T/O complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on #21.027 COVID-19 State and Local Fiscal Recovery Funds, and #93.479 Good Health and Wellness in Indian Country for the year ended September 30, 2023.

Basis for Qualified and Unmodified Opinions

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 Sample T/O 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 each major federal program. Our audit does not provide a legal determination of the Sample T/O's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinions on #93.193 COVID-19 IHS FS&A, and #93.231 COVID-19 Epidemiology Program

As described in the accompanying schedule of findings and questioned costs, the Sample T/O did not comply with requirements regarding #93.193 COVID-19 IHS FUNCTION, SERVICES AND ACTIVITIES as described in finding number 2023-002 for Eligibility. Additionally, the Sample T/O did not comply with requirements regarding, #93.231 COVID-19 Epidemiology Program as described in finding number 2023-003 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the Sample T/O to comply with the requirements applicable to that program.

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 Sample T/O'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 Sample T/O'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 Sample T/O's compliance with the requirements of each 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 Sample T/O'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 Sample T/O'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 Sample T/O'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 other 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 2023-004. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Sample T/O's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Sample T/O'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 material weaknesses and significant deficiencies.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 to be material weaknesses.

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 2023-004 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 Sample T/O's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Sample T/O'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.

Moss Adams LLP

June 10, 2024

**Sample Tribal Organization
Schedule of Findings and Questioned Costs
September 30, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs:

<i>Assistance Listing Numbers</i>	<i>Program Name</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
93.193	COVID-19 IHS FS&A	Qualified
21.027	COVID-19 State and Local Fiscal Recovery Funds	Unmodified
93.231	COVID-19 Epidemiology Program	Qualified
93.479	Good Health and Wellness in Indian Country	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Sample Tribal Organization
Schedule of Findings and Questioned Costs
September 30, 2023

Section II – Financial Statement Findings

Finding 2023-001- Reconciliation of Grant Revenue-Significant Deficiency

Criteria – Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605, *Not-for-Profit: Revenue Recognition*, establishes accounting standards for the recognition and measurement of grant revenue for not-for-profit organizations, including assessment of the collectability of grants receivable.

Condition/Context – Grant revenue and deferred revenue were not accurately reconciled resulting in certain grant agreement balances incorrectly being included as deferred revenue as of year-end.

Effect – Grant revenue was not appropriately recognized in accordance with generally accepted accounting principles in the United States during the fiscal year. The financial statements were corrected by posting an audit entry which decreased deferred revenue by \$434,988 and increased accounts receivable and contributions by \$240,000 and \$194,988, respectively.

Cause – Conditional versus unconditional grant revenue recognition practices were not consistently applied with each advance payment grant received during the audit period. A conditional contribution is recognized as the conditions are met and an unconditional contribution is recognized when the contribution is made.

Repeat finding – This is a repeat finding. See prior year finding 2022-001.

Recommendation – We recommend that Sample Tribal Organization’s management continue to improve its process of performing a detailed analysis and reconciliation of grant revenue billed and revenue deferred on a monthly basis to ensure that grant billings are appropriately recorded in accordance with generally accepted accounting principles.

Views of responsible officials – Management agrees with the auditors' findings and will implement the corrective action plan to address the issue identified.

Sample Tribal Organization
Schedule of Findings and Questioned Costs
September 30, 2023

Section III – Federal Award Findings and Questioned Costs

Finding 2023-002 – Eligibility (Material Weakness in Internal Control Over Compliance)

<i>Assistance Listing Numbers</i>	<i>Program Name</i>	<i>Award Number</i>	<i>Award Year</i>	<i>Questioned Costs</i>	<i>Reported Non-Compliance</i>
93.193	COVID-19 Urban Indian Health Services	75H XXXX H722 XXXX H722 XXXX	2023	None	Material

Criteria – In accordance with the Sample T/O’s grant award with the Portland Area Indian Health Service, Indian Health Service eligibility regulations require that grantees verify eligibility before providing services, and maintain records documenting such eligibility.

Condition and Context – The Sample T/O is required to maintain eligibility records for patients who receive services under the IHS Function, Services & Activities program. These records include Tribal enrollment and insurance coverage, among other things. We randomly selected 60 patients who received services during the audit period and noted the Sample T/O did not maintain Tribal enrollment documentation for 2 of the 60 patients tested.

Cause – The Sample T/O staff did not appear to be sufficiently trained to properly identify tribal enrollment documentation and ensure all required documents were obtained prior to providing services.

Effect – Individuals that are not eligible may have received services.

Questioned Costs – Questioned costs associated with this finding could not be determined.

Repeat Finding – This is not a repeat finding.

Recommendation – We recommend the Sample T/O update policies and controls to include regular review of patient files. This may include review of the patient file for any outstanding Tribal enrollment and insurance documentation prior to scheduling the patients’ appointment.

Views of responsible officials – Management respectfully disagrees with the characterization of the finding as a material weakness in internal control over compliance and material noncompliance. A sliding fee program was adopted that provides discounts to eligible patients and Indian tribes. A guideline was implemented to serve those who are federally eligible with documentation to support the assertions for eligibility and approval of the discount consideration. Staff are well-trained and are aware of the federal regulation that the Sample T/O will adhere to it and it is included in the policy. Considering a 3% error of the sample (2 out of 60) outcome of the audit, the Sample T/O feels it is immaterial. Management believes that there is adequate internal control that will safe guard the assets of the organization and comply with federal and local government regulations. While the expertise of the audit team is valued and insights are appreciated, the Sample T/O believes that labeling this finding as a material weakness does not accurately reflect the overall strength and effectiveness of the internal control over compliance.

**Sample Tribal Organization
Schedule of Findings and Questioned Costs
September 30, 2023**

Finding 2023-003 – Reporting (Material Weakness in Internal Control Over Compliance)

<i>Assistance Listing Numbers</i>	<i>Program Name</i>	<i>Award Number</i>	<i>Award Year</i>	<i>Questioned Costs</i>	<i>Reported Non-Compliance</i>
93.193	COVID-19 Urban Indian Health Services	75H XXXX H722 XXXX H722 XXXX	2023	None	No
93.231	COVID-19 Epidemiology Program	U1B1 XXXX U1B1 XXXX U1B1 XXXX	2023	None	Material
93.479	Good Health and Wellness in Indian Country	NU58 XXXX	2023	None	No

Criteria – Federal regulations and grant terms and conditions of the programs require annual fiscal reports be submitted to the awarding agencies. In accordance with Uniform Guidance 2 CFR 200.303 the Sample T/O should have internal controls established to ensure accuracy of information reported and ensure compliance with reporting requirements. Additionally, good internal controls require that an individual who did not prepare the report should review the report for accuracy prior to submission.

Condition and Context – The annual SF-425 reports required under each program were submitted, but we noted no evidence of secondary review by an individual other than the preparer. As a result, the submitted SF-425 reports misreported total program expenditures for the period and the reports were ultimately rejected by the funding agencies causing the Sample T/O’s accounting department to correct and re-submit SF-425 reports subsequent to the period under audit.

Cause – The Sample T/O does not have sufficient internal controls over their grant reporting process to ensure proper review of report prior to submission to ensure all reported information is accurate.

Effect – There is an increased likelihood of errors in the information reported to federal agencies and ultimately an increased likelihood of noncompliance over reporting requirements.

Questioned Costs – There were no questioned costs associated with this finding.

Repeat Finding – This is not a repeat finding.

Recommendation – We recommend the Sample T/O improve the controls over the reporting function, which includes the documentation, review, and approval of all required reports.

Views of responsible officials – Management agrees with the auditors' findings and will implement the corrective action plan to address the issue identified.

**Sample Tribal Organization
Schedule of Findings and Questioned Costs
September 30, 2023**

Finding 2023-004 – Allowable Costs (Significant Deficiency in Internal Control Over Compliance)

<i>Assistance Listing Numbers</i>	<i>Program Name</i>	<i>Award Number</i>	<i>Award Year</i>	<i>Questioned Costs</i>	<i>Reported Non-Compliance</i>
93.193	COVID-19 Urban Indian Health Services	75H XXXX H722 XXXX H722 XXXX	2023	Yes	Yes
93.231	COVID-19 Epidemiology Program	U1B1 XXXX U1B1 XXXX U1B1 XXXX	2023	Yes	No
93.479	Good Health and Wellness in Indian Country	NU58 XXXX	2023	Yes	No

Criteria – Federally funded entities must establish internal control procedures over compliance with provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) that require, among other things, that direct charges to federal awards be for allowable costs. To be an allowable cost, charges must be supported by appropriate documentation and be properly approved.

Condition and Context – Employee payroll costs are charged to programs based on an approved timesheet, and an allocation rate and pay rate approved through each employee’s personnel action for action form. For pay periods spanning reporting periods the Sample T/O allocates employee payroll costs to each reporting period based on the number of days of each reporting period included in the pay period.

The first payroll subsequent to year-end covered the period September 25, 2023 through October 8, 2023. This pay period included six days of fiscal year 2023 and eight days of fiscal year 2024. However, the Sample T/O incorrectly accrued eight days of payroll costs to fiscal year 2023, thereby overcharging the programs.

Cause – It appears this deficiency was caused by inadequate internal controls over the year-end payroll accrual calculation.

Effect – Without strong internal controls over payroll unallowable expenditures could be charged to a federally funded program.

Questioned Costs – This control deficiency resulted in the following questioned costs;

- AL Number 93.193 – Known questioned costs were \$49,659
- AL Number 93.479 – Known questioned costs were \$1,613
- AL Number 93.231 – Known questioned costs were \$11,355

**Sample Tribal Organization
Schedule of Findings and Questioned Costs
September 30, 2023**

Since we evaluated 100% of the year-end accrued payroll there are no likely questioned costs.

Repeat Finding – No

Recommendation – We recommend the Sample T/O improve the controls over the payroll, to ensure year-end accrual amounts are properly calculated.

Views of responsible officials – Management respectfully disagrees with the characterization of the finding as a significant deficiency in internal control over compliance and another matter. Management believes the internal control processes and reviews currently in place are effective. Management will implement the additional review step identified in the corrective action plan to further enhance the internal control.

Sample Tribal Organization
Summary Schedule of Prior Audit Findings
September 30, 2023

SAMPLE TRIBAL ORGANIZATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2023

U.S. Department of Health and Human Services

The following represents the Sample Tribal Organization’s summary schedule of prior audit findings.

Audit period: October 01, 2022, to September 30, 2023

The findings from the prior audit’s schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

Section II – Financial Statement Findings

Finding 2022-001 – Financial Reporting Material Weakness in Internal Control

Status as of September 30, 2023: Robust controls are in place for regular financial reporting, including monthly, quarterly, and year-end review processes for significant statement of financial position accounts. To further enhance our processes, a comprehensive checklist for month-end closing that includes quarterly, semi-annual, and annual closing items was introduced. These measures help ensure the accuracy and completeness of the financial statements and minimize the risk of material misstatements. The Sample T/O remains committed to further strengthening their controls and processes where necessary and to maintaining transparent and reliable financial reporting.

Reason for finding’s recurrence: Insufficient reconciliation of general ledger accounts due to staff turnover in the finance and grants compliance departments.

Responsible leader: ██████████, CFO at (██████) 324-9360

Section III – Federal Awards Findings and Questioned Costs

Finding 2022-002 – Eligibility (Material Weakness in Internal Control over compliance and Non-Compliance)

<i>AL Number</i>	<i>Program Name</i>	<i>Award Number</i>	<i>Award Period</i>
21.027	COVID-19 State and Local Fiscal Recovery Funds	Various	9/1/2021 – 6/30/2023

Status as of September 30, 2023: Corrective action was taken. Program managers are aware of the significant compliance requirements associated with these awards. Since September 2022, the Community Services Team has reported to the Behavioral Health Officer, leading to updated and documented processes and a stronger review system.

Responsible leader: ██████████, CFO at (██████) 324-9360

**Sample Tribal Organization
Corrective Action Plan
Year Ended September 30, 2023**

**SAMPLE TRIBAL ORGANIZATION
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2023**

The following represents the Sample Tribal Organization's corrective action plan for each of the items identified in the audit of the September 30, 2023 financial statements in accordance with 2 CFR 200.511(c):

Section II – Financial Statement Findings

Finding 2023-001- Reconciliation of Grant Revenue – Significant Deficiency

Planned Corrective Action: Traditionally, the Sample Tribal Organization has received very little in the way of support from unconditional grants from private sources and has therefore defaulted in treating funding from these sources like its more traditional funding source of government contracts. The resulting differences in accounting treatment have therefore been negligible.

However, management believes that there are great benefits for the Sample Tribal Organization in pursuing private funding opportunities.

Management has therefore begun training key individuals in the distinct accounting treatment of revenue recognition differences between government contracts and privately funded grants.

Name of Responsible Party: [REDACTED], Controller

Anticipated Completion Date: September 30, 2024

Section III – Federal Award Findings and Questioned Costs

Finding 2023-002 – Eligibility (Material Weakness in Internal Control Over Compliance and Material Noncompliance)

<i>Assistance Listing Numbers</i>	<i>Program Name</i>	<i>Award Number</i>	<i>Award Year</i>	<i>Questioned Costs</i>
93.193	IHS FS&A and COVID-19 IHS FS&A	75H XXXX H722 XXXX H722 XXXX	2023	None

Planned Corrective Action: The Sample Tribal Organization has adopted a sliding fee program that provides discounts to eligible patients and Indian tribes. To address the auditors' concerns and further strengthen our internal controls, we are implementing a comprehensive corrective action plan.

**Sample Tribal Organization
Corrective Action Plan
Year Ended September 30, 2023**

Firstly, we will ensure that all personnel involved in eligibility checks, including front desk staff and benefits specialists, are fully trained and aware of federal regulations and internal policies. This will be achieved through comprehensive training sessions and the development of a detailed training manual outlining eligibility criteria, documentation requirements, and procedural steps. Periodic refresher training sessions will reinforce adherence to these policies.

Secondly, we will establish a robust internal audit system to regularly review and verify compliance with eligibility requirements. This includes integrating a monthly audit of eligibility determinations into the month-end reporting process, conducted by the clinical operations team. The clinical operations team will use a standardized checklist during these audits to ensure consistency and thoroughness. They will document findings and follow up on any issues or discrepancies with the relevant personnel to ensure timely corrections and adherence to procedures.

Management believes that we have adequate internal control systems to safeguard the organization's assets and comply with federal and local regulations. However, we remain committed to further strengthening our controls and processes where necessary.

Name of Responsible Party: [REDACTED], CMA, Director of FP&A

Anticipated Completion Date: September 30, 2024

Finding 2023-003 – Reporting (Material Weakness in Internal Control Over Compliance and Non-Compliance)

<i>Assistance Listing Numbers</i>	<i>Program Name</i>	<i>Award Number</i>	<i>Award Year</i>	<i>Questioned Costs</i>
93.193	IHS FS&A and COVID-19 IHS FS&A	75H XXXX H722 XXXX H722 XXXX	2023	None
93.231	Epidemiology Program and COVID-19 Epidemiology Program	U1B1 XXXX U1B1I XXXX U1B1 XXXX	2023	None
93.479	Good Health and Wellness in Indian Country	NU58 XXXX	2023	None

Sample Tribal Organization Corrective Action Plan Year Ended September 30, 2023

Planned Corrective Action: To address a gap identified internally by the Sample T/O, a new, comprehensive reconciliation and reporting process has been established. This gap was recognized when new finance department leadership assumed their positions prior to audit fieldwork, leading to the development and implementation of immediate corrective actions. Management at the Sample T/O has implemented a robust internal control process that includes reconciliation in two phases, which was developed in collaboration with our grants team. This documented process ensures thorough reconciliation and robust internal controls. It enhances the accuracy and timeliness of our financial reporting, particularly for FFR SF-425 submissions, thereby strengthening our overall financial management practices. The following outlines the detailed steps of this process, divided into two critical phases:

Phase I: Revenue, Expenses, and Cash Reconciliation

1. **Reconciliation by FP&A Analyst:** Ensures that the figures and documents entered in Sage Intacct align with the Payment Management System (PMS) regarding authorized grant amounts and drawdown amounts at each month-end close.
2. **Grant Receivable Invoices:** Recorded in Sage Intacct as part of the month-end close process. A billing or AR accountant collects the expenses and enters corresponding revenue amounts, which the system uses to generate invoices.
3. **Notification of Drawdown:** The FP&A Analyst notifies the Director of FP&A and the Account Manager via email about the drawdown and the corresponding invoice amount.
4. **Verification and Processing:** The Director of FP&A verifies the amount and processes the drawdown from PMS to the bank.
5. **Monthly CFO Report:** The CFO receives a monthly status report.

Phase II: FFR Reporting

1. **Weekly PMS Review:** Every Monday, the PMS is reviewed to identify any projects pending or expired for quarterly, annual, and final report periods.
2. **Preparation of Revenue Reports:** The billing or AR accountant prepares the direct and indirect revenue based on expense amounts.
3. **Submission for Approval:** The prepared revenue reports are submitted in the PMS for approval by the Director of FP&A.
4. **Final Submission:** After the DFPA's approval and final submission in the PMS, the information appears in the Grant Solution system for further approval by the program and grants team.
5. **PMS Report:** Receive an approval or rejection report from the PMS.

Name of Responsible Party: [REDACTED] CMA, Director of FP&A

Anticipated Completion Date: September 30, 2024

**Sample Tribal Organization
Corrective Action Plan
Year Ended September 30, 2023**

Finding 2023-004 – Allowable Costs (Significant Deficiency in Internal Control Over Compliance and an Other Matter)

Assistance Listing Numbers	Program Name	Award Number	Award Year	Questioned Costs
93.193	IHS Function, Services & Activities and COVID-19 IHS FS&A	75H XXXX H72 XXXX H72 XXXX	2023	Yes
93.231	Epidemiology Program and COVID-19 Epidemiology Program	U1B1IH XXXX U1B1IH XXXX U1B1 XXXX	2023	Yes
93.479	Good Health and Wellness in Indian Country	NU58 XXXX	2023	Yes

Planned Corrective Action: Management of the Sample T/O have placed appropriate measures to oversee the internal control process of the month and year-end close. The accounting staff will prepare the transactions and the controller will approve it accordingly and the Director of FP&A will rectify them whenever FFR reports are completed. We have implemented strong internal control by separating the preparation of the month and year end reporting to be done by staff accountant and approved by Controller or Director of FPA. In addition, the CFO is reviewing month-end reconciliations on a quarterly basis.

Name of Responsible Party: [REDACTED], CMA, Director of FP&A

Anticipated Completion Date: September 30, 2024.

Supplementary Information

Sample Tribal Organization
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Federal Grantor/Office/ Program Title	Federal Assistance Listing Number	Grant Number	Amounts Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	CB XXXX	\$ -	\$ 18,023
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	27 XXXX	-	53,730
Total assistance listing number 10.557			-	71,753
Total Department of Agriculture			-	71,753
U.S. Department of Justice				
Sexual Assault Services Culturally Specific Program	16.023	2019- XXXX	-	5,330
Total Department of Justice			-	5,330
U.S. Department of the Treasury				
<i>Pass-through from _____ State Department of Commerce:</i>				
Covid-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	21- XXXX	-	985,007
<i>Pass-through from City of Seattle:</i>				
Covid-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	OSE XXXX	-	7,245
<i>Pass-through from _____ State Health Care Authority:</i>				
Covid-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	G2 XXXX	-	625,578
Total assistance listing number 21.027			-	1,617,830
Total Department of the Treasury			-	1,617,830
National Science Foundation				
<i>Pass-through from Swinomish Indian Tribal Community:</i>				
Education and Human Resources-AIAN STEM	47.076	DRL XXXX	-	938
Total National Science Foundation			-	938
U.S. Department of Health and Human Services				
Covid-19-IHS FS&A	93.193	75H7xxxx	-	1,331,484
IHS FS&A	93.193	75H7xxxx	-	7,167,690
IHS FS&A	93.193	75H7 XXXX	-	3,300,783
IHS FS&A	93.193	H72 XXXX	-	291,014
IHS FS&A	93.193	H722 XXXX	-	328,059
Total assistance listing number 93.193			-	12,419,030
Health Center Program Cluster				
Covid-19- Health Center Program	93.224	1 H8F XXXX	-	79,113
Health Center Program	93.224	6 H80 XXXX	-	879,537
Health Center Program	93.224	H80 XXXX	-	1,840,259
Health Center Program	93.224	1 H8H XXXX 0	-	98,533
Health Center Program	93.224	H80 XXXX	-	8,735
Total assistance listing number 93.224			-	2,906,177
Grants for New and Expanded Services under the Health Center Program	93.527	Q8 XXXX	-	81,388
Covid-19- Grants for New and Expanded Services under the Health Center Program	93.527	H8G XXXX 0	-	110,996
Total assistance listing number 93.527			-	192,384
Total Health Center Program Cluster			-	3,098,561
Covid-19- Epidemiology Cooperative Agreements	93.231	U1B1 XXXX	-	689,879
Epidemiology Cooperative Agreements	93.231	U1B1 XXXX	-	818,537
Epidemiology Cooperative Agreements	93.231	U1B1 XXXX	-	1,137,242
Epidemiology Cooperative Agreements	93.231	U1B XXXX	-	168,019
Total assistance listing number 93.231			-	2,813,677

See accompanying notes to schedule of expenditures of federal awards.

**Sample Tribal Organization
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023**

Federal Grantor/Office/ Program Title	Assistance Listing Number	Grant Number	Amounts Provided to Subrecipients	Federal Expenditures
Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	93.237	H1D XXXX	\$ -	\$ 110,622
Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	93.237	H1D XXXX	-	243,653
Total assistance listing number 93.237			-	354,275
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H7 XXXX	-	112,476
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79 XXXX	-	208,083
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79 XXXX	-	161,978
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79S XXXX	-	437,150
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79 XXXX	-	9,492
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79 XXXX	-	14,624
Total assistance listing number 93.243			-	943,803
<i>Pass-through from _____ State Department of Health:</i>				
The CDC Public Health Cancer Genomics Program Translating Research into Public Health Practice	93.380	CB XXXX	-	2,256
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	PRV XXXX	-	90,392
Good Health and Wellness in Indian Country	93.479	NU58 XXXX	575,310	1,052,251
Covid-19 Grants for Capital Development in Health Centers	93.526	6 C8E XXXX	-	28,865
Covid-19-Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	H79 XXXX	-	573,944
A Comprehensive Approach to Good Health and Wellness in Indian County	93.762	5 NU58 XXXX	-	6,393
A Comprehensive Approach to Good Health and Wellness in Indian County	93.762	NU58 XXXX	-	64
A Comprehensive Approach to Good Health and Wellness in Indian County	93.762	NU58 XXXX	-	113,763
A Comprehensive Approach to Good Health and Wellness in Indian County	93.762	1 NU58 XXXX	40,000	411,449
A Comprehensive Approach to Good Health and Wellness in Indian County	93.762	NU58 XXXX	-	269
A Comprehensive Approach to Good Health and Wellness in Indian County	93.762	6 NU58XXXX	-	2,118
Total assistance listing number 93.762			40,000	534,056
<i>Pass-through from _____ State Health Care Authority:</i>				
Opioid STR	93.788	Kxxxx	-	95,693
<i>Pass-through from American Indian Cancer Foundation (AICAF):</i>				
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	1NUxxxx	-	48
Demonstration Projects for Indian Health	93.933	75H7xxxx	-	26,361
Demonstration Projects for Indian Health	93.933	H1H9XXXX	-	85,095
Total assistance listing number 93.933			-	111,456
Block Grants for Community Mental Health Services	93.958	XXXX	-	40,312
Block Grants for Prevention and Treatment of Substance Abuse	93.959	HCA Contract # XXXX	-	21,608
Total U.S. Department of Health and Human Services			615,310	22,180,227
Total Expenditures of Federal Awards			\$ 615,310	\$ 23,876,078

See accompanying notes to schedule of expenditures of federal awards.

Sample Tribal Organization
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Note 1 – Basis of Presentation & Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Sample Tribal Organization under programs of the federal government for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Sample Tribal Organization, it is not intended to and does not present the statements of financial position, change in net assets, cash flows, or functional expenses of Sample Tribal Organization.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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.

Note 2 – Indirect Cost Rate

Sample Tribal Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Pass-Through to Subrecipients

The Sample T/O also provided federal awards to subrecipients, of which the amounts are presented in the schedule of expenditures of federal awards.

